

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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U	B	S	I	D	I	A	R	I	E	S																			

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

www.jgsummit.com.ph

Company's Telephone Number

633-7631

Mobile Number

-

No. of Stockholders

Annual Meeting (Month / Day)

2nd Thursday of June

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Francisco M. Del Mundo

Email Address

Pancho.DelMundo@urc.net.ph

Telephone Number/s

633-7631

Mobile Number

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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2019**

2. SEC Identification Number **184044**

3. BIR Tax Identification No. **000-775-860**

4. Exact name of registrant as specified in its charter **JG Summit Holdings, Inc.**

5. **Pasig City, Philippines**

Province, Country or other jurisdiction of
incorporation or organization

6. (SEC Use Only)

Industry Classification Code:

7. **43rd Floor, Robinsons-Equitable Tower ADB Ave. corner Poveda Road, Pasig City 1600**

Address of principal office

Postal Code

8. **(632) 633-7631**

Registrant's telephone number, including area code

9. **Not Applicable**

Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the RSC, or Sec. 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common Stock Outstanding
and Amount of Debt Outstanding

Common Stock

7,162,841,657

Long-term Debt

30,000,000,000

11. Are any or all of these securities listed on a Stock Exchange.

Yes [/] No []

If yes, state the name of such stock exchange and the classes of securities listed herein:

Philippine Stock Exchange

Common Stock

12. Check whether the registrant:

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

Yes [/] No []

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

Yes [/] No []

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements are filed as part of this Form 17-Q.

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

The Group has presented its interim unaudited consolidated financial statements as of and for the period ended March 31, 2019 in compliance with the new accounting standards (PFRS 9 and 15) which the Group has adopted effective 2018. To align with the current period's presentation, the Group has reclassified and restated the comparative accounts in the consolidated statements of financial performance for the period ended March 31, 2018.

Results of Operations

Three Months Ended March 31, 2019 vs March 31, 2018

JG Summit Holdings, Inc. posted a consolidated net income from equity holders of the parent of ₱7.44 billion for the first quarter of 2019, a 54.2% increase from ₱4.82 billion for the same period last year. Increase is mainly due to the double-digit income growth in our airline and real estate businesses, partially offset by the income decline in petrochemicals business and coupled by the foreign exchange translation gains and market valuation gains on the Group's financial assets during the period. Consolidated EBITDA reached ₱19.01 billion, a 13.5% increase from last year's ₱16.76 billion. Consolidated core net income after taxes (excluding non-operating and nonrecurring items) of ₱6.22 billion for the first quarter of 2019 remained flattish from ₱6.35 billion for the first quarter of 2018.

Consolidated revenues grew 8.7% from ₱70.15 billion to ₱76.26 billion due to the performance of the following core subsidiaries:

- URC's total revenues increased by 8.7% from ₱30.66 billion in 2018 to ₱33.32 billion in 2019 driven by double-digit sales growth in all segments particularly 10.5% increase in branded consumer foods (BCF) domestic sales, 53.1% growth in feeds business, and 12.8% total sales increase in commodity foods segment.
- Cebu Air's total revenues went up by 16.0% from ₱18.26 billion for the first quarter of 2018 to ₱21.18 billion in 2019 due to the 8.5% growth in passenger volume coupled by 5.7% increase in average fares.
- RLC's total revenues increased by 6.7% from ₱6.34 billion in 2018 to ₱6.76 billion in 2019 mainly due to growth in rental income from the commercial centers and office buildings divisions.
- JG Petrochemicals Group revenues decreased by 8.3% from ₱10.43 billion for the first quarter of 2018 to ₱9.57 billion for the same period this year primarily due to decrease in average selling prices for polymers, pygas, C2, and mixed C4.
- Robinsons Bank's revenues increased 40.0% from ₱1.35 billion for the first quarter of 2018 to ₱1.89 billion for the same period this year due to higher interest income from finance receivables, commission income and trading gains during the period.

Revenues from our core investments increased by 26.2% as the dividend income received by the Group increased from ₱507.40 million last year to ₱640.07 million this year due to the higher dividends declared by PLDT (₱28 per share in 2018 to ₱36 per share in 2019). Equity in net earnings of associates, primarily from our investments in UIC/Singapore Land, Meralco and GBPC, increased by 11.1% from ₱2.46 billion for the first quarter of 2018 to ₱2.74 billion for the same period this year due to higher equity in net earnings from UIC and Meralco, partially offset by the decline in equity in net earnings from GBPC.

Consolidated cost of sales and services for the first quarter of the year increased by 6.4% from ₱45.64 billion last year to ₱48.57 billion this year due to higher input costs of all core businesses.

The Group's operating expenses increased by 13.7% from ₱12.60 billion last year to ₱14.32 billion in the same period this year due to higher selling, general and administrative expenses, particularly from the food and airline businesses. As a result, Consolidated Operating Income or EBIT amounted to ₱13.38 billion for the first quarter of 2019, a 12.3% increase from ₱11.91 billion for the same period last year.

The Group's financing costs and other charges, net of interest income, increased by 33.6% to ₱2.29 billion this year from last year's ₱1.71 billion due to higher level of financial debt of the Parent Company and airline business, as well as net increase in trust receipts of the petrochemicals business.

Market valuation gains recognized from financial assets and derivative instruments for the first quarter of 2019 amounted to ₱1.78 billion from a loss of ₱283.23 million for the same period last year attributable to the mark-to-market valuation gains on fuel hedging transactions of the airline business and increase in market values of the Group's financial assets at FVTPL.

The Group recognized a net foreign exchange gain of ₱220.72 million in 2019 from ₱1.06 billion foreign exchange loss for the same period last year due to the lower depreciation of Philippine Peso against US Dollar for the first quarter of 2019 as compared to first quarter of 2018 (₱52.58 as of December 31, 2018 to ₱52.50 as of March 31, 2018 versus ₱49.93 as of December 31, 2017 to ₱52.16 as of March 31, 2018).

Other income (expense) - net account, which represents miscellaneous income and expenses, amounted to a loss of ₱321.54 million for the first quarter of 2019 mainly due to CEB's loss on sale of aircraft.

Provision for income tax increased by 58.6% to ₱2.05 billion for the first quarter of 2019 mainly due to higher taxable income of the food business and decrease in deferred tax assets of the airline business.

FOOD

Universal Robina Corporation (URC) generated a consolidated sale of goods and services of ₱33.32 billion for the first quarter ended March 31, 2019, an 8.7% sales growth over the same period last year. Sale of goods and services performance by business segment follows: (1) URC's branded consumer foods segment (BCFG), excluding packaging division, increased by 4.9% to ₱25.77 billion for the first quarter of 2019 from ₱24.58 billion registered in the same period last year. BCFG domestic operations posted a 10.5% increase in net sales from ₱14.11 billion for the first quarter of 2018 to ₱15.59 billion for the first quarter of 2019 driven by double digit growths in all categories with coffee pivoting back to growth. BCFG international operations reported a 2.8% decrease in net sales from ₱10.47 billion for the first quarter of 2018 to ₱10.18 billion for the first quarter of 2019 due to forex devaluations particularly in New Zealand and Australia. In US dollar (US\$) terms, sales is flat with mixed results from major markets. New Zealand is now back to growth of 1.7% with better sales coming from sweet biscuits, salty snacks, and URC's newly launched snacking cracker. Australia slightly declined by 1.0% driven by the

capacity increase transition in core potato lines. Vietnam is still on track on its path to recovery as sales continue to grow by 7.9% with C2 leading overall growth as it continues to reap the benefits of our drive to recover numeric distribution. Thailand sales remain weaker than expected as sales declined by 3.8% driven by trade inventory corrections. Sale of goods and services in URC's packaging division decreased by 6.2% to ₱383.54 million for the first quarter of 2019 from ₱408.91 million recorded in the same period last year due to weaker volumes. (2) Agro-Industrial segment (AIG) amounted to ₱3.11 billion for the first quarter of 2019, an increase of 20.8% from ₱2.58 billion recorded in the same period last year. Feeds business increased by 53.1% driven by higher volumes and selling prices while farms business decreased by 14.1% due to lower volumes. (3) Sale of goods and services in commodity foods segment (CFG) amounted to ₱4.05 billion for the first quarter of 2019, a 30.9% increase from ₱3.09 billion reported in the same period last year, including the PFRS 15 impact on sugar milling revenue which URC adopted in January 1, 2019. Increase in CFG total sales for the first quarter of 2019 would have only 12.8% should the PFRS 15 impact on sugar milling revenue has been effected in the first quarter of 2018. Sugar business grew by 7.8% due to higher sales volume of raw sugar as well as better prices of both raw and refined sugar, while renewables business grew by 12.4% driven by improved sales volume of distillery division. Flour business posted a 25.1% increase due to strong volumes.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by 7.7% to ₱23.11 billion for the first quarter of 2019 from ₱21.46 billion recorded in the same period last year as a result of higher sales volume. Impact on cost of sales of PFRS 15 on sugar milling for the first quarter of 2019 amounted to ₱624 million. Excluding this, cost sales would have only increased by 5.3% from last year.

URC's gross profit for the first quarter of 2019 amounted to ₱10.21 billion, up by 11.0% from ₱9.20 billion reported in the same period last year. Gross profit margin increased by 65 basis points from 30.0% for the first quarter of 2018 to 30.6% for the first quarter of 2019.

URC's selling and distribution costs and general and administrative expenses rose by 9.0% to ₱6.26 billion for the first quarter of 2019 from ₱5.74 billion registered for the first quarter of 2018 resulted primarily from the following factors: (a) 27.2% or ₱393 increase in advertising and promotions to ₱1.84 billion for the first quarter of 2019 from ₱1.44 billion in the same period last year due to higher consumer promotions and trade development activities; (b) 159.6% or ₱75 million increase in repairs and maintenance to ₱122 million for the first quarter of 2019 from ₱47 million in the same period last year; (c) 23.0% or ₱49 million increase in contracted services to ₱263 million for the first quarter of 2019 from ₱214 million in the same period last year due to additional conso warehouses.

As a result of the above factors, operating income increased by 14.3% to ₱3.95 billion for the first quarter of 2019 from ₱3.46 billion reported for the first quarter of 2018.

Market valuation loss on financial instruments at fair value through profit or loss decreased to ₱44 thousand for the first quarter of 2019 against the ₱26 million in the same period last year due to steady market values of equity investments.

URC's finance revenue consists of interest income from investments in money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by 26.9% to ₱93 million for the first quarter of 2019 from ₱74 million in the same period last year due to higher level of financial assets.

URC's finance costs consist mainly of interest expense which increased by 12.2%, to ₱408 million for the first quarter of 2019 from ₱363 million recorded in the same period last year due to higher level of interest-bearing financial liabilities.

Foreign exchange gains - net amounted to ₱207 million for the first quarter of 2019 from ₱759 million in the same period last year due to the combined effects of depreciation of international subsidiaries' local currencies and Philippine peso vis-à-vis US dollar.

Equity in net losses of joint ventures slightly decreased to ₱16 million for the first quarter of 2019 from ₱17 million in the same period last year due to change in ownership of URC on HURC and CURC from joint ventures to wholly-owned subsidiaries.

Other income (expense) - net account consists of gain (loss) on sale of fixed assets and investments, rental income, and miscellaneous income and expenses. This account amounted to net other income of ₱15 million for the first quarter of 2019 from a ₱237 million net other expenses for first quarter of 2018 due to last year's payment of professional fees for services rendered by third party consultants for the review of URC's brand portfolio.

URC recognized provision for income tax of ₱716 million for the first quarter of 2019, a 14.6% increase from ₱625 million for the first quarter of 2018 due to higher taxable income, net of decrease in deferred taxes arising from deferred tax liability reversal on realized foreign exchange gain.

URC's net income for the first quarter of 2019 amounted to ₱3.13 billion, higher by 3.5%, from ₱3.02 billion for the first quarter of 2018 driven by higher operating income, net of lower forex gain.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other income - net) for the first quarter of 2019 amounted to ₱3.64 billion, an increase of 24.8% from ₱2.91 billion recorded in the same period last year.

Net income attributable to equity holders of the parent increased by 2.9% to ₱3.04 billion for the first quarter of 2019 from ₱2.95 billion for the first quarter of 2018 as a result of the factors discussed above.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱5.64 billion for the first quarter of 2019, 12.9% higher than ₱4.99 billion posted for the first quarter of 2018.

REAL ESTATE AND HOTELS

Robinsons Land Corporation's (RLC) consolidated net income attributable to equity holders of the parent for the period ended March 31, 2019 amounted to ₱1.83 billion, up by 19% from last year. EBIT and EBITDA increased by 14% and 12% to ₱2.58 billion and ₱3.75 billion, respectively, for the three months ended March 31, 2019.

Total real estate revenues increased by 6% to ₱6.24 billion against last year's ₱5.87 billion, while hotel revenues were also up by 10% to ₱521.5 million. The Commercial Centers Division contributed 46% or ₱3.14 billion of RLC's gross revenues, posting a 9% growth due to same mall rental revenue growth and rental revenue contribution of the new malls namely Robinsons Place Ormoc, Robinsons Place Pavia, and Robinsons North Tuguegarao and Robinsons Place Valencia. Amusement revenue went down by 6% to ₱423.4 million. RLC's Residential Division contributed 29% or ₱1.97 billion to RLC's revenues, down by 7% versus same period last year mainly due to the timing of revenue recognition from full equity sales. The Office Buildings Division contributed 17% or ₱1.12 billion, registering a double-digit growth in revenues at 30% buoyed by rental escalations and high renewal rates in existing office developments and rental contribution of new offices that came online in 2018 namely Exxa Tower, Zeta Tower and Cyberscape Gamma. The Hotels and Resorts Division contributed 8% or ₱521.5 million to RLC's revenues, up by 10% versus same period last year due to revenue contribution of new hotels namely Summit Hotel Tacloban and Go Hotels - Iligan. The Industrial and Integrated Developments Division

generated ₱29.6 million in revenues which was 7% higher than the previous year mainly due to the recognition of lease revenues from the Sucat warehouse.

Real estate costs were slightly down by 1% to ₱2.68 billion while hotel expenses were up by 15% to ₱427.8 million due to the expenses of the new hotels. General and administrative expenses grew by 6% to ₱1.10 billion because of higher taxes and licenses, salaries and wages and advertising and promotions, among others.

AIR TRANSPORTATION

Cebu Air, Inc. (Cebu Pacific) generated gross revenues of ₱21.18 billion for the three months ended March 31, 2019, 16.0% higher than the ₱18.26 billion revenues generated in the same period last year accounted for as follows: (1) passenger revenues grew by 14.6% to ₱15.68 billion for the three months ended March 31, 2019 from ₱13.68 billion reported in the three months ended March 31, 2018, mainly attributable to the 8.5% growth in passenger volume to 5.29 million from 4.88 million last year as Cebu Pacific added bigger A321 aircraft to its fleet. The increase in average fares by 5.7% to ₱2,965 for the three months ended March 31, 2019 from ₱2,805 also contributed to the increase in revenues; (2) cargo revenues grew by 12.7% to ₱1.44 billion for the three months ended March 31, 2019 from ₱1.28 billion for the three months ended March 31, 2018 following the increase in both yield and volume of cargo transported in 2019; and (3) ancillary revenues increased by 22.7% to ₱4.06 billion for the three months ended March 31, 2019 from ₱3.31 billion posted in the same period last year attributable to the increase in average ancillary revenue per passenger by 13.1% from pricing adjustments and increased volume of certain ancillary products and services.

Cebu Pacific incurred operating expenses of ₱17.35 billion for the three months ended March 31, 2019, higher by 8.4% than the ₱16.00 billion operating expenses reported for the three months ended March 31, 2018. The increase was driven by its expanded operations, growth in seat capacity from the acquisition of new aircraft and the weakening of the Philippine peso against the U.S. dollar. As a result, Cebu Pacific's operating income amounted to ₱3.83 billion for the three months ended March 31, 2019, 69.3% lower than the ₱2.26 billion operating income earned in the same period last year.

Interest income increased by 129.1% to ₱184.07 million for the three months ended March 31, 2019 from ₱80.35 million earned in the same period last year due to the increase in the balance of cash in bank and short term placements year on year and to higher interest rates for USD short term placements.

Cebu Pacific incurred a hedging gain of ₱1.01 billion for the three months ended March 31, 2019, an increase of ₱724.01 million from a hedging gain of ₱290.28 million in the same period last year as a result of higher mark-to-market valuation on fuel hedging positions in 2019. A net foreign exchange losses of ₱108.35 million was recorded for the three months ended March 31, 2019 resulted from the weakening of the Philippine peso against the U.S. dollar. Cebu Pacific's major exposure to foreign exchange rate fluctuations is in respect to U.S. dollar denominated long-term debt incurred in connection with aircraft acquisitions.

Equity in net income of joint venture amounted to ₱20.85 million for the three months ended March 31, 2019 from ₱33.89 million in the same period last year attributable to net loss incurred by Aviation Partnership (Philippines) Corporation (A-plus) and 1Aviation in 2019.

Interest expense increased by 93.5% to ₱702.42 million for the three months ended March 31, 2019 from ₱363.08 million for the three months ended March 31, 2018 due to higher interest expense incurred brought by the additional loans availed to finance the acquisition of the additional aircraft delivered throughout 2018 and 2019, higher interest benchmark rates such as LIBOR and PDSTR2 and the effect of the weakening of the Philippine peso against the U.S. dollar during the period.

In March 2019, Cebu Pacific sold and delivered one Airbus A320 aircraft as part of a three-aircraft sale transaction, to a subsidiary of Allegiant Travel Company which resulted to a loss of ₱178.10 million.

Net income for the three months ended March 31, 2019 amounted to ₱3.43 billion, an increase of 138.4% from the ₱1.44 billion net income earned in the same period last year.

PETROCHEMICALS

JG Summit Petrochemicals Group, which consists of JG Summit Petrochemicals Corporation (JGSPC) and JG Summit Olefins Corporation (JGSOC), reached combined gross revenues of ₱9.57 billion for the three months ended March 31, 2019, a 8.3% decrease from ₱10.43 billion in the same period last year brought about by the lower average selling prices for polymers, pygas, C2 and mixed C4 during the period. Costs and expenses increased by 4.2% from ₱9.99 billion for the first quarter of 2018 to ₱10.41 billion for the first quarter of 2019. This resulted to a net operating loss of ₱494.75 million for the first quarter of 2019, a 155.2% decline from ₱896.20 million net operating income in the same period last year. Interest expense amounted to ₱320.90 million for the first quarter of 2019 from only ₱29.14 million for the first quarter of 2018 due to higher level of trust receipts payable. A net foreign exchange gain of ₱87.23 million was also recognized for the first quarter of 2019 from last year's net foreign exchange loss of ₱45.83 million. All these factors contributed to the net loss of ₱730.40 million recorded for the three months ended March 31, 2019, a 188.4% decrease from ₱826.30 million net income for the same period last year.

BANKING

Robinsons Bank Corporation generated banking revenue of ₱1.89 billion for the first quarter of 2019, a 40.0% increase from last year's ₱1.35 billion brought about by higher interest income from finance receivables, commission income and trading gains during the period. Cost and expenses, including interest expense from deposit liabilities, also increased by 47.8% as the bank continued its expansion. These factors contributed to the net income of ₱42.53 million for the first quarter of 2019, a 57.5% decrease from ₱100.08 million net income for the same period last year.

EQUITY EARNINGS

Equity in net earnings of associated companies and joint ventures amounted to ₱2.74 billion for the first quarter of 2019, an 11.1% increase from last year's ₱2.46 billion, primarily due to 7% increase in equity earnings from Meralco from ₱1.52 billion last year to ₱1.62 billion this year and 37.4% increase in equity earnings from UIC from ₱774.74 million last year to ₱1.06 billion for the three months of 2019. UIC recorded net income from operations of S\$81.12 million for the three months of 2019, a 34.7% increase from last year's S\$60.24 million coming from 39% increase in sales of trading properties and 25% increase in revenue from information technology operations. Since the Group's policy for the valuation of property, plant and equipment is the cost basis method, the equity income taken up by the Group represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets.

FINANCIAL RESOURCES AND LIQUIDITY

March 31, 2019 vs December 31, 2018

As of March 31, 2019, the Group's balance sheet remains healthy, with consolidated assets of ₱840.52 billion from ₱819.29 billion as of December 31, 2018. Current ratio stood at 1.13. The Group's indebtedness remained manageable with a gearing ratio of 0.66 and net debt to equity of 0.52 as of March 31, 2019.

Cash and cash equivalents increased to ₱55.34 billion as of March 31, 2019 from ₱49.20 billion as of December 31, 2018. Cash provided by operating activities amounted to ₱16.90 billion. As of March 31, 2019, net cash used in investing activities amounted to ₱12.04 billion mainly for the Group's capital expenditure program. The Group's net cash provided by financing activities amounted to ₱1.29 billion primarily due to the proceeds from additional trust receipts payable of the food and petrochemicals businesses. Our financial assets, including those held at fair value through profit and loss (FVTPL) (excluding derivative assets), fair value through other comprehensive income (FVOCI), and investment securities at amortized cost amounted to ₱56.83 billion, a 4.7% decrease from ₱59.62 billion as of December 31, 2018 due to lower market valuation during the year.

Receivables, including noncurrent portion increased by 9.8% from ₱93.53 billion as of December 31, 2018 to ₱102.70 billion as of March 31, 2019 mainly due to the increase in trade receivables of the real estate business, finance receivables of the banking business and dividends receivable of the Parent Company.

Other current assets decreased by 6.1% from ₱24.56 billion as of December 31, 2018 to ₱23.05 billion as of March 31, 2019 mainly due to decline in advances to suppliers of the airline business.

Consolidated total assets reached ₱840.52 billion as of end of March 31, 2019.

Short term debt increased 14.9% to ₱40.75 billion as of March 31, 2019 from ₱35.45 billion as of December 31, 2018 mainly due to additional trust receipts payable of the petrochemicals and food businesses during the period.

Income tax payable increased 31.0% mainly due to higher level of tax payable of the food and real estate businesses.

Contract liabilities (current and noncurrent) totaling ₱16.25 billion as of March 31, 2019, a 6.2% increase from ₱15.31 billion as of December 31, 2018, 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 goods and services transferred by the Group based on percentage of completion.

Other current liabilities increased by 9.8% to ₱16.53 billion as of March 31, 2019 mainly due to higher unearned transportation revenue of the airline business.

Stockholders' equity, excluding minority interest, stood at ₱285.21 billion as of March 31, 2019 from ₱276.59 billion as of December 31, 2018.

Book value per share amounted to ₱39.81 as of March 31, 2019.

KEY FINANCIAL INDICATORS

The Company sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as of March 31, 2019 and December 31, 2018 and for the three months ended March 31, 2019 and 2018.

Key Financial Indicators	2019	2018 (As Restated)
Revenues	P76,262 million	P70,146 million
EBIT	P13,376 million	P11,906 million
EBITDA	P19,014 million	P16,756 million
Core net income after taxes	P6,221 million	P6,346 million
Net income attributable to equity holders of the Parent Company	P7,436 million	P4,822 million
Liquidity Ratio:		
Current ratio	1.13	0.93
Solvency ratios:		
Gearing ratio	0.66	0.67
Net debt to equity ratio	0.52	0.53
Asset-to-equity ratio	2.23	2.23
Interest rate coverage ratio	6.72	8.04
Profitability ratio:		
Operating margin	0.18	0.17
Book value per share	39.81	38.61

The manner in which the Company calculates the above key performance indicators is as follows:

Key Financial Indicators		
Revenues	=	Total of sales and services, income from banking business, dividend income and equity in net earnings
EBIT	=	Operating income
EBITDA	=	Operating income add back depreciation and amortization expense
Core net income after taxes	=	Net income attributable to equity holders of Parent Company as adjusted for the net effect of gains/losses on foreign exchange, market valuations and derivative transactions
Current ratio	=	Total current assets over current liabilities
Gearing ratio	=	Total financial debt over total equity.
Net debt to equity ratio	=	Total financial debt less cash including financial assets at FVPL and AFS investments (excluding RBC cash, financial assets at FVPL and AFS investments) over total equity.
Asset-to-equity ratio	=	Total assets over total equity
Interest rate coverage ratio	=	EBITDA over interest expense
Operating Margin	=	Operating income over revenue
Book value per share	=	Stockholders' equity (equity attributable to parent excluding preferred shares) over outstanding number of common shares

- 2.1 Any known trends or any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

The Company does not expect any liquidity problems and is not in default of any financial obligations.

- 2.2 Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

- 2.3 Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:

The Company, in the normal course of business, makes various commitments and has certain contingent liabilities that are not reflected in the accompanying consolidated financial statements. The commitments and contingent liabilities include various guarantees, commitments to extend credit, standby letters of credit for the purchase of equipment, tax assessments and bank guarantees through its subsidiary bank. The Company does not anticipate any material losses as a result of these transactions.

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

The Company's and its subsidiaries' performance will at all times be affected by the economic performance of the Philippines and other countries where its subsidiaries operate. Hence, the Group is always on guard and establishes controls to minimize such risks.

- 2.5 Any significant elements of income or loss that did not arise from the issuer's continuing operations.

None

- 2.6 Any seasonal aspects that had a material effect on the financial condition or results of operations.

None

PART II – OTHER INFORMATION

Item 1. List of disclosure not made under SEC Form 17 - C.


None.

SIGNATURES

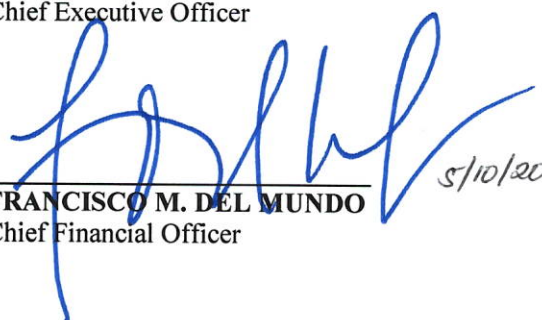
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JG SUMMIT HOLDINGS, INC.

By:


5/10/2019
JAMES L. GO
Chairman of the Board


5/10/2019
LANCE Y. GOKONGWEI
President and
Chief Executive Officer


5/10/2019
FRANCISCO M. DEL MUNDO
Chief Financial Officer

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

(In Thousands)

	March 31, 2019	December 31, 2018
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	P55,340,822	P49,194,676
Financial assets at fair value through profit or loss (Note 9)	3,263,896	3,650,525
Financial assets at fair value through other comprehensive income (Note 10)	21,426,960	23,915,671
Receivables (Note 11)	100,681,962	43,675,353
Inventories (Note 12)	64,399,826	63,472,037
Biological assets	798,204	741,720
Contract assets	5,162,244	5,088,357
Other current assets (Note 13)	23,054,475	24,566,599
Total Current Assets	274,128,389	214,304,938
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Note 10)	19,889,799	19,457,412
Receivables (Note 11)	2,018,918	49,851,486
Investment securities at amortized cost (Note 10)	12,511,955	12,597,090
Investments in associates and joint ventures (Note 14)	143,983,234	144,914,597
Property, plant and equipment	227,559,715	218,273,655
Investment properties	94,381,775	93,816,971
Contract assets	6,473,145	6,444,995
Goodwill	32,005,604	32,005,604
Intangible assets	13,938,760	13,954,425
Biological assets	343,213	366,184
Other noncurrent assets (Note 15)	13,281,716	13,299,659
Total Noncurrent Assets	566,387,834	604,982,078
	P840,516,223	P819,287,016
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 16)	P137,582,391	P132,655,835
Short-term debts (Note 18)	40,752,892	35,453,724
Current portion of long-term debts (Note 18)	30,859,634	30,962,270
Contract liabilities	13,830,971	12,931,514
Income tax payable	2,327,235	1,776,773
Other current liabilities (Note 17)	16,529,995	15,639,061
Total Current Liabilities	241,883,118	229,419,177

	March 31, 2019	December 31, 2018
	(Unaudited)	(Audited)
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 18)	P178,039,386	P179,286,698
Deferred tax liabilities	8,075,338	7,877,224
Contract liabilities	2,424,188	2,378,691
Other noncurrent liabilities (Note 19)	33,684,297	32,847,365
Total Noncurrent Liabilities	222,223,209	222,389,978
Total Liabilities	464,106,327	451,809,155
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 20)	30,755,867	30,755,867
Retained earnings (Note 20)	246,537,904	239,101,690
Equity reserve (Note 20)	29,562,069	29,573,169
Other comprehensive loss	(21,643,946)	(22,844,855)
	285,211,894	276,585,871
Non-controlling interests	91,198,002	90,891,990
Total Equity	376,409,896	367,477,861
	P840,516,223	P819,287,016

See accompanying Notes to Consolidated Financial Statements.

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

(In Thousands Except Per Share Amounts)

	Three Months Ended March 31	
	2019	2018 (As restated)
REVENUE		
Sale of goods and services:		
Foods	P33,317,050	P30,658,311
Air transportation	21,177,466	18,260,672
Petrochemicals	9,566,882	10,429,484
Real estate and hotels	6,760,934	6,336,177
Banking	1,894,103	1,353,188
Dividend income	640,075	507,400
Equity in net earnings of associates and joint ventures	2,738,399	2,464,246
Supplementary businesses	167,213	136,080
	76,262,122	70,145,558
COST OF SALES AND SERVICES	48,565,234	45,639,844
GROSS INCOME	27,696,888	24,505,714
OTHER OPERATING EXPENSES		
General and administrative expenses	14,320,216	12,594,190
Impairment losses and others	796	5,573
	14,321,012	12,599,763
OPERATING INCOME	13,375,876	11,905,951
OTHER INCOME (LOSSES)		
Financing costs and other charges	(2,828,734)	(2,083,506)
Market valuation gains (losses) on derivative financial instruments	1,014,289	276,396
Foreign exchange gains (losses)	220,719	(1,057,447)
Market valuation losses on financial assets at fair value through profit or loss	763,956	(559,621)
Finance income	547,850	375,629
Others	(321,538)	(239,083)
INCOME BEFORE INCOME TAX	12,772,418	8,618,319
PROVISION FOR INCOME TAX	2,047,548	1,290,957
NET INCOME	P10,724,870	P7,327,362
NET INCOME ATTRIBUTABLE TO		
Equity holders of the Parent Company	P7,436,214	P4,821,929
Non-controlling interests	3,288,656	2,505,433
	P10,724,870	P7,327,362

(Forward)

	Three Months Ended March 31	
	2019	2018 (As restated)
NET INCOME	P10,724,870	P7,327,362
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Item that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustments	(132,823)	(1,061,429)
Net gains (losses) on financial assets at FVOCI (debt securities)	981,375	242,227
Net losses from cash flow hedges	(5,864)	21,924
Share in the net unrealized losses on financial assets at FVOCI (debt securities)	76,566	(10,911)
	919,254	(808,189)
Item that will not be reclassified subsequently to profit or loss:		
Net gains (losses) on financial assets at FVOCI (equity securities)	466,598	—
Remeasurements due to defined benefit liability, net of tax	350	(1,758)
Share in remeasurements of the net defined benefit liability of associates	10,642	68
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	1,396,844	(809,879)
TOTAL COMPREHENSIVE INCOME	P12,121,714	P6,517,483
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO		
Equity holders of the Parent Company	P8,637,123	P4,292,175
Non-controlling interests	3,484,591	2,225,308
	P12,121,714	P6,517,483
Earnings Per Share Attributable to Equity Holders of the Parent Company		
Basic/diluted earnings per share (Note 22)	P1.04	P0.67

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

For the Three Months Ended March 31, 2019 and 2018															
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY															
	Paid-up Capital (Note 20)			Retained Earnings			Other Comprehensive Income								
	Capital Stock	Additional Paid-in Capital	Total Paid-up Capital	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Retained Earnings	Equity Reserve	Cumulative Translation Adjustments	Net Unrealized Gains (Losses) on Financial Assets at FVOCI	Net Unrealized Losses on Cash Flow Hedge	Remeasurements of the Net Defined Benefit Liability	Total Other Comprehensive Income (Loss)	Total	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2019	P7,202,842	P23,553,025	P30,755,867	P121,317,360	P117,784,330	P239,101,690	P29,573,169	(P538,393)	(P22,647,670)	P2,541	P338,667	(P22,844,855)	P276,585,871	P90,891,990	P367,477,861
Total comprehensive income (loss)	–	–	–	7,436,214	–	7,436,214	–	(73,256)	1,267,909	(3,240)	9,496	1,200,909	8,637,123	3,484,591	12,121,714
Change in non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,101,095)	(3,101,095)
Increase in subsidiary's treasury shares	–	–	–	–	–	–	(11,100)	–	–	–	–	–	(11,100)	(77,484)	(88,584)
Balance at March 31, 2019	P7,202,842	P23,553,025	P30,755,867	P128,753,574	P117,784,330	P246,537,904	P29,562,069	(P611,649)	(P21,379,761)	(P699)	P348,163	(P21,643,946)	P285,211,894	P91,198,002	P376,409,896
Balance at January 1, 2018	P7,202,842	P23,553,025	P30,755,867	P89,937,827	P117,784,330	P207,722,157	P29,638,831	(P1,302,515)	P1,268,555	P4,385	(P249,925)	(P279,500)	P267,837,355	P78,582,193	P346,419,548
Total comprehensive income (loss)	–	–	–	4,821,929	–	4,821,929	–	(568,548)	28,370	12,114	(1,690)	(529,754)	4,292,175	2,225,308	6,517,483
Change in non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,444,939)	(3,444,939)
Issuance of shares by a subsidiary	–	–	–	–	–	–	(52,379)	–	–	–	–	–	(52,379)	7,779,861	7,727,482
Balance at March 31, 2018	P7,202,842	P23,553,025	P30,755,867	P94,759,756	P117,784,330	P212,544,086	P29,586,452	(P1,871,063)	P1,296,925	P16,499	(P251,615)	(P809,254)	P272,077,151	P85,142,423	P357,219,574

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

(In Thousands)

	Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P12,772,419	P8,618,318
Adjustments for:		
Depreciation and amortization	5,638,237	4,850,427
Market valuation losses (gains) on:		
Financial assets at fair value through profit or loss	(763,956)	559,621
Derivative instruments	(1,014,289)	(276,396)
Interest expense	2,769,782	2,020,160
Dividend income	(640,075)	(507,400)
Interest income	(547,850)	(375,629)
Equity in net earnings of associates and joint ventures	(2,738,399)	(2,464,246)
Foreign exchange losses (gains)	(220,719)	1,057,447
Loss (gain) on sale and retirement of property, plant and equipment	178,076	—
Gain on sale of financial assets at FVOCI	112,264	178
Losses (gains) arising from changes in fair value less estimated costs to sell of swine stocks	5,953	116,165
Inventory obsolescence and market decline	796	—
Provision for impairment losses on receivables	—	5,573
Operating income before changes in working capital accounts	15,552,239	13,604,218
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Derivative financial instruments	743,460	63,357
Financial assets at fair value through profit or loss	1,415,549	649,061
Receivables	(4,380,640)	(947,845)
Inventories	(928,584)	(3,448,995)
Biological assets	(70,682)	(23,599)
Other current assets	1,438,237	(162,762)
Increase (decrease) in the amounts of:		
Accounts payable and accrued expenses	5,277,407	1,097,050
Unearned revenue	1,841,311	622,085
Other current liabilities	(50,920)	522,626
Net cash generated from operations	20,837,377	11,975,196
Interest paid	(3,620,839)	(2,973,933)
Interest received	507,886	306,594
Income taxes paid	(823,393)	(587,942)
Net cash provided by operating activities	16,901,031	8,719,915

(Forward)

	Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(P14,732,328)	(P8,381,285)
Investment properties	(1,443,315)	(2,648,877)
Investments in associates and joint ventures (Note 14)	(521,450)	(366,928)
Intangible assets	(39,474)	(52,628)
Net decrease (increase) in the amounts of:		
Financial assets at FVOCI	3,392,033	(3,045,910)
Investment securities at amortized cost	85,135	–
Other noncurrent assets (Note 15)	(10,207)	(2,125,127)
Proceeds from sale of property, plant and equipment	1,059,897	–
Dividends received	166,446	139,023
Net cash used in investing activities	(12,043,263)	(16,481,732)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Short-term debts	5,299,168	(5,474,607)
Long-term debts	(1,228,310)	1,797,457
Decrease in the amounts of:		
Other noncurrent liabilities (Note 19)	407,199	1,668,744
Non-controlling interests	(3,101,095)	(3,444,939)
Purchase of subsidiary's treasury shares	(88,584)	–
Net proceeds from stock rights offering of a subsidiary	–	7,727,482
Net cash provided by financing activities	1,288,378	2,274,137
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,146,146	(5,487,680)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	49,194,676	54,336,295
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	P55,340,822	P48,848,615

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands)

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) 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, Limited	-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-
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	
			2019	2018
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	—	—
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-	8 th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	55.25	55.25
Hunt - URC (HURC)	-do-	8 th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	55.25	55.25
URC Philippines, Limited (URCPL)	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola,	55.25	55.25
URC International Co. Ltd. (URICL) and Subsidiaries	-do-	-do-	55.25	55.25
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland 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-	67.76	67.64
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, Ugland 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-	-do-	—	—
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	
			2019	2018
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	42.68
Bonifacio Property Ventures, Inc.	Philippines	Philippines	60.97	60.97
Altus Mall Ventures, Inc.	Philippines	Philippines	60.97	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				
JG Digital Equity Ventures, Inc. 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	100.00
JG Summit Capital Services Corp. (JGSCSC)	-do-	40th Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City	100.00	100.00
and Subsidiaries			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
JGSH Philippines, Limited	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola,	100.00	100.00
Telegraph Development, Ltd.	-do-	British Virgin Islands	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 Infrastrure 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 effected 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, 2019. The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

- *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.

- 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 FairValue. 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.

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 - 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 statements of 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 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 'Provision for credit and impairment losses' in the statements of 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 statements of 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.

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.

Incurred 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 unlikelihood 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.

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.

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 | <ul style="list-style-type: none">- 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 | <ul style="list-style-type: none">- 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 of 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.

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 conditional. This is reclassified as installment contract receivables when the monthly amortization of the customer is already due for collection.

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 may be 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.

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, 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.

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, 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 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. *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 do 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 do 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.

f. 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.

g. 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.

h. 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.

i. 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.

j. 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 25).

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 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.

b. 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.

c. 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.

d. 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 three months ended March 31, 2019 and 2018, the real estate sales recognized over time amounted to ₱1,896.7 million and ₱2,024.8 million, respectively, while the related cost of real estate sales amounted to ₱906.0 million and ₱1,115.1 million, respectively.

e. 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 Note 12 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.

f. 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 costs of restoration at the end of the contract period. Since the first operating lease entered by the Group in 2001, these costs are accrued based on an internal estimate which includes estimates of certain redelivery costs at the end of the operating aircraft lease. The contractual obligation includes regular aircraft maintenance, overhaul and restoration of the leased aircraft to its original condition. Regular aircraft maintenance is accounted for as expense when incurred, while overhaul and restoration are accounted on an accrual basis.

Assumptions and estimates used to compute ARO are reviewed and updated annually by the Group. As of March 31, 2019 and 2018, 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 19 to the consolidated financial statements.

g. *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.

h. *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.

i. *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. 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.

j. *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.

k. 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 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.

l. Fair values of aircraft at sale and operating leaseback transaction

The Group determines the fair values of its aircraft by relying on a third party's valuation which has a global view of all area of the market which brings essential context of changes in the market and the opportunities and risks. The judgment includes determination whether the difference between the fair value of the aircraft and its selling price should be accounted as immediate gain in the profit or loss or be deferred over the operating lease term. The Group entered into sale and operating leaseback transactions in 2019 and 2018.

m. Determination of NRV of expendable parts, fuel, materials and supplies

The Group's estimates of the NRV of expendable parts, fuel, materials and supplies are based on the most reliable evidence available at the time the estimates are made, of the amount that the expendable parts, fuel, materials and supplies are expected to be realized. In determining the NRV, the Group considers any adjustment necessary for obsolescence, which is generally providing 100.00% for nonmoving items for more than one year. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused expendable parts, fuel, materials and supplies to be written-down below cost no longer exist or when there is a clear evidence of an increase in NRV because of a change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

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, 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.

Corporate Governance and Management Services

The CGMS was created to be primarily responsible for the execution of the enterprise risk management framework. The CGMS'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 CGMS 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 CGMS, 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 CGMS, 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 CGMS, 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 CGMS, 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 Strategy. The Corporate Strategy 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 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 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.

c. Credit quality per class of financial assets

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>	Watchlist	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.
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 March 31, 2019 follow:

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days		
Finance receivables	P64,836,222	P2,904,165	P584,864	P247,781	P305,060	P1,134,969	P70,013,061
Trade receivables	17,094,791	4,162,478	383,660	91,867	1,309,644	283,803	23,326,243
Due from related parties	2,097,503	—	—	—	—	—	2,097,503
Interest receivable	917,449	38,432	15,546	9,880	63,954	—	1,045,261
Others	6,995,165	213,858	17,226	19,417	108,095	209,123	7,562,884
	P91,941,130	P7,318,933	P1,001,296	P368,945	P1,786,753	P1,627,895	P104,044,952

* Excludes claims receivable of JGSPC and JGSOC amounting to P279,073.

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.

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.

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.

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.

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.

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

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.

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 260 historical data (approximately 1 year), 99.50% confidence level and 1-day holding period. On August 17, 2016, RBC implemented new assumptions in the model, specifically the use of 500 historical data (approximately 2 years) and 99.00% confidence level, with the holding period still at 1-day.

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 and thus, 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 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 anything the VaR model may have calculated; 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 RBC's Risk Management Committee, Asset-Liability Committee (ALCO) and the concerned risk-takers.

VaR backtesting 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 backtesting.

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 the Parent Company'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 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.

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.

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.

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.

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 investment in convertible note's fair value is measured using the discounted cash flow model (using current incremental lending rates for similar types of loans) and the Black-Scholes-Merton model (using the underlying's stock price and stock volatility).

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 cost plus reasonable profit margin or replacement cost as applicable. 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.

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

The carrying amount of the investment properties approximates its fair value as of reporting date. Fair value of investment properties are 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.

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.

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.

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 three months ended March 31, 2019 and 2018. Core earnings pertain to income before income tax excluding market valuation gains (losses) on financial assets at FVPL, market valuation gains on derivative financial instruments and foreign exchange gains (losses).

The Group's operating segment information follows:

	March 31, 2019							
	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	P33,317,050	P21,177,466	P6,760,934	P9,566,882	P1,894,103	P167,213	P–	P72,883,648
Intersegment revenue	–	–	18,939	352,813	–	–	(371,752)	–
	33,317,050	21,177,466	6,779,873	9,919,695	1,894,103	167,213	(371,752)	72,883,648
Dividend income	–	–	–	–	2,229	639,045	(1,199)	640,075
Equity in net earnings of associates and joint ventures	(16,301)	20,846	1,060,772	–	–	1,687,714	(14,632)	2,738,399
Total revenue	33,300,749	21,198,312	7,840,645	9,919,695	1,896,332	2,493,973	(387,583)	76,262,122
Cost of sales and services	23,106,152	11,857,238	3,103,591	10,044,981	846,417	–	(393,145)	48,565,234
Gross income (loss)	P10,194,597	P9,341,074	P4,737,054	(P125,286)	P1,049,915	P2,493,973	P5,562	27,696,888
General and administrative expenses								14,320,216
Impairment losses and others								796
Operating income								13,375,876
Financing cost and other charges								(2,828,734)
Finance income								547,850
Other operating income								(321,538)
Core earnings								10,773,454
Market valuation gains (losses) on financial assets								1,778,245
Foreign exchange gains (losses)								220,719
Income before income tax								12,772,418
Provision for income tax								2,047,548
Net income								P10,724,870
Net income attributable to equity holders of the Parent Company	P1,678,503	P2,321,157	P2,181,649	(P730,399)	P25,517	P1,961,170	(P1,383)	P7,436,214
EBIT	P3,950,430	P3,832,366	P2,578,099	(P494,747)	P96,874	P3,412,853	P–	P13,375,875
Depreciation and amortization	1,684,878	2,238,757	1,174,883	431,100	79,711	28,907	–	5,638,236
EBITDA	P5,635,308	P6,071,123	P3,752,982	(P63,647)	P176,585	P3,441,760	P–	P19,014,111

	March 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	P30,658,311	P18,260,672	P6,336,177	P10,429,484	P1,353,188	P136,080	P–	P67,173,912
Intersegment revenue	–	–	20,290	458,784	–	–	(479,074)	–
	30,658,311	18,260,672	6,356,467	10,888,268	1,353,188	136,080	(479,074)	67,173,912
Dividend income	–	–	–	–	2,229	506,370	(1,199)	507,400
Equity in net earnings of associates and joint ventures	(16,639)	33,885	774,739	–	–	1,674,763	(2,502)	2,464,246
Total revenue	30,641,672	18,294,557	7,131,206	10,888,268	1,355,417	2,317,213	(482,775)	70,145,558
Cost of sales and services	21,460,560	11,483,854	3,060,591	9,655,710	469,076	–	(489,947)	45,639,844
Gross income (loss)	P9,181,112	P6,810,703	P4,070,615	P1,232,558	P886,341	P2,317,213	P7,172	24,505,714
General and administrative expenses								12,594,190
Impairment losses and others								5,573
Operating income								11,905,951
Financing cost and other charges								(2,083,506)
Finance income								375,629
Other operating income								(239,083)
Core earnings								9,958,991
Market valuation gains (losses) on financial assets								(283,225)
Foreign exchange gains (losses)								(1,057,447)
Income before income tax								8,618,319
Provision for income tax								1,290,957
Net income								P7,327,362
Net income attributable to equity holders of the Parent Company	P1,630,800	P966,048	P1,715,479	P826,299	P60,047	(P360,844)	(P15,900)	P4,821,929
EBIT	P3,456,358	P2,264,088	P2,262,363	P896,204	P158,318	P2,868,620	P–	P11,905,951
Depreciation and amortization	1,536,291	1,723,736	1,076,771	415,185	75,263	23,181	–	4,850,427
EBITDA	P4,992,649	P3,987,824	P3,339,134	P1,311,389	P233,581	P2,891,801	P–	P16,756,378

March 31, 2019								
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Other information								
Non-cash expenses other than depreciation and amortization								
Impairment losses on inventories	P795	P–	P–	P–	P	P–	P–	P795

March 31, 2018								
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Other information								
Non-cash expenses other than depreciation and amortization								
Impairment losses on receivables	P–	P–	P–	P–	P5,573	P–	P–	P5,573

Other information on the Group's operating segments follow:

March 31, 2019								
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Segment assets	P154,441,753	P134,585,266	P174,191,249	P108,467,277	P120,731,742	P193,053,783	(P44,954,848)	P840,516,222
Segment liabilities	P74,415,594	P92,563,557	P78,434,877	P53,762,272	P104,671,948	P104,475,999	(P44,217,920)	P464,106,327
Capital expenditures	P3,059,707	P4,414,709	P1,832,220	P6,841,466	P15,099	P12,442	P–	P16,175,643
March 31, 2018								
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Segment assets	P151,960,592	P117,219,484	P152,406,793	P71,460,564	P104,413,843	P215,667,853	(P57,289,453)	P755,839,676
Segment liabilities	P75,611,336	P76,297,963	P63,554,109	P16,528,350	P91,716,697	P119,430,372	(P44,518,724)	P398,620,103
Capital expenditures	P1,873,151	P4,109,856	P2,959,639	P2,067,735	P13,145	P6,636	P–	P11,030,162

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

	March 31, 2019			December 31, 2018		
	Industrial*	Banks*	Consolidated	Industrial*	Banks*	Consolidated
ASSETS						
Current Assets						
Cash and cash equivalents	₱32,915,186	₱22,425,636	₱55,340,822	₱25,510,651	₱23,684,025	₱49,194,676
Financial assets at fair value through profit and loss	3,139,495	124,401	3,263,896	3,642,319	8,206	3,650,525
Financial assets at fair value through other comprehensive income	9,842,777	11,584,183	21,426,960	10,818,457	13,097,214	23,915,671
Receivables - net	30,668,620	70,013,342	100,681,962	23,189,216	20,486,137	43,675,353
Inventories - net	64,399,826	—	64,399,826	63,472,037	—	63,472,037
Biological assets - net	798,204	—	798,204	741,720	—	741,720
Contract assets	5,162,244	—	5,162,244	5,088,357	—	5,088,357
Other current assets	22,820,683	233,792	23,054,475	24,437,130	129,469	24,566,599
Total current assets	169,747,035	104,381,354	274,128,389	156,899,886	57,405,051	214,304,938
Noncurrent Assets						
Financial assets at fair value through other comprehensive income	19,889,799	—	19,889,799	19,457,412	—	19,457,412
Receivables - noncurrent	1,189,307	829,611	2,018,918	1,432,957	48,418,529	49,851,486
Investments at amortized cost	—	12,511,955	12,511,955	—	12,597,090	12,597,090
Investments in associates and JVs - net	143,983,234	—	143,983,234	144,914,597	—	144,914,597
Investments properties - net	94,050,779	330,996	94,381,775	93,475,897	341,074	93,816,971
Property, plant and equipment - net	226,937,225	622,490	227,559,715	217,650,662	622,993	218,273,655
Contract assets	6,473,145	—	6,473,145	6,444,995	—	6,444,995
Goodwill - net	31,761,277	244,327	32,005,604	31,761,277	244,327	32,005,604
Intangibles - net	12,606,083	1,332,677	13,938,760	12,627,358	1,327,067	13,954,425
Biological assets - bearer	343,213	—	343,213	366,184	—	366,184
Other noncurrents assets	12,803,382	478,334	13,281,716	12,746,726	552,933	13,299,659
Total Noncurrent Assets	550,037,444	16,350,390	566,387,834	540,878,065	64,104,013	604,982,078
	₱719,784,479	₱120,731,744	₱840,516,223	₱697,777,951	₱121,509,064	₱819,287,016

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

	March 31, 2019			December 31, 2018		
	Industrial*	Banks*	Consolidated	Industrial*	Banks*	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable and accrued expenses	₱61,757,700	₱75,824,691	₱137,582,391	₱55,995,766	₱76,660,069	₱132,655,835
Short-term debt	40,752,892	—	40,752,892	35,453,724	—	35,453,724
Current portion of long-term debt	30,859,634	—	30,859,634	30,962,270	—	30,962,270
Contract liabilities	13,830,971	—	13,830,971	12,931,514	—	12,931,514
Derivative liabilities	1,756	—	1,756	585,770	337	586,107
Income tax payable	2,314,993	12,242	2,327,235	1,775,407	1,366	1,776,773
Other current liabilities	16,527,842	397	16,528,239	15,052,570	384	15,052,954
Total current liabilities	166,045,788	75,837,330	241,883,118	152,757,021	76,662,156	229,419,177
Noncurrent liabilities						
Long-term debt - net of current portion	178,039,386	—	178,039,386	179,286,698	—	179,286,698
Deferred tax liabilities - net	8,075,338	—	8,075,338	7,877,224	—	7,877,224
Contract liabilities	2,424,188	—	2,424,188	2,378,691	—	2,378,691
Other noncurrent liabilities	13,240,597	20,443,700	33,684,297	13,683,739	19,163,626	32,847,365
Total noncurrent liabilities	201,779,508	20,443,700	222,223,209	203,226,352	19,163,626	222,389,978
Total Liabilities	367,825,296	96,281,030	464,106,327	355,983,373	95,825,782	451,809,155
Stockholders' equity	275,576,018	9,635,876	285,211,894	267,378,514	9,207,357	276,585,871
Minority interest in consolidated subsidiaries	84,774,084	6,423,918	91,198,002	84,753,752	6,138,238	90,891,990
	₱728,175,398	₱112,340,824	₱840,516,223	₱708,115,639	₱111,171,377	₱819,287,016

*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

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.

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.

7. Cash and Cash Equivalents

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand	P1,549,445	P2,529,043
Cash in banks	25,148,271	26,297,374
Cash equivalents	28,643,106	20,368,259
	P55,340,822	P49,194,676

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.

8. Derivative Financial Instruments

Derivatives not designated as accounting hedges

The Group's derivatives not designated as accounting hedges include transactions to take positions for risk management purposes.

- **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 March 31, 2019 and December 31, 2018, 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.

For the three months ended March 31, 2019 and 2018, CAI recognized net changes in fair value of derivatives amounting to ₱905.8 million and ₱323.9 million gains, respectively.

- **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 2018, JGSPL recognized net changes in fair value of derivatives amounting to ₱13.9 million loss.
- **Foreign currency forwards**
For the three months ended March 31, 2019 and 2018, CAI recognized net changes in fair value of derivatives amounting to ₱108.4 million gain and ₱33.6 million loss, respectively.

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.

Derivatives designated as accounting hedges

As part of its asset and liability management, the Group uses derivatives, particularly interest rate swaps, 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 NZ\$28.2 million with negative fair value amounting to ₱1.8 million as of March 31, 2019 and a positive fair value amounting to ₱6.4 million as of December 31, 2018. The swap is intended to hedge the foreign currency denominated future purchases and cash outflows of the Company.

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.

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.

9. Financial Assets at Fair Value through Profit or Loss

These investments that are held for trading consist of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Debt securities:		
Government	₱61,412	₱8,206
	61,412	8,206
Equity securities:		
Quoted	2,744,860	1,836,233
	2,744,860	1,836,233
Investment in convertible note	192,660	1,806,086
Derivatives (Note 8)	264,964	—
	₱3,263,896	₱3,650,525

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.

On February 27, 2019 and March 15, 2019, JGSPL converted the note to 1,834,188 ordinary shares of Sea Limited. On various dates in March 2019, JGSPL sold 1,245,094 shares of Sea Limited.

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 the Company 6,627,08 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.

On March 5, 2019, EHI entered into a convertible loan agreement with Snapcart Group (HK) Limited in the amount of US\$1.0 million. The Principal Amount is subject to interest of 3% per annum, accruing from the date of receipt of the Principal Amount by EHI up to the Maturity Date. The agreement will mature 10 months from the date of the agreement. When the conditions for qualified financing are met, the outstanding convertible loan and all accrued but unpaid interest shall be automatically converted into shares in the Company.

10. Financial Assets at Fair Value through Other Comprehensive Income**Financial Assets at Fair Value through Other Comprehensive Income**

This account consists of investments in:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Debt securities:		
Government	₱7,869,648	₱10,273,312
Private	12,839,785	12,964,659
	20,709,433	23,237,971
Equity securities:		
Quoted	20,351,117	19,878,903
Unquoted	256,209	256,209
	20,607,326	20,135,112
	₱41,316,759	₱43,373,083

Quoted equity securities pertain to investment in PLDT common shares and various golf club shares. The Group has irrevocably elected to classify these investments under this category as it intends to hold these investments for the foreseeable future.

Breakdown of Financial assets at FVOCI investments as shown in the consolidated statements of financial position follows:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Current portion	₱21,426,960	₱23,915,671
Noncurrent portion	19,889,799	19,457,412
	₱41,316,759	₱43,373,083

The Group has classified its remaining 17.3 million PLDT shares representing 8.0% ownership interest as financial assets at FVOCI 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.

11. Receivables

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Finance receivables	P70,013,061	P67,862,863
Trade receivables	23,326,242	21,279,464
Due from related parties	2,097,503	1,574,493
Interest receivable	1,045,260	1,005,297
Other receivables	7,841,959	3,429,659
	104,324,025	95,151,776
Less allowance for impairment losses	1,623,145	1,624,937
	P102,700,880	P93,526,839

Total receivables shown in the consolidated statements of financial position follow:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Current portion	P100,681,962	P43,675,353
Noncurrent portion	2,018,918	49,851,486
	P102,700,880	P93,526,839

Noncurrent receivables consist of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade receivables	P1,189,307	P1,432,957
Finance receivables	829,611	48,418,529
	P2,018,918	P49,851,486

Trade Receivables

Included in trade receivables are installment contract receivables of the real estate segment of the Group. 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 earned from installment contract receivables.

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.

12. Inventories

This account consists of inventories held as follows:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Subdivision land, condominium and residential units for sale	₱31,817,551	₱31,464,454
Spare parts, packaging materials and other supplies	10,708,216	10,572,851
Finished goods	10,255,151	8,739,717
Raw materials	10,166,147	11,519,075
Work-in-process	1,445,278	1,169,384
By-products	7,483	6,556
	₱64,399,826	₱63,472,037

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.

The Group recognized impairment losses on its inventories included under 'Impairment losses and others' amounting to ₱0.8 million and ₱7.9 million in 2019 and 2018, respectively (see Note 34).

13. Other Current Assets

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Restricted cash	₱5,807,381	₱7,607,799
Advances to suppliers (Note 2)	4,332,607	5,949,470
Input value-added tax (VAT)	7,094,690	5,866,369
Prepaid expenses	2,920,133	2,684,249
Creditable withholding tax	1,672,458	1,614,911
Advances to lot owners and joint operations	763,153	748,273
Utility deposits	7,831	7,831
Derivative assets under hedge accounting (Note 8)	—	6,389
Others	456,222	81,308
	₱23,054,475	₱24,566,599

Input VAT

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. Also included in the account are advances made to contractors related to construction activities and for the purchase of various aircraft parts and service maintenance for regular maintenance and restoration costs of aircraft. These are applied against progress and final billings which occur within one year from the date the advances arose.

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.

Interest in joint projects with Harbour Land Realty and Development Corp and Federal Land, Inc. (Jointly Controlled Operations)

On February 7, 2011, the RLC entered into a joint venture agreement with Harbour Land Realty and Development Corp (HLRD) and Federal Land, Inc. (FLI) to develop a project called Axis Residences located along Pioneer Street in Mandaluyong City. The construction of the planned 2-phase residential condominium has commenced in March 2012. One tower of first phase was completed on September 2015.

The agreed contributions of the parties follow:

- a. RLC: Road lot valued at ₱0.1 billion and development costs amounting ₱1.4 billion
- b. FLI: Development costs amounting to ₱0.8 billion
- c. HLRD, an affiliate of FLI: Four (4) adjoining parcels of land valued at ₱0.7 billion located along Pioneer St., Mandaluyong City, 21,109 sqm.

Further, the sharing of saleable units (inventories) of real estate revenue, cost of real estate sales and any common expenses incurred, are as follows: RLC: 50.00%; FLI: 50.00%.

On December 6, 2017, RLC executed an addendum agreement with HLPDC and FLI to discontinue the development of Phase II.

The following were the agreements included in the addendum:

- a. The development of the Project shall be limited to Phase I;
- b. The discontinuance shall be without fault on either of the Parties. Accordingly, HLPDC and FLI shall reimburse RLC the amount of ₱193 million representing the non-development of four (4) towers of Phase II;
- c. Ownership and right of possession of the parcels of land corresponding to Phase II shall remain to be with HLPDC and shall be excluded from the provisions of the JVA.
- d. The perpetual right to use RLC's land contribution is limited to Phase I and to the adjacent properties owned by HLPDC, FLI or its affiliates.

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 the sellers upon fulfillment of certain conditions set forth in MOA.

14. Investments in Associates and Joint Ventures

Details of this account follow:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Acquisition cost:		
Balance at beginning of year	P117,629,555	P115,132,973
Additional investments	521,450	3,273,567
Disposal of investment	—	(448,735)
Reclassification to investment in subsidiaries due to step-up acquisition	—	(328,250)
Balance at end of year	118,151,005	117,629,555
Accumulated equity in net earnings:		
Balance at beginning of year	26,863,846	23,183,588
Equity in net earnings	2,738,399	10,181,842
Dividends received	(4,279,808)	(5,914,109)
Reclassification to investment in subsidiaries due to step-up acquisition	—	105,478
Accumulated equity in net losses (earnings) of disposed investment	—	297,545
Elimination of unrealized gains on downstream sales	—	(990,498)
Balance at end of year	25,322,437	26,863,846
Share in unrealized gain (loss) on financial assets at fair value thru other comprehensive income (FVOCI) of associates:		
Balance at beginning of year	(141,405)	—
Share in net changes in fair value of financial assets at FVOCI of associates	76,566	(141,405)
Balance at end of year	(64,839)	(141,405)
Share in remeasurements of the net defined benefit liability of associates:		
Balance at beginning of year	585,931	198,173
Share in net changes in remeasurements of the net defined benefit liability of associates	10,642	387,758
	596,573	585,931
Cumulative translation adjustment	275,508	274,120
	144,280,684	145,212,047
Less allowance for impairment losses	297,450	297,450
	P143,983,234	P144,914,597

The composition of the carrying value of the Group's investments in associates and joint ventures and the related percentages of ownership interest are shown below:

	Percentage of Ownership		Carrying Value	
	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
(In Million Pesos)				
Associates				
Domestic:				
Manila Electric Company (Meralco)	29.56	29.56	₱78,120.7	₱79,942.0
Global Business Power Corporation (GBPC)	30.00	30.00	11,432.8	12,126.0
Oriental Petroleum and Mining Corporation (OPMC)	19.40	19.40	785.5	791.6
Cebu Light Industrial Park, Inc. (CLIP)	20.00	20.00	61.3	61.3
G2M Solutions Philippines Pte. Ltd (G2M)	0.00	0.00	160.5	160.5
RHK Land Corporation	36.58	36.58	1,382.6	1,383.3
1Aviation Groundhandling Services Corp	27.10	27.05	24.6	25.0
Shang Robinsons Properties, Inc.	30.49	30.49	—	—
Foreign:				
United Industrial Corp., Limited (UICL)	37.05	37.05	50,046.2	48,981.3
Air Black Box (ABB)	10.16	10.15	43.7	43.7
			142,057.9	143,514.7
Joint Ventures				
Domestic:				
SIA Engineering (Philippines) Corp. (SIAEP)	23.71	23.67	449.9	425.7
Aviation Partnership (Philippines) Corp. (APPC)	33.20	33.14	243.9	252.4
Philippine Academy for Aviation Training (PAAT)	33.88	33.82	202.4	197.0
Vitasoy-URC, Inc (VURCI)	27.63	27.63	175.1	195.8
MPIC-JGS Airport Holdings, Inc.	41.25	41.25	3.8	3.8
Luzon International Premiere Airport Development Corp. (LIPAD)	33.00	—	21.4	—
Danone Universal Robina Beverages, Inc. (DURBI)	27.63	27.63	—	—
Foreign:				
RLC DMCI Property Ventures, Inc.	30.49	—	499.0	—
Calbee – URC Malaysia Sdn. Bhd (CURM)	27.63	27.63	31.0	31.8
Proper Snacks Foods Limited (PSFL)	27.68	27.68	298.8	293.3
			1,925.3	1,399.8
			₱143,983.2	₱144,914.5

Investment in Meralco

On December 11, 2013, the Parent Company completed the acquisition of 305,689,397 common shares of Manila Electric Company (Meralco) from San Miguel Corporation, San Miguel Purefoods Company, Inc., and SMC Global Power Holdings, Inc. (collectively referred to as “Sellers”) for a total cost of ₱71.9 billion. The shares acquired represented 27.12% of Meralco's total outstanding common shares. Meralco is a corporation organized and incorporated in the Philippines to construct, operate, and maintain the electric distribution system.

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.

GBPC

On June 30, 2016, the Parent Company acquired 577,206,289 common shares of Global Business Power Corporation (GBPC) from Meralco Powergen Corporation (153,921,676 shares) and GT Capital Holdings, Inc. (423,284,613 shares) for a total cost of ₱11.8 billion. The acquisition represents 30.0% of GBPC's total outstanding common shares. GBPC is a company incorporated in the Philippines engaged in power generation.

OPMC

OPMC is a company incorporated in the Philippines with the purpose of exploring, developing and producing petroleum and mineral resources in the Philippines. As an exploration company, OPMC operational activities depend principally on its service contracts with the government. 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.

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.

Individually immaterial investees

CLIP

The Group accounts for its investments in CLIP as an associate as it owns 20.0% of the issued share capital of CLIP. In 2015, CLIP returned EHI's deposit for future stock subscription amounting to ₱5.0 million. As of March 31, 2019, the Group has deposit for future stock subscription in CLIP amounting to ₱10.0 million. These represents 20.0% of CLIP's proposed increase in authorize capital stock.

1Aviation

Investment in 1Aviation refers to CAI's 40.00% investment in shares of the joint venture. The joint venture agreement indicates that the agreed ownership ratio is 40% for CAI and the remaining 60% shall be collectively owned by PAGSS and an individual. CAI recognizes 40% share in net income and net assets of the joint venture.

1Aviation is engaged in the business of providing groundhandling services for all types of aircraft, whether for the transport of passengers or cargo, international or domestic flights, private, commercial, government or military purposes to be performed at the Ninoy Aquino International Airport and other airports in the Philippines as may be agreed by the co-venturers.

G2M

On August 13, 2018, the BOD of the Parent Company authorizes the corporation to invest and purchase a convertible note issued by G2M in the aggregate amount of up to \$5.9 million, payable in installments and providing for right to convert to 14.90% of the issued and outstanding capital stock of G2M at the time of conversion, subject to the terms and conditions set forth in the convertible note.

On September 20, 2018, G2M issued a convertible promissory note amounting to \$5.9 million. On the same date, the Parent Company paid \$2.97 million to G2M as first installment payment for

the note. The Parent Company will pay \$2.97 million as second installment payment for its convertible note when certain conditions are met. The investment in convertible note is accounted for as “Investment in Associate” since the Parent Company has one representation on the BOD of G2M while the conversion option is accounted for separately under “Fair value through profit or loss”.

LIPAD

On February 18, 2019, the Parent Company invested in 33% of the issued share capital of LIPAD. LIPAD is a company incorporated in the Philippines with the purpose of engaging in the operation and maintenance of airports, whether operating as a domestic or international airport or both, including the 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.

ABB

In May 2016, CAI entered into Value Alliance Agreement with other low cost carriers (LCCs), namely, Scoot Pte. Ltd, Nok Airlines Public Company Limited, CEBGO, and Vanilla Air Inc. The alliance aims to increase passenger traffic by creating interline partnerships and parties involved have agreed to create joint sales and support operations to expand services and products available to passengers. This is achieved through LCCs’ investment in Air Black Box (ABB).

In November 2016, CAI acquired shares of stock in ABB amounting to ₱43.7 million. ABB is an entity incorporated in Singapore in 2016 to manage the ABB settlement system, which facilitates the settlement of sales proceeds between the issuing and carrying airlines, and of the transaction fee due to ABB.

The investment gave CAI a 15% shareholding proportion to ABB which is classified as an investment in an associate and is accounted for at equity method. ABB started its operations in 2018, the investment is recognized at cost and is subject to any remeasurement within the measurement period. As of March 31, 2019 and December 31, 2018, the net carrying amount of the Group’s investment with ABB amounted to ₱43.7 million.

SIAEP and APPC

SIAEP and APPC are jointly controlled entities which were established for the purpose of providing line, light and heavy maintenance services to foreign and local airlines, utilizing the facilities and services at airports in the Philippines, as well as aircraft maintenance and repair organizations.

SIAEP was incorporated on July 27, 2008 and started commercial operations on August 17, 2009. APPC was incorporated on May 24, 2005 and started commercial operations on July 1, 2005.

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.

PAAT was created to address the Group’s training requirements and to pursue business opportunities for training third parties in the commercial fixed wing aviation industry, including other local and international airline companies. PAAT was formally incorporated on January 27, 2012 and started commercial operations in December 2012.

CURCI

On January 17, 2014, URC entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form CURCI, a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “Calbee Jack ‘n Jill” brand name, which is under exclusive license to CURCI in the Philippines. URC contributed cash to CURCI upon its incorporation in 2014 amounting to ₱327.0 million representing its 50% interest in the joint venture.

Oriente

On July 14, 2017, the Company 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. The Company contributed 50.00% interest in the joint venture amounting to ₱100.00 million.

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. Subsequent to the sale HURC remains to exist as a jointly controlled entity.

VURCI

On October 4, 2016, URC entered into a joint venture agreement with Vita International Holdings Limited, a corporation duly organized in Hong Kong to form VURCI, a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “Vitasoy” brand name, which is under exclusive license to VURCI in the Philippines. In 2017, URC made additional subscriptions to the unissued authorized capital stock of VURCI consisting of 12,600,000 common shares for a total cost of ₱126.0 million.

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.

DURBI

On May 23, 2014, URC entered into a joint venture agreement with Danone Asia Holdings, Pte. Ltd., a corporation duly organized in the Republic of Singapore to form DURBI, a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “B’lue” brand name, which is under exclusive license to DURBI in the Philippines. URC contributed cash to DURBI upon its incorporation in 2014 amounting to ₱180.8 million representing its 50% interest in the joint venture. In 2016 and 2015, URC contributed an additional cash of ₱103.3 million and ₱129.0 million, respectively, to DURBI and maintained its 50% ownership.

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.

The investment in the JVC is accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control.

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.

The investment in the JVC is accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control.

DMCI Project Developers, Inc.

In October 2018, the Parent Company entered into a Joint Venture Agreement with DMCI Project Developers, Inc. (DMCI PDI) to develop, construct, manage, and sell a residential condominium

situated in Las Pinas City. Both parties agreed to incorporate a joint venture corporation where each party will hold a 50% ownership.

On March 18, 2019, RLC DMCI Property Ventures, Inc. was incorporated as the joint venture company (JVC) between RLC and DMCI PDI. RLC DMCI Property Ventures, Inc., shall purchase, lease and develop real estate properties situated in Las Pinas City. The proposed project is intended to be a multi-tower residential condominium and may include commercial spaces.

15. Other Noncurrent Assets

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Advances to suppliers - net of current portion	₱5,905,749	₱6,069,214
Advances to lot owners - net of current portion	2,120,781	1,471,892
Deferred tax assets	1,507,900	1,965,060
Security and miscellaneous deposits	1,279,325	1,223,108
Utility deposits	826,529	792,181
Others	1,641,432	1,778,204
	₱13,281,716	₱13,299,659

Security Deposits

Security deposits include deposits provided to lessors and maintenance providers for aircraft under operating lease.

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 March 31, 2018, this account also includes pre-purchase of Airbus A330 life limited engine parts.

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

Others include deferred input VAT, prepaid rent, deposits to various joint venture partners, and repossessed chattels.

16. Accounts Payable and Accrued Expenses

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Deposit liabilities	₱65,522,028	₱66,322,621
Trade payables	33,759,387	30,421,769
Accrued expenses	18,692,332	19,460,691
Airport and other related fees payable	4,276,513	3,684,830
Dividends payable	1,965,334	43,304
Output VAT	1,390,359	802,678
Withholding taxes payable	277,488	421,234
Due to related parties	52,271	151,773
Bills payable	–	7,436,904
Other payables	11,646,679	3,910,031
	₱137,582,391	₱132,655,835

Deposit Liabilities

Deposit liabilities represent the savings, demand and time deposit liabilities of RBC and LSB.

On March 27, 2014, the BSP through Circular 830 approved the 1.00% increase in reserve requirements effective April 11, 2014, thereby increasing the reserve requirements on non-FCDU deposit liabilities of the Parent Company and LSB from 18.00% to 19.00% and 6.00% to 7.00% respectively. As mandated by the Circular, only demand deposit accounts maintained by the bank with the BSP are eligible for compliance with reserve requirements, thereby excluding government securities and cash in vault as eligible reserves. Further, deposits maintained with the BSP in compliance with the reserve requirement shall no longer be paid interest. On May 8, 2014, the BSP, through BSP Circular 832, approved the 1.00% increase in reserve requirement effective May 30, 2014, thereby further increasing the reserve requirements on non-FCDU deposit liabilities of the Parent Company and LSB from 19.00% to 20.00% and from 7.00% to 8.00%, respectively.

As of March 31, 2019, RBC and LSB are in compliance with the regulations.

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 was 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.

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

Other payables consist of management bonus and other non-trade payables.

17. Other Current Liabilities

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Unearned transportation revenue	₱12,951,830	₱11,110,518
Deposit from lessees (Note 19)	2,799,310	2,658,679
Advances from agents and others	686,191	787,104
Derivative liabilities	1,756	586,107
Customer's deposits	90,908	496,653
	₱16,529,995	₱15,639,061

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.

18. Short-term and Long-term Debts

Short-term Debts

Short-term debts consist of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 2.3% to 2.7% in 2019 and 0.8% to 4.4% in 2018	₱11,104,525	₱11,042,205
Philippine Peso - with interest rates of 3.1% to 3.4% in 2019 and 2.6% to 3.0% in 2018	29,648,367	24,411,519
	₱40,752,892	₱35,453,724

Long-term Debts

Long-term debts (net of debt issuance costs) consist of:

	Maturities	Interest Rates	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)	Condition
Parent Company:					
Fixed Rate Retail Bonds:					
P30.0 billion Fixed Rate Retail Bonds					
Term Loans					
P24.5 billion bonds	2019	5.23%	P24,504,924	P24,501,988	Unsecured
P5.3 billion bonds	2021	5.24%	5,297,740	5,295,849	Unsecured
P0.2 billion bonds	2024	5.30%	175,425	175,385	Unsecured
P5.0 billion Term Loan	2022	4.65%	4,983,005	4,981,827	
P5.0 billion Term Loan	2024	4.93%	4,980,347	4,979,548	
		BDO's 30-day prime rate			
P10.0 billion Term Loan	2023	(5.75%)	9,936,184	9,932,746	Unsecured
P5.0 billion Term Loan	2023	Floating (6.118%)	4,967,974	4,966,257	Unsecured
			54,845,599	54,833,600	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US\$750.0 million guaranteed notes	2023	4.38%	33,628,115	33,672,158	Guaranteed
CAI					
ECA loans	2024	2-6%; 1-2% (US\$ Libor)	1,868,025	2,988,657	Secured
USD Commercial loan from foreign banks	2025	3-6%; 1-2% (US\$ Libor)	29,609,437	29,947,602	- do -
JPY Commercial loan			2,209,437	-	
URC					
AU\$484.2 million term loan	2021	AU 3.04% (BBSY BID+1.25%)	17,873,622	17,742,658	Guaranteed
NZ\$395.0 million term loan	2019	NZ 3.15% (BKBM+1.10%)	13,911,572	-	
NZ\$420.0 million term loan	2019	NZ BKBM+1.60%	-	13,714,467	Guaranteed
RLC					
RMB100 million term loan	2022	RMB 4.75%	45,865	1,268,922	Secured
RMB50 million term loan	2019	RMB 4.75%	-	382,205	Unsecured
			99,146,073	99,716,669	
Philippine Peso:					
RLC					
P10.6 billion loan facility	2022	4.80%	10,589,030	10,586,697	Unsecured
P1.4 billion loan facility	2025	4.93%	1,356,133	1,355,940	- do -
P4.5 billion loan facility	2027	4.95%	4,471,387	4,475,915	- do -
P7.0 billion loan facility	2024	4.75%	6,834,020	6,972,884	- do -
P6.5 billion loan facility	2021	3.83%	6,484,079	6,482,437	- do -
P5.0 billion loan facility	2023	3.89%	4,964,419	4,963,539	- do -
CAI					
Commercial loans	2027	2-3% (PDST-R2)	20,208,280	20,861,287	Guaranteed
			54,907,348	55,698,699	
			208,899,020	210,248,968	
Less current portion			30,859,634	30,962,270	
			P178,039,386	P179,286,698	

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 (see Note 8). 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's US Dollar Commercial Loan From Foreign Banks

From 2007 to 2018, CAI entered into commercial loan facilities to partially finance the purchase of 19 Airbus A320 aircraft, seven (7) Airbus A321 CEO aircraft and five (5) aircraft engines. The security trustees of these commercial loan facilities established SPEs – PTALL, PTHALL, SAALL, SBALL, SCALL, SDALL and TOADAC – which purchased the aircraft from the supplier pursuant to (a) five to ten-year finance lease arrangement for the Airbus A320 and A321 CEO aircraft; and (b) six-year finance lease arrangement for the engines. CAI has the option to purchase the aircraft and the engines for a nominal amount at the end of such leases. The lease rentals made by CAI to these SPEs correspond to the loan payments made by the SPEs to the commercial facility lenders.

In 2018, CAI prepaid the US dollar loan facilities for ten (10) Airbus A320 aircraft resulting to dissolution of PTHALL, SAALL and SBALL (Note 1). CAI subsequently entered into four (4) Philippine peso commercial loan facilities and six (6) USD commercial loans for the same aircraft. CAI also prepaid the loan facilities of the engines and entered into US dollar commercial loans to finance the acquisition of seven (7) Airbus A321 CEO aircraft.

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 semi-annual and quarterly basis.
- 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.
- 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 March 31, 2019 and December 31, 2018, the total outstanding balance of the US dollar commercial loans amounted to ₱29.6 billion (US\$564.0 million) and ₱29.9 billion (US\$569.6 million), respectively. Interest expense amounted to ₱351.5 million and ₱193.4 million in 2019 and 2018, respectively.

CAI's Japanese Yen Commercial Loans

In January 2019, CAI entered into a Japanese yen finance lease agreement covering one (1) Airbus A321NEO aircraft. The lease includes a purchase option and provides for semi-annual installments with a maturity not longer than 14 years at a variable interest rate based on JPY LIBOR plus margin.

As of March 31, 2019, the total outstanding balance of the Japanese yen commercial loans amounted to ₱2.2 billion (¥4.6 billion).

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.

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 March 31, 2019 and December 31, 2018, the total outstanding balance of the ECA loans amounted to ₱1.87 billion (US\$ 35.6 million) and ₱2.99 billion (US\$56.8 million), respectively. Interest expense amounted to ₱27.2 million and ₱42.7 million in 2019 and 2018, 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.

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 March 31, 2019 and December 31, 2018, the total outstanding Philippine Peso commercial loans amounted to ₱20.2 billion and ₱20.8 billion, respectively. Interest expense incurred from these loans amounted to ₱323.7 million and ₱127.0 million in 2019 and 2018, respectively.

The Group is required to comply with affirmative and negative covenants until termination of loans. As of March 31, 2019 and December 31, 2018, the Group is not in breach of any loan covenants.

The Group is not in breach of any terms on the ECA and commercial loans.

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. (URCNZH Fin Co) entered into a secured term loan facility agreement payable in five (5) years, amounting to NZD420M (₱13.4 billion), with various banks for payment of acquisition costs and refinancing 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.

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%.

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 bond. The bond was issued in three series: (1) Five-year bond amounting to ₱24.5 billion fixed at 5.2317% due 2019; (2) Seven-year bond amounting to ₱5.3 billion fixed at 5.2242% due 2021; and (3) Ten year bond amounting to ₱176.3 million fixed at 5.3% due 2024. Interest is calculated on a 30/360-day count basis and are 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 ₱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.

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.

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 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.

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 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 March 31, 2019.

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 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 March 31, 2019 and December 31, 2018.

19. Other Noncurrent Liabilities

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Deposit liabilities - net of current portion	P20,339,425	P19,066,221
ARO	5,646,820	5,982,198
Accrued rent expense	1,608,664	1,608,664
Pension liabilities	1,320,101	1,231,410
Deferred revenue on rewards program	997,052	954,057
Deposit from lessees - net of current portion	2,790,985	2,650,772
Derivative liabilities	—	177,215
Others	981,250	1,176,828
	P33,684,297	P32,847,365

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 certain redelivery costs at the end of the operating aircraft lease.

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.

Deposits from Lessees

Deposits from lessees (including the current portion shown in Note 17) represent cash received from tenants representing three to six months' rent which shall be refunded to tenants at the end of 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 deposits from lessees were discounted using PDST-F rate plus 2.0% spread.

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.

Deferred Revenue on Rewards Program

This account pertains to estimated liability under the Getgo lifestyle rewards program.

The rollforward analyses of deferred revenue follow:

	2019	2018
Balance at beginning of year	P954,057	P720,230
Add: Estimated liability on issued points	189,708	691,673
Subtotal	1,143,765	1,411,903
Less: Estimated liability on redeemed points	57,861	178,326
Estimated liability on expired points	88,852	279,520
Balance at end of year	P997,052	P954,057

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.

20. Equity

Details of the Parent Company's authorized capital stock as of March 31, 2019 and December 31, 2018 follow:

	Par Value	Shares	Amount
Common shares	P1.00	12,850,800	P12,850,800
Preferred voting shares	0.01	4,000,000	40,000
Preferred non-voting shares	1.00	2,000,000	2,000,000
		18,850,800	P14,890,800

As of March 31, 2019 and December 31, 2018, the paid-up capital of the Group consists of the following:

Capital stock:

Common shares - P1 par value	P7,162,842
Preferred voting shares - P0.01 par value	40,000
	7,202,842
Additional paid-in capital	23,553,025
Total paid-up capital	P30,755,867

Preferred voting shares

The preferred voting shares have, among others, the following rights, privileges and preferences:

- a. 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.
- b. The shares shall be non-redeemable.
- c. 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.
- d. 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:

- a. 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.
- b. The shares shall be non-convertible, non-voting, cumulative and non-participating.
- c. 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.
- d. 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	–	P1.00	P–	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 common shares	1.00	4.40	–	1,428,175 common shares
June 30, 1994	Conversion of convertible bonds into common shares	428,175 common shares	1.00	13.75	–	3,725 common shares
July 3, 1998	Stock rights offering (1:2)	2,060,922 common shares	1.00	2.00	–	2,060,922 common shares

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:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
(a) Gross debt		
Short-term debt (Note 18)	P40,752,892	P35,453,724
Current portion of long-term debt (Note 18)	30,859,634	30,962,270
Long-term debt, net of current portion (Note 18)	178,039,386	179,286,698
Derivative liabilities (Note 8)	–	177,215
	P249,651,912	P245,879,907
(b) Capital	P376,409,896	P367,477,860
(c) Debt-to-capital ratio (a/b)	0.66:1	0.67:1

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 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. Following is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0%	Cash on hand; claims collateralized by securities issued by the non-government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20%	COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75%	Direct loans of defined Small Medium Enterprise and microfinance loans portfolio; nonperforming housing loans fully secured by first mortgage
100%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred tax)
125%	All NPLs (except nonperforming housing loans fully secured by first mortgage) and all nonperforming debt securities

* Not all inclusive

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk has a CCF of 0.00%.

In the case of derivatives, the credit equivalent amount (against which the risk weight factor is multiplied to arrive at the risk-weighted exposure) is generally the sum of the current credit exposure or replacement cost (the positive fair value or zero if the fair value is negative or zero) and an estimate of the potential future credit exposure or add-on. The add-on ranges from 0.00% to 1.50% (interest rate-related) and from 1.00% to 7.50% (exchange rate-related), depending on the residual maturity of the contract. For CLNs and similar instruments, the risk-weighted exposure is the higher of the exposure based on the risk weight of the issuer's collateral or the reference entity or entities.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Circular sets out a minimum REST limit of 6.0% CET1 capital ratio and 10% risk-based capital adequacy ratio, on a solo and consolidated basis, under a prescribed write-off rate of 25% on the Group's real estate exposure. These limits shall be complied with at all times.

On October 29, 2014, the Bangko Sentral ng Pilipinas (BSP) issued amendments to Circular No. 854, *Minimum Capitalization of Banks*. Based on the amendments, RBC as a commercial bank with more than 100 branches, is required to increase its capitalization to ₱15.00 billion.

RBC has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

As of March 31, 2019, RBC was in compliance with the required CAR.

Restricted Retained Earnings

Parent Company

On December 14, 2017, the BOD approved the appropriation of retained earnings amounting to ₱3.7 billion.

As of March 31, 2019, the Parent Company's restricted retained earnings amounted to ₱100.7 billion 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 certain portion of the Parent Company's retained earnings is restricted to maintain these financial ratios.

URC

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 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

The income of the subsidiaries and JVs that are recognized in the consolidated statements of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and JVs. Likewise, retained earnings are restricted for the payment of dividends to the extent of the cost of common stock held in treasury amounting to ₱874.1 million and ₱785.5 million as of March 31, 2019 and December 31, 2018, respectively.

On May 19, 2018, CAI's BOD approved the declaration of a regular cash dividend in the amount of ₱1,745.1 million or ₱2.88 per share and a special cash dividend in the amount of ₱981.6 million or ₱1.62 per share from the unrestricted retained earnings of CAI to all stockholders of record as of June 14, 2018 and payable on July 10, 2018. Total dividends declared and paid amounted to ₱2,726.8 million for the year ended December 31, 2018.

RBC

In 2017, RBC's BOD approved to appropriate reserves for trust reserves amounting to ₱0.6 million and to reverse appropriation of reserves for self-insurance amounting to ₱107.0 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 ₱95.6 billion and ₱96.0 billion as of March 31, 2019 and December 31, 2018, 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.

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.

21. 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. Robinsons Bank Corporation manages the plan based on the mandate as defined in the trust agreement.

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 Group expects to contribute ₱430.5 million into the pension fund in 2019.

22. 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

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Income attributable to equity holders of common shares of the Parent Company	P7,436,214	P4,821,929
Weighted average number of common shares	7,162,842	7,162,842
Basic/diluted earnings per share	P1.04	P0.67

23. 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.

The Parent Company has signed various financial guarantee agreements with third parties for the short-term and long-term loans availed by its subsidiaries (see Note 18). 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.

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 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.

24. 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.

25. Contingent Liabilities

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.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES**FINANCIAL RATIOS****AS OF MARCH 31, 2019 AND DECEMBER 31, 2018 AND FOR THE
THREE MONTHS ENDED MARCH 31, 2019 AND 2018**

The following are the financial ratios that the Group monitors in measuring and analyzing its financial soundness:

Financial Ratios	2019	2018
Profitability Ratio		
Operating margin	18%	17%
Liquidity Ratio		
Current ratio	1.13	0.93
Capital Structure Ratios		
Gearing ratio	0.66	0.67
Net debt to equity ratio	0.52	0.53
Asset to equity ratio	2.23	2.23
Interest rate coverage ratio	6.72	8.04