

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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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 -	Company's Telephone Number 633-7631	Mobile Number -
No. of Stockholders 994	Annual Meeting (Month / Day) Last Thursday of May	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person Brian M. Go	Email Address Brian.Go@jgsummit.ph	Telephone Number/s 633-7631	Mobile Number -
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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 September 30, 2022
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	7,520,983,658
Long-term Debt	-

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.

Business Overview

JG Summit Holdings, Inc. (JGS / the Company), which is controlled by the Gokongwei Family, was incorporated in November 1990 as the holding company for a group of companies with substantial business interests in foods, agro-industrial and commodities, real estate, and hotel, air transportation, banking, and petrochemicals. The Company also has core investments in telecommunications and power generation and distribution.

The Company is one of the largest and most diversified conglomerates in the Philippines. The Company was listed on the PSE in 1993.

The Company and its subsidiaries (the Group) conduct businesses throughout the Philippines primarily in and around Metro Manila (where it is based) and in Luzon, Visayas, and Mindanao regions.

The Group also has a branded consumer foods business in ASEAN and China, a residential development business in China, and a core investment in a property development company in Singapore.

Results of Operations

JG Summit Holdings, Inc. (JGS) reported consolidated core net income of ₱6.5 billion in the first nine months of 2022 (9M22), over a ten-fold increase versus ₱0.6 billion in the same period last year (SPLY). This was driven by both the significant improvements in the operating results of its consumer-facing businesses, as well as the ₱3.2 billion portfolio management gain that the holding company recognized from the sale of its partial 3.2% stake in Manila Electric Company (MER) in July 2022.

This core net income was also delivered on the back of a 34% year-on-year (YoY) surge in JGS' consolidated revenues to ₱224.8 billion in 9M22. Its key subsidiaries in food, property and banking posted double-digit topline growth, while its airline saw strong recovery as travel restrictions were eased. Revenues of ₱73.7 billion in the third quarter alone rose faster at 46% YoY. However, this strong performance was tempered by the shutdown of its petrochemical plants from May to August 2022, a deliberate decision given high customer inventories and weak overall demand globally.

Meanwhile, the significant depreciation of the peso from ₱51.00 to a dollar in December 2021 to ₱58.63 in September 2022 resulted in foreign exchange translation losses on the group's US dollar-denominated debt. After considering the impact of these forex losses and other mark-to-market adjustments on the Company's bottom line, JGS ended 9M22 with a consolidated net loss of ₱859 million, albeit much smaller than the ₱2.4 billion loss SPLY.

Consolidated cost of sales and services for the first nine months of 2022 increased by 40.0% from ₱120.1 billion last year to ₱168.2 billion this year mainly driven by higher sales volume and elevated input costs of URC, increase in average naphtha costs of Petrochem, as well as higher fuel consumption of CEB in line with the increased flight activity during the period, coupled with the increase in average published fuel MOPS price to US\$129.42 per barrel for the nine months ended September 30, 2022 from US\$70.60 per barrel for the nine months ended September 30, 2021.

The Group's operating expenses increased by 6.0% to ₱42.4 billion from ₱40.0 billion as the higher selling, general and administrative expenses of the Group were partly offset by lower provisions on the Bank's finance receivables. As a result, Consolidated Operating Income or EBIT amounted to ₱14.2 billion for the nine months of 2022, an 83.4% increase from ₱7.7 billion SPLY. Consolidated EBITDA amounted to ₱35.9 billion for the nine months of 2022, a 19.9% increase from ₱29.9 billion SPLY.

The Group's financing costs and other charges, net of interest income, increased by 16.1% to ₱6.9 billion this year due to higher interest expense on short-term debts, trust receipts payables and lease liabilities.

Market valuation gains recognized from financial assets and derivative instruments for the nine months of 2022 amounted to ₱1.4 billion from ₱257 million SPLY mainly attributable to CEB's valuation gains on embedded derivative arising from its convertible bonds and interest rate derivatives, net of the decline in market values of the Group's equity investments.

The Group recognized net foreign exchange (FX) losses of ₱8.0 billion in 2022 from ₱3.9 billion SPLY primarily driven by the higher depreciation of Philippine Peso vis-à-vis US dollar this year compared to last year.

Other income amounted to ₱4.6 billion for the nine months of 2022 versus ₱593 million other expense for the same period last year primarily due to the ₱3.2 billion gain on the sale of MER shares, as well as the ₱1.4 billion gain on CEB's sale and lease back transactions on aircrafts.

Provision for income tax increased by 17.5% to ₱1.6 billion for the nine months of 2022 due to higher taxable income this year coupled with last year's reduction in income taxes as a result of the enactment of CREATE, but partly offset by the increase in deferred tax assets of CEB this year.

The Group's net income after tax from continuing operations for the nine months of 2022 amounted to ₱3.6 billion, a turn-around from last year's net loss of ₱3.8 billion mainly driven by higher operating income, market valuation gains and other income, partly offset by higher interest expense and foreign exchange losses.

Net loss attributable to equity holders of the parent amounted to ₱859 million for the nine months of 2022, albeit smaller versus last year's ₱2.4 billion net loss as a result of the factors discussed above.

FOOD

Universal Robina Corporation (URC) generated a consolidated sale of goods and services of ₱107.9 billion for the nine months ended September 30, 2022, 25.7% higher than the same period last year.

Sale of goods and services performance by business segment follows: (1) Sale of goods and services in URC's BCF group, including the packaging division, increased by ₱18.4 billion or 29.8% to ₱79.9 billion for the nine months of 2022 from ₱61.6 billion registered in the same period last year. BCF domestic operations posted a 22.3% increase in net sales from ₱45.4 billion for the nine months of 2021 to ₱55.5 billion for the nine months of 2022 driven by high double-digit growth across all categories on the back of the strong volume and increased prices. BCF international operations reported a 51.2% increase in net sales from ₱16.1 billion for the nine months of 2021 to ₱24.4 billion for the nine months of 2022. In constant US dollar (US\$) terms, sales increased by 44.3% with double-digit growth from major markets coupled with an uplift from Munchy's acquisition. Vietnam grew by 26.1% driven by the solid performance of the beverage category with strong growth and market share of C2 and recovery of Rong Do. Thailand grew by 9.7% coming from growth across all categories particularly Candies and Bakeries. Malaysia recovered with 25.9% growth driven by the strong performance of Snacks and Chocolates while Indonesia grew by 13.9% with improved performance from all categories and channels. The sale of goods and services of BCFG, including the packaging division, accounted for 74.1% of the total URC consolidated sale of goods and services for the nine months of 2022. (2) Sale of goods and services in URC's Agro-Industrial and Commodities (AIC) group amounted to ₱28.0 billion for the nine months of 2022, an increase of 15.3% from ₱24.2 billion recorded in the same period last year. The sugar and renewables business reported a 9.1% increase in net sales from ₱12.0 billion for the nine months of 2021 to ₱13.1 billion for the nine months of 2022 driven by the higher selling prices across all categories. The flour business posted a 15.9% sales growth from ₱3.7 billion for the nine months of 2021 to ₱4.3 billion for the nine months of 2022 due to higher prices despite the weaker volume. The agro-industrial group reported net sales of ₱10.6 billion for the nine months of 2022, an increase of 23.7% from ₱8.5 billion recorded in the same period last year driven by feed business due to robust pet food and hog feed sales.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs, and direct labor costs. Cost of sales increased by ₱18.3 billion or 30.0% to ₱79.1 billion for the nine months of 2022 from ₱60.8 billion recorded in the same period last year due to higher volume and elevated input costs.

URC's gross profit for the nine months of 2022 amounted to ₱28.8 billion, up by ₱3.8 billion or 15.3% from the ₱25.0 billion reported in the same period last year. Gross profit margin decreased by 241 basis points from 29.1% for the nine months of 2021 to 26.7% for the nine months of 2022 due to continued material cost increases.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses, and other administrative expenses. Selling and distribution costs, and general and administrative expenses increased by ₱2.8 billion or 18.6% to ₱18.0 billion for the nine months of 2022 from ₱15.2 billion registered in the nine months of 2021 primarily driven by higher freight costs; advertising and promotion costs; and personnel-related expenses.

As a result of the above factors, operating income increased by 10.2% or ₱995 million to ₱10.8 billion for the nine months of 2022 from ₱9.8 billion reported for the nine months of 2021.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱15.5 billion for the nine months of 2022, 9.3% higher than the ₱14.1 billion posted for the nine months of 2021.

Net foreign exchange gain amounted to ₱1.350 billion for the nine months of 2022 from ₱16 million for the nine months of 2021 mainly driven by the impact of higher depreciation of the Philippines Peso vis-à-vis the US dollar this year compared to the same period last year.

URC's finance costs consist mainly of interest expense and amortization of debt issue costs. Finance costs increased by 18.4% to ₱514 million for the nine months of 2022 from ₱434 million in the same period last year due to higher levels of interest-bearing liabilities and interest rates.

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 28.9% to ₱211 million for the nine months of 2022 from ₱164 million in the same period last year due to higher interest and dividend income during the period.

Equity in net losses of joint ventures amounted to ₱326 million for the months of 2022 from ₱90 million in the same period last year due to equity take up in the accumulated net losses of Vitasoy-URC, Inc. (VURC).

Market valuation gain on financial instruments at fair value through profit or loss amounted to ₱65 million for the nine months of 2022 from ₱23 million for the nine months of 2021 due to increase in market values of equity investments.

Other income (expense) - net account consists of gain (loss) on the sale of fixed assets and investments, rental income, and miscellaneous income and expenses. Other expenses - net amounted to ₱42 million for the nine months of 2022 from ₱2.7 billion other income - net for the nine months of 2021 driven by the significant gain recognized on the sale of fixed assets last year.

URC recognized a provision for income tax of ₱1.8 billion for the nine months of 2022, a 36.7% increase from ₱1.3 billion for the nine months of 2021 due to higher taxable income and adjustment last year pertaining to the impact of CREATE Law on 2020 income tax provision.

URC's core earnings after tax (operating profit after equity earnings, net finance costs, other income – net, and provision for income tax) for the nine months of 2022 amounted to ₱8.4 billion, an increase of 9.5% from ₱7.7 billion recorded in the same period last year.

URC's net income after tax from continuing operations for the nine months of 2022 amounted to ₱9.7 billion, lower by ₱616 million or 6.0%, from ₱10.3 billion for the nine months of 2021 primarily driven by last year's significant gain on the sale of fixed assets, partly offset by this year's higher operating income and the favorable impact of foreign exchange translation. Including the net income after tax from discontinued operations, URC's total net income decreased by ₱1.5 billion or 13.5%.

Net income attributable to equity holders of the parent decreased by ₱1.2 billion or 11.2% to ₱9.3 billion for the nine months of 2022 from ₱10.5 billion for the nine months of 2021 as a result of the factors discussed above.

Net income attributable to non-controlling interest (NCI) decreased from ₱707 million for the nine months of 2021 to ₱373 million for the nine months of 2022.

REAL ESTATE AND HOTELS

Robinsons Land Corporation (RLC) recorded a robust 151% growth year-on-year in consolidated net income (including minority interest) to ₱2.5 billion in the third quarter of 2022 (3Q2022). This pushed consolidated net income (including minority interest) to end at ₱7.9 billion for the nine months ended September 30, 2022, surpassing pre-pandemic numbers and is 21% higher than the same period last year.

This year's strong earnings were spurred by growing demands from RLC's recurring business units and amplified by revenues from Phase 2 of its Chengdu Ban Bian Jie project in China.

Margins remained relatively intact with consolidated EBITDA and EBIT coming in at ₱14.2 billion and ₱10.3 billion for a 20% and 28% increase, respectively.

Improved consumer spending and retail sales lifted **Robinson Malls'** revenues by 54% in the nine months of 2022 to ₱9.3 billion, accounting for 26% of consolidated revenues. EBITDA jumped 67% to ₱4.7 billion, while EBIT significantly increased as well to ₱2.0 billion year-on-year on the back of flattish growth in depreciation expense. Robinsons Malls continues to assert itself as the second largest mall operator in the country highlighted by its 52 lifestyle centers.

Robinsons Offices delivered stable topline results with a 12% growth in revenues to ₱5.3 billion in the nine months of 2022, accounting for 15% of consolidated revenues. This stable performance is primarily driven by the strength of its portfolio, which consists of 29 quality assets in strategic locations boosted by the successful leasing activities in new buildings namely, Cyber Omega in Ortigas Center, Cybergate Iloilo 1, and Bridgetowne East Campus One. EBITDA rose 15% to ₱4.6 billion, while EBIT grew 18% to ₱3.9 billion.

Underpinned by the easing of travel restrictions and the re-opening of the country's tourist destinations, **Robinsons Hotels and Resorts (RHR)** exceeded 2021 revenues by 65% to ₱1.4 billion, accounting for 4% of consolidated revenues. On the other hand, pre-operating expenses weighted on EBITDA and EBIT which closed at ₱204 million and negative ₱167 million, respectively. To date, RHR remains the largest hotel developer and operator in the Philippines in terms of number of hotel properties with 24 hotels in its continuously expanding multi-branded portfolio.

The **RLC Residences and Robinsons Homes** reported combined realized revenues of ₱6.3 billion year-on-year, an increase of 8% versus the same period last year, accounting for 18% of consolidated revenues. EBITDA and EBIT likewise both improved by 11% to ₱2.4 billion and to ₱2.3 billion, respectively.

In the nine months, **Robinsons Logistics and Industrial Facilities** surged its industrial leasing revenues, EBITDA, and EBIT relative to last year to ₱406 million, ₱346 million, and ₱250 million, respectively. This is mainly attributable to the full-period contribution of industrial facilities that were completed last year in Sucat and in Pampanga.

The **Integrated Developments Division** recorded ₱452 million in revenues from the deferred gain on the sale of parcels of land to joint venture entities recorded in the nine months. EBITDA and EBIT landed at ₱216 million and ₱213 million, respectively.

AIR TRANSPORTATION

Cebu Air, Inc. (CEB) generated gross revenues amounting to **₱37.5 billion** for the nine months ended September 30, 2022, 310.2% higher than the **₱9.2 billion** revenues generated in the same period last year. The overall increase in revenues was primarily driven by significant increase in passenger volume, cargo services and flight activities as the COVID-19 restrictions already eased by March 2022. Starting second quarter of 2022, most parts of the country have remained to be classified under the more relaxed Alert Level classification and this was retained until the third quarter of 2022. As a result, CEB has restored almost the same level of its pre-pandemic system-wide capacity following the continuous ramp-up of its domestic and international routes. Currently, CEB is expecting the level of demand to increase further for airline services not just within the Philippines but even abroad. The positive development has not only allowed CEB to carry more passengers, but also boosted CEB's cargo services. The increase in revenues is accounted for as follows: (1) Passenger revenues went up by **₱19.1 billion** or 572.5% to **₱22.5 billion** for the nine months ended September 30, 2022, from **₱3.3 billion** earned in the nine months ended September 30, 2021. This was mainly attributable to the 450.8% increase in passenger volume from 1.9 million to 10.4 million brought about by a higher number of flights by 255.9% together with an 18.6 ppts increase in seat load factor from 55.8% to 74.4%. An increase in average fares by 22.1% to **₱2,154** for the nine months ended September 30, 2022, from **₱1,764** for the same period last year also contributed to the increase in passenger revenues; (2) Cargo revenues increased by **₱1.4 billion** or 31.7% to **₱5.6 billion** for the nine months ended September 30, 2022, from **₱4.3 billion** for the nine months ended September 30, 2021, primarily driven by the 19.1% increase in cargo kilograms flown from 83.0 million to 98.9 million, coupled with the increase in cargo yield by 10.6% to **₱56.79** for the nine months ended September 30, 2022, from **₱51.35** for the same period last year; and (3) Ancillary revenues increased by **₱7.9 billion** or 511.6% to **₱9.4 billion** for the nine months ended September 30, 2022 from **₱1.5 billion** generated in the same period last year largely due to higher passenger volume and flight activity during the period.

CEB incurred operating expenses of **₱48.7 billion** for the nine months ended September 30, 2022, higher by 74.1% compared to the **₱28.0 billion** operating expenses recorded for the nine months ended September 30, 2021. This was mostly driven by the increase in CEB's operations due to the eased COVID-19 restrictions since a material portion of its expenses is based on flights and flight hours. The weakening of the Philippine peso against the U.S. Dollar as referenced by the depreciation of the Philippine peso to an average of **₱53.55** per U.S. Dollar for the nine months ended September 30, 2022, from an average of **₱48.87** per U.S. Dollar during the same period last year based on the Philippine Bloomberg Valuation (PH BVAL) weighted average rates also contributed to the increase in operating expenses.

As a result of the foregoing, CEB closed with an operating loss of **₱11.2 billion** for the nine months ended September 30, 2022, 40.6% lower than the **₱18.8 billion** operating loss incurred for the same period last year.

Interest income increased by **₱118 million** or 420.4% to **₱146 million** for the nine months ended September 30, 2022 from **₱28 million** earned in the same period last year largely due to the significantly higher average interest rates for cash in bank and short term placements.

In 2022 and 2021, CEB received **₱34 million** and **₱124 million**, respectively, pertaining to insurance proceeds claimed for damages sustained by various aircraft from several incidents and loss events.

CEB's market valuation gains amounting to **₱1.7 billion** for the nine months ended September 30, 2022 originated from the market valuation gains recognized for CEB's embedded derivative arising from its convertible bonds and interest rate derivatives. As compared to same period last year, CEB did not incur any market valuation gains or losses.

During the year, CEB has entered into swap transactions to replace its two (2) engines resulting to the recognition of gain on exchange amounting to ₱100 million. In addition, CEB entered into sale and lease back transactions that resulted to a gain of ₱1.4 billion.

Net foreign exchange losses of ₱3.9 billion for the nine months ended September 30, 2022 primarily resulted from the weakening of the Philippine Peso against the US Dollar to ₱58.63 per U.S. Dollar for the nine months ended September 30, 2022 from ₱51.00 per U.S. Dollar for the year ended December 31, 2021. This was partially offset by the strengthening of the Philippine Peso against the Japanese Yen to ₱0.41 per Japanese Yen for the nine months ended September 30, 2022 from ₱0.44 per Japanese Yen for the year ended December 31, 2021. CEB's major exposure to foreign exchange rate fluctuations is in respect to U.S. Dollar and Japanese Yen-denominated short and long-term debt incurred in connection with aircraft acquisitions.

CEB had equity in net loss of joint ventures and associates of ₱107 million for the nine months ended September 30, 2022, ₱19 million lower than the ₱126 million equity in net loss of joint venture and associates incurred in the same period last year. The decrease is due to lower net loss recognized by CEB's joint ventures and associates.

Interest expense and accretion expense from lease liability increased by ₱605 million or 32.8% to ₱2.4 billion for the nine months ended September 30, 2022 from ₱1.8 billion for the same period last year due to the addition of one (1) A321 NEO, three (3) A330 NEO, three (3) A320 NEO and one (1) ATR 72-600 delivered mostly in the latter part of 2021 and 2022 plus sale and leaseback of seven (7) A320 aircraft in December 2021 offset by the return of two (2) A320 CEO and two (2) A330 CEO aircraft to the lessor in 2021. The increase is coupled with the effect of depreciation of the Philippine Peso against the U.S. Dollar.

As a result of the foregoing, CEB incurred a loss before income tax of ₱14.2 billion for the nine months ended September 30, 2022, 36.8% or ₱8.3 billion lower than the ₱22.5 billion loss before income tax posted for the nine months ended September 30, 2021.

Benefit from income tax for the nine months ended September 30, 2022 amounted to ₱2.2 billion mainly accounted for by the increase in deferred tax assets from asset retirement obligation, heavy maintenance visits, net unrealized foreign exchange losses and net lease liability.

Net loss for the nine months ended September 30, 2022 amounted to ₱12.1 billion, 45.2% lower than the ₱22.0 billion net loss incurred for the nine months ended September 30, 2021.

PETROCHEMICALS

JG Summit Olefins Corporation (JGSOC) posted gross revenues of ₱26.2 billion for the nine months ended September 30, 2022, 4% lower than the same period last year mainly due to polymer sales decline but was cushioned by the sales contributions from Aromatics, Butadiene and LPG Trading.

In May 2022, JGSOC strategically shut down its cracker and downstream polymers and extraction units given the weak demand for both domestic and export markets, especially with the sustained lockdowns in China and elevated freight costs. These plants were subsequently restarted within August and September, although below full capacity, as supply-demand dynamics improve while remaining cautious with the lingering global recession sentiment.

Margins were also impacted by the increase in naphtha consumption costs from US\$578/metric ton last year to US\$848/metric ton this year and which led to a negative EBITDA of ₱3.2 billion for the nine months of 2022. With this, as well as higher depreciation, interest expense and foreign exchange loss due to the depreciation of the peso, JGSOC ended September 30, 2022 with a net loss of ₱9.0 billion from ₱423 million net income same period last year.

BANKING

Robinsons Bank Corporation (RBC) banking revenues grew by 11% YoY to ₱7.7 billion for the nine months of 2022 from ₱6.9 billion SPLY. This was on the back of strong loan expansion and higher fee income from its fast-growing credit card and merchant acquiring business. Rising global interest rates plus faster growth in higher-yielding consumer loans lifted net interest income by 17%, ending at ₱5.8 billion for the nine months of 2022. Lower provisions amid improving and better-than industry non-performing loan (NPL) ratios led RBC's 9M2022 net income to expand by 37% YoY to ₱1.3 billion, surpassing its full-year 2021 profits.

On September 30, 2022, RBC and its shareholders entered into a Merger Agreement with BPI, where 100% of RBC will be exchanged for newly issued BPI shares, which will result in the Gokongwei Group collectively holding approximately 288 million shares, or 6% of BPI's outstanding common shares. The transaction will be subject to regulatory approvals and target closing is set on January 1, 2024.

EQUITY EARNINGS

Equity in net earnings of associated companies and joint ventures amounted to ₱7.4 billion for the nine months of 2022, a 23.1% increase from ₱6.0 billion for the same period last year. The increase is mainly due to the 17% increase in equity in net earnings of Meralco from ₱4.7 billion last year to ₱5.5 billion this year driven by continuing growth in energy sales, and increased earnings of power generation business largely from ₱5.0 billion higher share in income of Pacific Light.

For Singapore Land Group, only its 1H2022 performance is included in JGS' 9M22 consolidated results given its semi-annual disclosure to Singapore Exchange. This amounted to ₱1.4 billion in terms of equity earnings for JGS, 40% higher vs ₱1.0 billion SPLY driven by higher revenue of hotel operations as the Singapore hospitality sector recovers coupled with the increase in property trading results mainly from higher share in profits of its associates and JVs.

Meanwhile, PLDT dividends also increased from ₱82 to ₱117 per share (₱89 regular and ₱28 special) as it sustains its earnings momentum. Total dividend income from PLDT amounted to ₱2.8 billion, up by 43% YoY.

FINANCIAL CONDITION

September 30, 2022 vs December 31, 2021

The Group's balance sheet continues to be healthy and robust, with the capacity to further support post-pandemic recovery. As of September 30, 2022, consolidated assets amounted to ₱1.051 trillion from ₱1.023 trillion as of December 31, 2021. Current ratio stood at 0.84. The Group's indebtedness remained manageable with a gearing ratio of 0.74 and net debt to equity of 0.52 as of September 30, 2022.

Cash and cash equivalents decreased to ₱82.4 billion as of September 30, 2022 from ₱82.9 billion as of December 31, 2021. The Group's cash requirements have been sourced through cash flow from operations. The net cash flow provided by operating activities for the nine months of 2022 amounted to ₱1.1 billion. Net cash used in investing activities amounted to ₱1.9 billion, which were substantially used for the Group's capital expenditures partially offset by the proceeds from the sale of MER shares, dividends received, and proceeds from sales and lease-back transactions. Net cash provided by financing activities amounted to ₱210 million mainly from net availment of debts and bills payable, partially offset by dividend and lease payments, and subsidiaries' purchase of treasury shares.

As of September 30, 2022, the Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period that would have a significant impact on the Group's operations and/or financial condition.

Material Changes in the 2022 Financial Statements (Increase/Decrease of 5% or more versus 2021)

Material changes in the Statements of Consolidated Comprehensive Income were explained in detail in the management discussion and analysis or plan of operations stated above.

Consolidated Statements of Financial Position- September 30, 2022 versus December 31, 2021

13% increase in Inventories

Due to increase in raw materials, work-in process and finished goods inventories from higher input costs and increased volume mainly from URC and JGSOC.

59.7% increase in Biological Assets (including Noncurrent Portion)

Due to increase in hogs and poultry population coupled with improvement in hog mortalities

12.1% increase in Other Current Assets

Due to increase in URC's advances to suppliers and RLC's advances to lot owners

47.4% increase in Right-of-Use Assets

Due to CEB's delivery of one (1) A321 NEO, two (2) A320 NEO and (1) A330 NEO in 2022 and additional five (5) A321 CEO reclassified from property and equipment to right of use assets offset by the return of one (1) A320 CEO and depreciation during the period.

12.6% increase in Other Noncurrent Assets

Due to increase in deferred tax assets particularly from CEB brought about by the increase in future deductible amount from provision for asset restoration obligation and heavy maintenance visits, net unrealized foreign exchange losses and lease liability (net of right-of-use assets)

24.0% increase in Short Term Debt

Due to higher level of short-term debt and trust receipts payable of URC and Petrochem.

119.2% increase in Income Tax Payable

Due to additional tax provision of RLC, URC and RBC

51.9% increase in Lease Liabilities (including Noncurrent Portion)

Due to CEB's additional lease liability set up for one (1) A321 NEO, two (2) A320 NEO and (1) A330 NEO delivered in 2022 plus the recognition of the related lease liability of five (5) A321 NEO reclassified from property and equipment to right of use assets offset by payments made during the period.

94.9% decrease in Derivative Liabilities (including Noncurrent Portion)

Mainly due to lower fair valuation of the embedded derivative liabilities from CEB's convertible bonds.

25.0% decrease in Other Current Liabilities

Due to (i) RLC's lower deposits from real estate buyers, partially offset by (ii) CEB's higher unearned transportation revenue from increased forward bookings as of September 30, 2022 compared to December 31, 2021.

28.3% increase in Other Noncurrent Liabilities

Due to (i) RBC's higher level of bills payable and (ii) CEB's additional provision for asset retirement obligation.

195.4% increase in Other Comprehensive Loss

Due to market valuation losses on the Group's investments in fair value through other comprehensive income (FVOCI) securities primarily driven by lower PLDT share price from ₱1,812 per share as of end-December 2021 to ₱1,508 per share as of end-September 2022.

Stockholders' equity, excluding minority interest, stood at ₱323.3 billion as of September 30, 2022 from ₱335.3 billion last year.

Book value per share amounted to ₱42.98 as of September 30, 2022 from ₱44.58 as of December 31, 2021.

As of September 30, 2022, except as otherwise disclosed in the financial statements and to the best of the Group's knowledge and belief, there are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

KEY FINANCIAL INDICATORS

The Group 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 Group has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as of September 30, 2022 and December 31, 2021 and for the nine months of 2022 and 2021.

Key Financial Indicators	2022	2021
Revenues	₱224,797 million	₱167,903 million
EBIT	₱14,200 million	₱7,741 million
EBITDA	₱35,904 million	₱29,948 million
Core net income after taxes	₱6,543 million	₱615 million
Net loss attributable to equity holders of the Parent Company	(₱859 million)	(₱2,439 million)
Liquidity Ratio:		
Current ratio	0.84	1.03
Solvency ratios:		
Gearing ratio	0.74	0.68
Net debt to equity ratio	0.52	0.48
Asset-to-equity ratio	2.46	2.31
Interest rate coverage ratio	4.55	4.47
Profitability ratio:		
Operating margin	0.06	0.05
Book value per share	₱42.98	₱44.58

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 and impairment loss on property, plant and equipment
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

Current assets amounted to ₱297.8 billion while current liabilities reached ₱356.1 billion, for a current ratio of 0.84:1. Total financial debt amounted to ₱317.9 billion in 2022, 6.5% higher than last year's ₱298.5 billion. The Company's indebtedness remains manageable with a gearing ratio of 0.74:1, well within the financial covenant of 2.0:1. Net debt stood at ₱221.9 billion, bringing our net debt to equity ratio to 0.52:1.

Commitments and Contingent Liabilities

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.

In addition, the Group has capital expenditure commitments which principally relate to the acquisition of aircraft which will be funded through CEB's internally generated cash from operations and borrowings.

Trends, Events or Uncertainties

There are (i) no known trends, events or uncertainties that have had or that are reasonably expected to have a material effect on revenues or income from continuing operations, (ii) no significant elements of income or loss that did not arise from the Company's continuing operations, or (iii) no event that may trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

Except for income generated from our retail leasing, and our airline's business which generally records higher revenues in January, March, April, May, and December due to festivals and school holidays in the Philippines, there are no seasonal aspects that have a material effect on the Group's financial conditions or results of operations.

Impact of COVID-19

As of September 30, 2022, CEB's operations have significantly improved due to the easing of COVID-19 restrictions which started during the second quarter. In line with this, CEB's liquidity position has been augmented, mainly sourced from the enhanced cash flows from operating activities during the period. Accordingly, CEB will have sufficient financial resources to enable CEB to subsequently finance its operations and pay its debts as and when they fall due. However, CEB's balance sheet was significantly affected by the revaluation of its foreign currency-denominated provisions and debts due to the depreciation of the local currency against foreign currencies. Consequently, CEB's equity position has declined due to the net loss recognized during the period. The net loss recognized was mostly attributable to significantly higher fuel prices, foreign exchange losses and interest costs. Nevertheless, the continuous growth in demand for domestic and international airline services which started during the second quarter has provided CEB with the positive outlook to regain its strong balance sheet and equity position in the subsequent periods. This is coupled by CEB's effort to manage the impact of COVID-19 pandemic in its business operations. Hence, despite the continuing impact of the COVID-19 pandemic, CEB still believes that it remains a resilient airline company.

The COVID-19 pandemic has continuously affected the operations of CEB as its scale and duration remain uncertain as at the report date. In response, CEB is actively engaged in planning and executing various measures to mitigate the impact of the COVID-19 pandemic on its business operations. Further, CEB is still monitoring the recent developments as these situations may subsequently result to a material impact on its financial results for the rest of 2022 and even periods thereafter. CEB, however, is encouraged by the strong demand for airline services and anticipates the same to continue as a result of the easing of COVID-19 restrictions in most parts of the country. CEB anticipates further recovery on the level of its domestic and international operations by fourth quarter of 2022.

PART II – OTHER INFORMATION

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

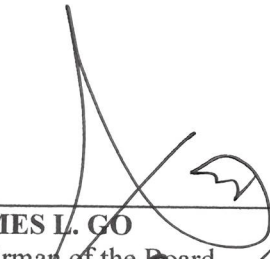
None.

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.

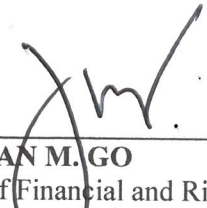
By:



11/10/2022
JAMES L. GO
Chairman of the Board



11/10/2022
LANCE Y. GOKONGWEI
President and
Chief Executive Officer



11/10/2022
BRIAN M. GO
Chief Financial and Risk Officer

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

(In Thousands)

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱82,384,006	₱82,890,122
Financial assets at fair value through profit or loss (Note 9)	7,495,316	6,461,016
Financial assets at fair value through other comprehensive income (Note 10)	17,340,900	39,258,310
Receivables (Note 11)	71,478,962	72,223,653
Inventories (Note 12)	92,326,430	81,611,907
Biological assets	219,171	132,145
Other current assets (Note 13)	26,564,356	23,689,961
Total Current Assets	297,809,141	306,267,114
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Note 10)	39,118,920	44,506,906
Receivables (Note 11)	79,471,507	75,487,480
Investment securities at amortized cost (Note 10)	34,473,834	8,474,859
Investments in associates and joint ventures (Note 14)	138,897,497	146,034,119
Property, plant and equipment	249,272,159	249,548,671
Investment properties	118,822,489	117,761,485
Right-of-use assets	47,587,512	32,280,315
Goodwill	22,910,299	22,237,699
Intangible assets	4,321,869	4,352,696
Biological assets	257,220	166,106
Other noncurrent assets (Note 15)	17,594,375	15,627,552
Total Noncurrent Assets	752,727,681	716,477,888
Total Assets	₱1,050,536,822	₱1,022,745,002
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 16)	₱183,073,097	₱179,069,040
Short-term debts (Note 18)	81,818,528	65,995,583
Current portion of long-term debts (Note 18)	70,842,142	19,501,714
Lease liabilities	593,067	5,716,633
Income tax payable	730,748	333,401
Other current liabilities (Note 17)	19,015,459	26,974,867
Total Current Liabilities	356,073,041	297,591,238

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 18)	₱165,207,426	₱213,015,316
Deferred tax liabilities	4,472,814	4,548,348
Lease liabilities	53,331,838	29,772,831
Other noncurrent liabilities (Note 19)	43,868,401	34,186,287
Total Noncurrent Liabilities	266,880,479	281,522,782
Total Liabilities	622,953,520	579,114,020
Equity		
Equity attributable to equity holders of the		
Parent Company:		
Paid-up capital (Note 20)	52,757,268	52,775,553
Retained earnings (Note 20)	242,306,676	246,190,700
Equity reserve (Note 20)	40,049,701	40,341,546
Other comprehensive loss	(11,813,502)	(3,998,908)
	323,300,143	335,308,891
Non-controlling interests	104,283,159	108,322,091
Total Equity	427,583,302	443,630,982
	₱1,050,536,822	₱1,022,745,002

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)

	Quarters Ended Sept 30		Nine Months Ended Sept 30	
	2022	2021	2022	2021
REVENUE				
Sale of goods and services:				
Foods	P36,765,057	P27,919,358	P107,873,146	P85,796,728
Air transportation	16,851,787	3,245,420	37,533,367	9,149,620
Real estate and hotels	7,816,136	4,539,601	34,435,036	30,112,406
Petrochemicals	5,453,537	9,065,930	26,187,067	27,207,527
Banking	2,719,991	2,339,655	7,690,715	6,925,672
Equity in net earnings of associates and joint ventures	1,987,095	2,030,052	7,381,348	5,998,104
Dividend income	1,883,176	1,063,884	3,009,114	2,119,765
Supplementary businesses	243,041	207,080	687,112	593,246
	73,719,820	50,410,980	224,796,905	167,903,068
COST OF SALES AND SERVICES	54,111,986	36,819,062	168,179,178	120,135,890
GROSS INCOME	19,607,834	13,591,918	56,617,727	47,767,178
OTHER OPERATING EXPENSES				
General and administrative expenses	14,570,347	12,473,056	41,782,942	38,562,751
Impairment losses and others	266,295	263,108	634,417	1,463,129
	14,836,642	12,736,164	42,417,359	40,025,880
OPERATING INCOME	4,771,192	855,754	14,200,368	7,741,298
OTHER INCOME (LOSSES)				
Financing costs and other charges:				
Financing and others	(2,545,410)	(2,270,151)	(6,966,140)	(6,198,260)
PFRS 16 leases	(390,567)	(166,897)	(925,648)	(503,938)
Foreign exchange losses	(3,973,882)	(2,969,895)	(8,034,402)	(3,872,099)
Finance income	265,489	289,549	1,021,266	788,545
Market valuation gains on derivative financial instruments	1,531,538	–	1,690,714	–
Market valuation gains (losses) on financial assets at fair value through profit or loss	(214,632)	4	(311,131)	256,800
Others	4,710,343	(260,459)	4,581,684	(593,382)
INCOME (LOSS) BEFORE INCOME TAX	4,154,071	(4,522,095)	5,256,711	(2,381,036)
PROVISION FOR INCOME TAX	345,462	134,145	1,637,462	1,394,065
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	3,808,609	(4,656,240)	3,619,249	(3,775,101)
NET INCOME FROM DISCONTINUED OPERATIONS	–	435,206	–	896,101
NET INCOME (LOSS)	P3,808,609	(P4,221,034)	P3,619,249	(P2,879,000)
NET INCOME ATTRIBUTABLE TO				
Equity holders of the Parent Company	P1,890,270	(P3,375,243)	(P858,981)	(P2,438,553)
Non-controlling interests	1,918,339	(845,791)	4,478,230	(440,447)
	P3,808,609	(P4,221,034)	P3,619,249	(P2,879,000)

(Forward)

	Quarters Ended		Nine Months Ended	
	2022	2021	2022	2020
NET INCOME (LOSS)	₱3,808,609	(₱4,221,034)	₱3,619,249	(₱2,879,000)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Item that may be reclassified subsequently to profit or loss:				
Net losses on financial assets at FVOCI (debt securities)	(821,533)	(806,348)	(2,022,946)	(1,183,125)
Cumulative translation adjustments	705,599	715,158	1,658,903	811,060
Net gains from cash flow hedges	364,168	25,926	600,858	100,585
Share in the net unrealized gains (losses) on financial assets at FVOCI (debt securities)	(110,447)	–	(64,330)	6,799
	137,787	(65,264)	172,485	(264,681)
Item that will not be reclassified subsequently to profit or loss:				
Net gains (losses) on financial assets at FVOCI (equity securities)	(3,394,905)	9,420,934	(6,752,413)	8,717,822
Share in remeasurements of the net defined benefit liability of associates	(295,038)	(8,531)	(283,033)	(88,835)
Remeasurements due to defined benefit liability, net of tax	313,163	1,171	265,687	(46,618)
Share in net unrealized gains (losses) on financial assets at FVOCI of associates (equity securities)	(107,734)	9,046	(170,467)	17,552
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	(3,346,727)	9,357,356	(6,767,741)	8,335,240
TOTAL COMPREHENSIVE INCOME (LOSS)	₱461,882	₱5,136,322	(₱3,148,492)	₱5,456,240
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Equity holders of the Parent Company	(₱1,790,580)	₱5,866,411	(₱8,673,575)	₱5,888,336
Non-controlling interests	2,252,462	(730,089)	5,525,083	(432,096)
	₱461,882	₱5,136,322	(₱3,148,492)	₱5,456,240
Earnings Per Share Attributable to Equity Holders of the Parent Company				
Basic/diluted earnings per share (Note 23)	₱0.25	(₱0.45)	(₱0.11)	(₱0.32)

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 Nine Months Ended September 30, 2022 and 2021
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

	Paid-up Capital (Note 20)			Retained Earnings				Other Comprehensive Income						NON-CONTROLLING INTERESTS	TOTAL EQUITY	
	Capital Stock	Additional Paid-in Capital	Stock Dividend Distributable	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 Loss			
Balance at January 1, 2022	P7,562,983	P45,212,570	P-	P52,775,553	P127,906,371	P118,284,329	P246,190,700	P40,341,546	(P47,180)	(P4,039,360)	P-	P87,632	(P3,998,908)	P335,308,891	P108,322,091	P443,630,982
Total comprehensive income (loss)	-	-	-	(858,981)	(858,981)	-	(858,981)	-	948,183	(9,159,529)	397,227	(475)	(7,814,594)	(8,673,575)	5,525,083	(3,148,492)
Cash dividends	-	-	-	(3,024,393)	(3,024,393)	-	(3,024,393)	-	-	-	-	-	-	(3,024,393)	(5,691,247)	(8,715,640)
Acquisition of business under common control by a subsidiary	-	-	-	-	-	-	-	7,313	-	-	-	-	-	7,313	5,908	13,221
Increase (decrease) in subsidiaries' treasury shares and NCI	-	(2,755)	-	(2,755)	-	-	-	(433,388)	-	-	-	-	-	(436,143)	(3,841,183)	(4,277,326)
Issuance of shares by Subsidiaries	-	-	-	-	-	-	-	134,230	-	-	-	-	-	134,230	(102,347)	31,883
Acquisition of non-controlling interest by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,500	43,500
Stock issue costs of subsidiaries	-	(15,530)	-	(15,530)	(650)	-	(650)	-	-	-	-	-	-	(16,180)	(400)	(16,580)
Subsidiary's share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,754	21,754
Balance at September 30, 2022	P7,562,983	P45,194,285	P-	P52,757,268	P124,022,347	P118,284,329	P242,306,676	P40,049,701	P901,003	(P13,198,889)	P397,227	P87,157	(P11,813,502)	P323,300,143	P104,283,159	P427,583,302

For the Nine Months Ended September 30, 2022 and 2021
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

	Paid-up Capital (Note 21)			Retained Earnings				Other Comprehensive Income						Total	NON-CONTROLLING INTERESTS	TOTAL EQUITY	
	Capital Stock	Additional Paid-in Capital	Stock Dividend Distributable	Total Paid-up Capital	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Retained Earnings	Equity Reserve	Reserves of disposal group held for sale	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)
Balance at January 1, 2021	₱7,560,983	₱45,148,988	₱122,600	₱52,832,571	₱124,406,517	₱118,284,329	₱242,690,846	₱30,870,429	₱-	(₱924,884)	(₱14,794,598)	(₱23,730)	(₱2,329,328)	(₱18,072,540)	₱308,321,306	₱99,789,050	₱408,110,356
Total comprehensive income (loss)	-	-	-	-	(3,270,067)	-	(3,270,067)	-	-	463,152	7,930,842	45,735	(112,840)	8,326,889	5,056,822	(432,095)	4,624,727
Reclassification to reserves of disposal group held for sale	-	-	-	-	-	-	-	(1,331,373)	1,474,694	(132,717)	-	(10,604)	-	(143,321)	-	-	-
Cash dividends	-	-	-	-	(2,873,174)	-	(2,873,174)	-	-	-	-	-	-	-	(2,873,174)	(4,195,236)	(7,068,410)
Acquisition of non-controlling interest by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	341,292	341,292
Sale of equity interest in an associate	-	-	-	-	(57,787)	-	(57,787)	-	-	-	-	-	57,787	57,787	-	-	-
Issuance of shares by subsidiaries	-	-	-	-	-	-	-	110,886	-	-	-	-	-	-	110,886	3,043,375	3,154,261
Sale of equity interest in a subsidiary (by a subsidiary)	-	-	-	-	-	-	-	11,872,386	-	-	-	-	-	-	11,872,386	10,785,683	22,658,069
Stock dividends	2,000	120,600	(122,600)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at September 30, 2021	₱7,562,983	₱45,269,588	₱-	₱52,832,571	₱118,205,489	₱118,284,329	₱236,489,818	₱41,522,328	₱1,474,694	(₱594,449)	(₱6,863,756)	₱11,401	(₱2,384,381)	(₱9,831,185)	₱322,488,226	₱109,332,069	₱431,820,295

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

(In Thousands)

	Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	₱5,256,711	(₱2,381,036)
Income before income tax from discontinuing operations	–	1,249,472
Income before income tax	5,256,711	(1,131,564)
Adjustments for:		
Depreciation and amortization	21,673,766	22,961,722
Foreign exchange losses	8,034,402	3,863,828
Interest expense	7,663,581	7,057,036
Equity in net earnings of associates and joint ventures	(7,381,348)	(5,998,104)
Provision for asset retirement obligation and heavy maintenance	5,443,103	3,058,838
Gain on disposal of investment in an associate	(3,222,220)	–
Dividend income	(3,009,114)	(2,119,765)
Market valuation gains on derivative financial instruments	(1,690,714)	–
Gain on sale and retirement of property, plant and equipment	(1,597,441)	(35,484)
Interest income	(1,021,266)	(803,635)
Provision for impairment losses	634,417	1,463,129
Market valuation losses (gains) on financial assets at fair value through profit or loss	311,131	(256,800)
Gains arising from changes in fair value less estimated costs to sell of swine stocks	(21,239)	(6,764)
Gain on sale of financial assets at fair value through other comprehensive income	(19,948)	(307,005)
Loss (gain) on extinguishment of debt	(10,924)	2,645
Gain on disposal of assets held for sale	–	(261,945)
Operating income before changes in working capital accounts	31,042,897	27,486,132
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Financial assets at fair value through profit or loss	(1,345,431)	(599,531)
Receivables	(4,147,884)	(5,294,236)
Inventories	(10,708,596)	(7,498,978)
Biological assets	(242,245)	(124,251)
Other current assets	(2,272,161)	2,209,982
Increase (decrease) in the amounts of:		
Accounts payable and accrued expenses	778,324	(6,937,272)
Unearned revenue	5,762,128	(28,401)
Other current liabilities	(7,479,445)	(9,645,508)
Net cash generated (used in) from operations	11,387,587	(432,063)
Interest paid	(8,181,416)	(8,174,935)
Income taxes paid	(3,068,725)	(3,189,355)
Interest received	1,003,956	791,681
Net cash provided by (used in) operating activities	1,141,402	(11,004,672)

(Forward)

Nine Months Ended September 30

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(P23,903,360)	(P22,902,386)
Investment properties	(7,120,077)	(13,008,227)
Investment in associates and joint ventures	(1,105,784)	(255,600)
Subsidiaries, net of cash acquired	(486,015)	–
Intangible assets	(59,851)	(52,337)
Refund of pre-delivery payments	4,195,723	1,814,643
Net decrease (increase) in the amounts of:		
Investment securities at amortized cost	(13,255,671)	(262,736)
Financial assets at FVOCI	8,794,250	(4,502,332)
Other noncurrent assets (Note 15)	(8,208)	(1,002)
Proceeds from:		
Sale of investment in an associate	12,163,281	–
Sale of property, plant and equipment	8,129,616	1,272,399
Sale of assets held for sale	1,897,650	9,090,600
Subscription from non-controlling interest	43,500	–
Dividends received on investment in associates and joint ventures	5,841,972	4,984,513
Dividends received	3,015,132	2,779,765
Net cash used in investing activities	(1,857,842)	(21,042,700)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Short-term debts	13,544,460	18,234,687
Long-term debts	274,245	(8,942,278)
Bills payable	8,083,042	966
Principal portion of lease liabilities	(6,000,956)	(5,936,989)
Increase (decrease) in the amounts of other noncurrent liabilities (Note 19)	(2,697,501)	2,139,405
Dividends paid on:		
Common shares	(3,008,393)	(2,857,974)
Preferred shares	(16,000)	(15,200)
Dividends paid to non-controlling interests	(5,691,247)	(3,761,614)
Subsidiaries' purchase of treasury shares	(4,277,326)	–
Cash received from non-controlling interest for issuance of shares by a subsidiary	–	2,750,977
Net proceeds from sale of equity interest in a subsidiary	–	20,690,155
Net cash provided by financing activities	210,324	22,302,135
NET DECREASE IN CASH AND CASH EQUIVALENTS	(506,116)	(9,745,237)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	82,890,122	81,491,413
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	P82,384,006	P71,746,176

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 and People’s Republic of China.

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, Ltd.	-do-	-do-
JGSH Philippines, Limited	British Virgin Islands	-do-
Telegraph Development, Ltd.	-do-	-do-
Summit Top Investment, Ltd.	-do-	-do-
JG Digital Equity Ventures and subsidiary		
JG Digital Capital Pte. Ltd.	Singapore	Singapore Dollar
URC Group		
Universal Robina (Cayman), Limited	Cayman Islands	US Dollar
URC Philippines, Limited	British Virgin Islands	-do-
URC Asean Brands Co. Ltd.	-do-	-do-
Hong Kong China Foods Co. Ltd.	-do-	-do-
URC International Co., Ltd.	-do-	-do-
URC China Commercial Co. Ltd.	China	Chinese Renminbi
Xiamen Tongan Pacific Food Co., Ltd.	-do-	-do-
Shanghai Peggy Foods Co., Ltd.	-do-	-do-
Guangzhou Peggy Foods Co., Ltd.	-do-	-do-
Jiangsu Acesfood Industrial Co.	-do-	-do-
Shantou SEZ Shanfu Foods Co., Ltd.	-do-	-do-
Shantou Peggy Co., Ltd.	-do-	-do-
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	-do-	-do-
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Advanson International Pte. Ltd.	-do-	-do-
URC Equity Ventures Pte. Ltd.	-do-	-do-
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyats
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-
Crunchy Foods Sdn. Bhd. (Malaysia)	-do-	-do-
Munchy Foods Industries Sdn. Bhd.	-do-	-do-
Munchworld Marketing Sdn. Bhd.	-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 unaudited interim consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic.

The interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting* and do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2021.

Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry

On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular (MC) No. 34-2020 which further extended the deferral of the following provisions of PIC Q&A 2018-12 until December 31, 2023:

- a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
- b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- c. Implementation of International Financial Reporting Standards (IFRS) Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (Philippine Accounting Standard (PAS) 23, *Borrowing Cost*) for Real Estate industry

The exclusion of land in the determination of POC and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for Real Estate industry as discussed in PIC Q&A No. 2018-12-E are not applicable to the Group's real estate operations in the Philippines.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the "Standards Issued But Not Yet Effective" section.

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

Basis of Consolidation

The consolidated financial statements 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	
			2022	2021
Food				
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	8 th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	55.90	55.33
CFC Corporation	-do-	-do-	55.90	55.33
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	55.90	55.33
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	28.51**	28.22**
URC Snack Ventures Inc. (formerly, Calbee-URC, Inc. (CURCI))	-do-	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	55.90	55.33
URC Beverage Ventures Inc. (formerly, Hunt-URC (HURC))	-do-	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	55.90	55.33
URC Philippines, Limited (URCPL)	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	55.90	55.33
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	55.90	55.33
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	55.90	55.33
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	55.90	55.33
Najalin Agri-Ventures, Inc. (NAVI)	Philippines	CAC Compound, La Carlota City, Negros Occidental	53.57**	53.02**
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-	66.11	66.56
CEBGO, Inc. (CEBGO)	-do-	AO-08-09 Mezzanine Level, Passenger Terminal Building, Clark International Airport, Clark Freeport Zone, Pampanga	66.11	66.56
Aviation Partnership (Philippines) Corp	-do-	3rd Floor Aviation Partnership Philippines Bldg. 8006 Domestic Road Pasay City	100.00	100.00
Real Estate and Hotels				
Robinsons Land Corporation (RLC) and Subsidiaries	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	62.34	61.19
Robinson's Inn, Inc.	-do-	-do-	62.34	61.19
RL Commercial REIT, Inc. (RCR) (formerly Robinsons Realty and Management Corporation)	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	39.58**	38.85**
Robinsons (Cayman) Limited	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	62.34	61.19
Robinsons Properties Marketing and Management Corporation	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	62.34	61.19
Manhattan Buildings and Management Corp	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	62.34	61.19
Altus Angeles, Inc.	-do-	McArthur Highway, Balisage, Angeles City, Pampanga	31.79**	31.20**

(Forward)

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership	
			2022	2021
Go Hotels Davao, Inc.	-do-	Lanang, Davao City	31.65**	31.20**
RLC Resources Ltd	British Virgin Islands		62.34	
Land Century Holdings, Ltd.	China	British Virgin Islands		61.19
World Century Enterprise Ltd.	China	Hong Kong	62.34	61.19
First Capital Development, Ltd	China	Hong Kong	62.34	61.19
Chengdu Xin Yao Real Estate Development Co. Ltd.	China	Hong Kong	62.34	61.19
Bacoor R and F Land Corporation (BRFLC)	Philippines	China	62.34	61.19
Bonifacio Property Ventures, Inc.	Philippines	Philippines	43.44**	42.83**
Altus Mall Ventures, Inc.	Philippines	Philippines	62.34	61.19
RLGB Land Corporation (RLGB)	Philippines	Philippines	62.34	61.19
Robinsons Logistix and Industrials, Inc. (RLII)	-do-	Philippines	62.34	61.19
RL Property Management, Inc. (RLPMI)	-do-	Philippines	62.34	61.19
RL Fund Management, Inc. (RLFMI)	-do-	Philippines	62.34	61.19
Malldash Corp.	-do-	Philippines	62.34	61.19
Altus Property Ventures, Inc. (APVI)	-do-	Brgy. 1 San Francisco, San Nicolas, Ilocos Norte	64.78	61.19
RL Digital Ventures, Inc.	-do-	Philippines	62.34	-
Staten Property Management, Inc.	-do-	Philippines	62.34	-
Petrochemicals				
JG Summit Olefins Corporation (JGSOC)	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	100.00	100.00
Peak Fuel Corporation	-do-	10 th Floor Robinsons Cybergate Gamma, Bldg., Topaz and Ruby Roads, Ortigas Center, Pasig City	100.00	100.00
JGSOC Philippines Limited	BVI	British Virgin Islands	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				
Digital Analytics Ventures, Inc. (DAVI)	-do-	42nd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City	44.56**	45.20**
JG Digital Equity Ventures, Inc. (formerly Express Holdings, Inc. or EHI) and Subsidiary (JG DEV)	-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) and Subsidiaries	Philippines	40th Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City	100.00	100.00
JG Summit Capital Markets Corporation (JGSMC)	-do-	-do-	100.00	100.00
Summit Internet Investments, Inc.	-do-	-do-	100.00	100.00
Aspen Business Solutions, Inc.	-do-	10th Floor, Cyberscape Beta, Topaz and Ruby Roads, Ortigas Center, Pasig City	100.00	100.00
JG Summit Cayman, Ltd. (JGSCCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Uglan House, South Church Street, Grand Cayman, Cayman Islands	100.00	100.00

(Forward)

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership	
			2022	2021
JG Summit Philippines Ltd. (JGSPL) and Subsidiaries	-do-	-do-	100.00	100.00
JGSH Philippines, Limited	British	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola,		
Telegraph Developments, Ltd.	Virgin Islands	British Virgin Islands	100.00	100.00
Summit Top Investments, Ltd.	-do-	-do-	100.00	100.00
Unicon Insurance Brokers Corporation (UIBC)	-do-	-do-	100.00	100.00
JG Summit Infrastructure Holdings Corporation	Philippines	CFC Bldg., E. Rodriguez Avenue, Bagong Ilog, Pasig City	100.00	100.00
Merbau Corporation	-do-	43 rd Floor Robinsons Equitable Tower, ADB avenue, Corner Poveda Road, Pasig City	100.00	100.00
	-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.

Investment in Staten Property Management, Inc.

On January 25, 2022, Staten Property Management, Inc. was incorporated to manage, own, operate, and carry on the business of providing management services to residential subdivisions, residential and office buildings, commercial, estate, facility, and industrial developments, repairs and maintenance services, lease and tenancy management services, outsourcing services, asset, condotel, parking and apartment management services, treasury and general accounting, billing and collection services, and property consulting services in various residential, commercial, industrial, recreational buildings and developments.

Investment in RL Digital Ventures, Inc

On February 17, 2022, RL Digital Ventures, Inc. was incorporated to engage in, develop, operate, maintain, and/or provide any form of digital activity and service Information technology (I.T.) solution, e-commerce business or platform, internet or cyberspace activity.

Investment in RRGB

On October 18, 2021, Gokongwei Brothers Foundation's (GBF's) 49% share subscription was rescinded and its invested capital was returned subsequently pursuant to the Rescission Agreement executed between RRGB and GBF. RRGB became a wholly-owned subsidiary of RLC.

Investment in RLII

On April 5, 2021, RLII was incorporated to engage in and carry on a business of logistics and to develop buildings, warehouses, industrial and logistics facilities, among others.

Investment in RLPMI

On April 12, 2021, RLPMI was incorporated primarily to engage in the business of providing services in relation to property management, lease management, marketing, project management, including tenant services, care and maintenance of physical structures, securing and administering routine management services, formulating and implementing leasing strategies, enforcing tenancy conditions, ensuing compliance with relevant government regulations with respect to the managed property, and formulating and implementing policies and programs in respects of building management, maintenance and improvement, initiating refurbishment and monitoring thereof, and such other duties and functions necessary and incidental to property management.

Investment in RLFMI

On May 28, 2021, RLFMI was incorporated to engage in the business of providing fund management services to real estate investment trust (REIT) companies, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including its implementing rules and regulations.

Incorporation of Malldash Corp

On July 26, 2021, Malldash Corp. was organized to engage in, develop, operate, and maintain the business of providing Information Technology (I.T.) solutions; to develop, operate, and maintain an electronic marketplace that will allow for business to business integration to consumer electronic commerce solutions; to provide solutions for merchant to consumer/user product delivery and/or fulfillment; to provide logistic services and digital services; and to do other things necessary or convenient for carrying out into effect the foregoing purpose.

RL Commercial REIT

On April 15, 2021, the BOD and stockholders of the RCR approved the amendments to the Articles of Incorporation (AOI) of Robinsons Realty and Management Corporation that resulted in: (a) change in corporate name to RL Commercial REIT, Inc.; (b) change in primary purpose to engage in the business of REIT; (c) increase in authorized capital stock from One Hundred Million Pesos (₱100,000,000), divided into One Hundred Million (100,000,000) common shares with par value of

One Peso (₱1.00) per share, to Thirty-Nine Billion Seven Hundred Ninety-Five Million Nine Hundred Eighty-Eight Thousand Seven Hundred Thirty-Two (39,795,988,732) shares with par value of One Peso (₱1.00) per share.

Further, a Comprehensive Deed of Assignment was executed between RCR and RLC on April 15, 2021 for the assignment, transfer, and conveyance by RLC of several properties (the Assigned Properties) to RCR in the form of buildings and condominium units with an aggregate gross area of Three Hundred Sixty-Five Thousand Three Hundred Twenty-Nine and Eighty-One Hundredths (365,329.81) square meters and with a total value of Fifty-Nine Billion Forty-Six Million Pesos (₱59,046,000,000) in exchange for the issuance of Nine Billion Nine Hundred Twenty-Three Million Nine Hundred Ninety-Seven Thousand One Hundred Eighty-Three (9,923,997,183) shares of the Assigned Properties at One Peso (₱1.00) per share with an aggregate par value of Nine Billion Nine Hundred Twenty-Three Million Nine Hundred Ninety-Seven Thousand One Hundred Eighty-Three Pesos (₱9,923,997,183), with the remaining amount of Forty-Nine Billion One Hundred Twenty-Two Million Two Thousand Eight Hundred Seventeen Pesos (₱49,122,002,817) being treated as additional paid-in capital without issuance of additional shares (the Property-for-Share Swap).

On August 2, 2021, the SEC approved the amendments to RCR's AOI and the Property-for-Share Swap. On September 14, 2021, RCR completed its initial public offering, and its common shares were listed and currently traded in the PSE as a REIT entity.

Merger of JGSPC with JGSOC

On December 18, 2020, the Board of Directors (BOD) of JGSPC approved a plan to merge JGSPC and JGSOC, a sister company incorporated in the Philippines and registered with the Philippine SEC, wherein JGSOC will be the surviving entity. On September 30, 2021, the merger of the said companies was approved by the Philippine SEC effective on January 1, 2022.

Transfer of direct control over APVI

On July 31, 2019, RLC declared its 93.89% stake in APVI as property dividends in favor of its registered shareholders. As a result, the Parent Company now has direct control over APVI. However, this has no impact in the consolidated financial statements.

Incorporation of DAVI

On December 4, 2018, the Group, through its majority-owned subsidiaries CAI and RLC and wholly-owned subsidiary JG DEV and in partnership with Robinsons Retail Holdings, Inc. (RRHI), launched DAVI, the conglomerate's data services firm.

On June 5, 2020, the Group made additional capital infusion to DAVI amounting to ₱288.0 million.

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.

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, 2022. The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual

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

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

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

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

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

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

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

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

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

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

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

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

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

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

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

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

Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and FVPL.

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

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or computed based on valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which are not observable from the market, the difference between the transaction price and the model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the amount of 'Day 1' difference.

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 fair value through profit or loss. 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.

Subsequent measurement of financial assets

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Investment securities at amortized cost

A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees

and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Impairment losses' in the consolidated statement of comprehensive income.

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

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

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

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

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

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

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

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial

liabilities at FVTPL, and the gains or losses from disposal of debt instruments classified as FVOCI and investments securities at amortized cost.

Derecognition of financial assets

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

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

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

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

Modification of financial assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered SPPI

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for

purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, derivatives designated as hedging instruments in an effective hedge, or other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement of financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Other financial liabilities

This category pertains to the Group's interest-bearing loans and borrowing and payables. After initial recognition, these other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

Derecognition of financial liabilities

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

Exchange or modification of financial liabilities

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

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

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Reclassifications of financial instruments

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

Impairment of financial assets

The Group recognizes an allowance for ECL for all debt instruments not classified as FVPL. ECLs represent 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. 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.
- 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. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

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 SICR 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.

The Group applied the general approach for customer receivables from its Banking Segment. For the trade receivables and contract assets of other segments, 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. For the Real estate and hotels segment's installment contract and contract assets, the vintage analysis approach is used. This method accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. The 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, short-term investments and debt securities, 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.

Debt instruments measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statements of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets are measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

Write-off of Financial Assets

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows (e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the Group has effectively exhausted all collection efforts).

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business of default, and event of solvency or bankruptcy of the Group and all of the counterparties.

Classification of Financial Instruments Between Debt and Equity

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

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

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

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

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 moving average costing method. 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 dacion 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	3 to 5 years
Transportation, furnishing and other equipment	3 to 5 years

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

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

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

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group).

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

ARO

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

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

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

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

Borrowing Costs

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

rate for general borrowings. For specific borrowings, all borrowing costs are eligible for capitalization.

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

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

Biological Assets

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

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

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell. 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, right-of-use assets, 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

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

Sales of goods

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

Sale of sugar

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

Rendering of tolling services

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

Significant Accounting Policies Generally Applicable to Air Transportation

Revenue Recognition

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.

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.

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.

Significant Accounting Policies Generally Applicable to Real Estate and Hotels

Revenue Recognition

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.

The impact of the significant financing component on the transaction price has not been considered since the Group availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC Memorandum Circular No. 34, the relief has been extended until December 31, 2023.

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

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.

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 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.

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 POC following the pattern of real estate revenue recognition. The amortization is included within general and administrative expenses.

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

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

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

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

Group as a lessee

The Group assesses whether a contract is, or contains a lease, at the inception of a contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of the asset, whether the Group has the right to direct the use of the asset. The Group recognizes a right-of-use (ROU) asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low-value assets.

Right-of-use assets

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

The depreciation period for each class of ROU assets follow:

	<u>Period</u>
Land and improvements	2 to 50 years
Buildings and improvements	2 to 30 years
Passenger aircraft and other flight equipment	1.25 to 18 years
Transportation and other equipment	2 to 30 years

ROU assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual

value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflected the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

The current portion of lease liabilities is presented within the “Other current liabilities” account in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of other flight equipment, furniture and fixtures, and machineries (i.e., lease term of 12 months or less). It also applies the lease of low-value assets recognition exemption to leases of office spaces that are considered low-value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Sale and leaseback

When entering into a sale and leaseback transaction, the Group determines whether the transfer qualifies as a sale based on the requirements satisfying a performance obligation under PFRS 15. When the transfer of the asset is a sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Gain or loss is recognized only at the amount that relates to the rights transferred to the buyer-lessor. When the transfer of the asset is not a sale under PFRS 15 requirements, the Group continues to recognize the asset in its consolidated statement of financial position and accounts for the proceeds from the sale and leaseback as a financial liability in accordance with PFRS 9.

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 pronouncement when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of

the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

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

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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the 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.

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

The PIC Q&A provisions covered by the SEC deferral that the Group availed in 2021 follows:

	Deferral Period
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023

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

- a. The accounting policies applied.
- b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
- d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Group availed of the SEC relief on the accounting for significant financing component of PIC Q&A No. 2018-12. Had this provision been adopted, the Group assessed that the impact would have been as follows:

The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contract receivables, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. These would have impacted the cash flows from operations and cash flows from financing activities for all years presented. The Group is still in the process of assessing the impact of significant financing component as of December 31, 2021.

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

Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other duly executed and signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

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 real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

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. 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 real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before commencing revenue recognition.

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 CUSA and air-conditioning of the buildings, the Group acts as a principal because it retains the right to direct the service provider of maintenance, janitorial and security to the leased premises, and air-conditioning, respectively. The right to the services mentioned never transfers to the tenant and the Group has the discretion to price the CUSA and 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 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.

Real estate revenue and cost recognition from pre-selling in Chengdu Project

In July 2018, Chengdu Xin Yao Real Estate Development Co. Ltd. secured the license to sell the condominium units in Phase 1 of its residential development in Chengdu Xin Yao Ban Bian Jie.

Revenue from the sale of real estate units of Chengdu Xin Yao is accounted for under a completed contract method (i.e., at a point in time) in the consolidated financial statements. It is a recognition method that allows that revenue is recognized at the completion of the project. 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.

b. Definition of default and credit-impaired financial assets

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

Quantitative criteria - for installment contract receivables, the customer receives a notice of cancellation and does not continue the payments.

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

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

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

c. *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.

iv. *Method to estimate variable consideration and assess constraint*

The Group uses historical experience with key accounts and distributors from the past 12 months to determine the expected value of rights of return and constrain the consideration under the contract accordingly.

v. *Recognition of milling revenue under output sharing agreement*

The Group applies both output sharing agreement and cane purchase agreement in relation to milling operation. Under output sharing agreement, milling revenue is recognized based on the fair value of the millshare at average raw sugar selling price on the month with sugar production after considering in-purchase, which represents cane purchase agreement. Under cane purchase agreement, the Group purchases raw sugar from the traders and/or planters. The in-purchase rate is derived by determining the total raw sugar purchases and the total planters' share. Raw production costs are allocated systematically based on the output sharing and cane purchase agreement rates.

d. *Classification of financial assets from the banking business*

Evaluation of business model in managing financial instruments

The Group manages its financial assets based on business models that maintain an adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them.

The Bank's BOD approved its documentation of business models which contains broad categories of business models. The business model includes the Bank's lending activities as well as treasury business activities broken down into liquidity and investment portfolios.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

e. *Classification of financial assets from the other businesses*

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:

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

f. 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.

g. Determining whether it is reasonably certain that a renewal and termination option will be exercised – Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to renew the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include renewal and termination options. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or terminate (e.g., a change in business strategy).

For most of its leases, the Group did not include the renewal or termination options in the lease term as the Group assesses that these options are not reasonably certain to be exercised. However, for some leases of parcels of land, the Group included the renewal period as part of the lease term due to significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one year) and there will be a significant negative effect on the operations if a replacement is not readily available. Refer to Note 42 for the disclosure on the Group's leases.

h. Classification of leases - Group as lessor

Operating lease commitments

The Group has entered into commercial, office and industrial property leases on its investment property portfolio. Based on the evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all the significant risks and rewards of ownership of

these properties and accounts for them as operating leases. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the EUL of the related asset.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including the economic consequence to the lessee.

Finance lease commitments

The Group has entered into property leases on some of its real estate condominium unit property portfolio. The Group has determined based on evaluation of terms and conditions of the arrangements, particularly the bargain purchase option and minimum lease payments that the Group has transferred all the significant risks and rewards of ownership of these properties to the lessee and accounts for them as finance leases.

i. Assessment on whether lease concessions granted constitute a lease modification

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

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

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

j. 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.

k. Consolidation of SPEs

The Group periodically undertakes transactions that may involve obtaining the rights to variable returns from its involvement with the SPEs. 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, 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.

l. 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.

m. 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.

n. Determination of jet fuel/sing kero price risk components

The Group has historically entered into fuel derivatives to provide extensive protection against the unexpected jet fuel prices movement due to various economic and political events happening across the world. Beginning September 1, 2019, the Group commenced the application of hedge accounting under PFRS 9 on fuel derivatives maturing in 2020 and beyond and has classified these as cash flow hedges. Along with the jet fuel price risk hedging, the Group also adopted

risk component hedging strategy given the lack of liquidity in the jet fuel derivatives with long-term maturities across financial markets. Risk components of the jet fuel price are identified as the Brent crude oil and cracks. These components are determined to be separately identifiable and changes in the fair value of the jet fuel attributable to changes in the Brent crude oil price can be measured reliably.

The existence of a separate market structure for the Brent crude oil and the crack which represents the refining component corroborates with the management's assertion that these two risk components are separately identifiable and corresponding prices can be reliably measured among others.

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.

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.

b. Expected credit losses on receivables

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. Valuation of ROU assets and lease liabilities

The application of PFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities and the valuation of ROU assets. These include determining the lease term and determining the interest rate to be used for discounting future cash flows.

Lease term. The lease term determined by the Group comprises non-cancellable period of lease contracts, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. For lease contracts with indefinite term the Group estimates the length of the contract to be equal to the economic useful life of noncurrent assets located in the leased property and physically connected with it or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of ROU assets.

Discount rate. The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is determined using the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences or is modified.

d. 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.

e. Revenue and cost recognition from the real estate business

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue and cost from real estate where performance obligation is satisfied over time and recognized based on the percentage of completion is measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total costs of the project. For the nine months ended September 30, 2022 and 2021, the real estate sales recognized over time amounted to ₱5.2 billion and ₱7.9 billion, respectively, while the related cost of real estate sales amounted to ₱2.8 billion and ₱3.6 billion, respectively.

f. 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.

g. 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 September 30, 2022 and 2021, 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.

h. 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.

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 2019, following the review of the Petrochemical business, the outlook for the industry and Petrochemical's operating plan, a reversal of impairment loss has been recognized to adjust the carrying value of certain buildings of the Group to their estimated recoverable values, which is the higher of fair value less to sell and value-in-use, but not exceeding the depreciated historical cost that would have been if the impairment had not been recognized.

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.

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.

The BOD has reconstituted its Audit Committee to integrate Audit, Related Party Transactions (RPT) and Risk Oversight Committee to spearhead the managing and monitoring of risks.

Audit, RPT and Risk Oversight Committee (AURROC)

The AURROC shall assist the Group's BOD in its fiduciary responsibility by providing oversight over the Group's financial reporting, Internal Control System, Internal and External Audit processes, and compliance with applicable laws and regulations. Furthermore, it is also the Committee's purpose to oversee the establishment of Enterprise Risk Management (ERM) framework that will effectively identify, monitor, assess and manage key business risks.

The Committee has the following functions:

- a. monitor and evaluate the adequacy and effectiveness of the Parent Company's internal control system, integrity of financial reporting, and security of physical and information assets;
- b. discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination and coverage of work;
- c. review the reports submitted by the Internal and External Auditors and review and monitor Management's responsiveness to findings and recommendations;
- d. review and approve the interim and Annual Financial Statements;
- e. review and approve the Parent Company's transactions with related parties within the set materiality threshold;
- f. evaluate the ERM Plan to ensure its continued relevance, comprehensiveness and effectiveness, as well as look for emerging risks;
- g. review the Parent Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment;
- h. provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Parent Company ; and
- i. report to the BOD on a regular basis, or as deemed necessary, the Parent Company's risk, material risk exposures, the actions taken to reduce the risks.

Enterprise Risk Management

The role of ERM is to oversee that a sound ERM framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. A Chief Risk Officer or its equivalent position, is appointed by the BOD to oversee the entire ERM process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation. The ERM Head reports functionally to the Committee and administratively to the CEO.

Enterprise Resource Management Framework

The ERM framework revolves around the following activities:

1. Risk Identification. It involves the identification of key business drivers that influence the operability and performance of the business units. Each business driver is assigned strategic and operational objectives which are owned by risk champions and risk owners. Each risk champion and owner conduct their risk identification process using different tools such as risk factor analysis, megatrends analysis, and systems dynamics analysis.
2. Risk Assessment. Each identified risk is assessed to determine which can pose significant impact to the business unit's ability to implement strategy and deliver business objectives. This

process involves grouping similar risks into categories, such as Reputational Risk, Strategic Risk, Financial Risk, and Compliance Risk. For each risk category, a risk assessment scale is developed to provide objective definitions on what is considered insignificant, minor, moderate, major, or extreme impact to the business. The impact severity of the risk is rated based on their nature, regardless of the organization's circumstances and capability to manage them.

3. Risk Prioritization. This process enables the organization to focus the implementation of risk responses into certain high and medium severity risks based on the organization's risk profile, vulnerability, and contribution to the risk. Risk impact velocity and mitigation timeframe are also considered in prioritizing the organization's actions and urgency of response to risks.
4. Risk Response, Monitoring, and Evaluation. Appropriate risk responses are put in place for each priority risk, both at the level of the risk champions and risk owners and at the enterprise and Group level. Risk champions continually monitor and evaluate the effectiveness of the risk responses. Material residual risks are assessed for improvement of risk response and identification of recovery measures.
5. Risk Reporting. At the Group level, top risks are reviewed, updated and reported to the Committee twice a year.

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.

With respect to the Banking Segment, there are several credit risk mitigation practices in place, as follow:

- The Banking Segment offers a variety of loan products with substantial collateral values. The policy on collateral and other credit enhancements are discussed further below.
- Limits are set on the amount of credit risk that the Banking Segment is willing to take for customers and counterparties, and exposures are monitored against such credit limits.

- The Banking Segment also observes related regulatory limits such as the single borrower's limit (SBL) and directors, officers, stockholders and related interests (DOSRI) ceiling.
- To protect against settlement risk, the Banking Segment employs a delivery-versus-payment (DvP) settlement system, wherein payment is effected only when the corresponding asset has been delivered.
- There is an internal credit risk rating system (ICRRS) in place, providing a structured format for collating and analyzing borrower data to arrive at a summary indicator of credit risk.
- Past due and non-performing loan (NPL) ratios are also used to measure and monitor the quality of the loan portfolio.

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.

The main types of collateral obtained are as follows:

- Mortgages over real estate and vehicle for consumer lending
- Chattels over inventory and receivable for commercial lending
- Government securities for interbank lending

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 2017 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 2016 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.

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

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

Below is the staging parameters adopted by the Banking Segment:

Staging Parameter	Stage	Description
Staging by Days Past Due		<i>Applicable to all loan products</i>
	1	Accounts with 0 - 30 days past due (applicable for all loan products except for microfinancing loans wherein days past due for Stage 1 accounts is 0 - 6 days).
	2	Accounts with 31 - 90 days past due (applicable for all loan products except for microfinancing loans wherein days past due for Stage 2 accounts is 7 - 10 days).
	3	Accounts with days past due of 91 days and above (applicable for all loan products except for

Staging Parameter	Stage	Description
Staging by Status		microfinancing loans wherein days past due for Stage 3 accounts is 11 days and above).
		<i>Applicable to all loan products except for Microfinance.</i>
	1	Accounts tagged as Current in its Status are classified under Stage 1.
	2	Accounts tagged as Past due performing in its Status are classified under Stage 2.
Staging by Origination Rating vs Current Rating	3	Accounts tagged as ITL and NPL in its Status are classified under Stage 3.
		<i>Applicable to Commercial Loans (Large Scale and Medium Scale) only</i>
	1	If no movement in the ratings from origination rating against the latest rating, the staging will be based on the current ICRRS rating. If the account's current rating is either Excellent, Super Prime, Prime, Very Good, Good, Satisfactory, Average, Fair, the account will be tagged under Stage 1.
	2	If the account's current rating/equivalent Risk Level deteriorates by 2 notches from its origination rating/equivalent Risk Level, the account is tagged under Stage 2. If no movement in the ratings from origination rating against the latest rating, the staging will be based on the latest ICRRS rating. If the account's latest Rating is either Marginal, Watchlist or Especially Mentioned, account will be tagged under Stage 2.
Staging by Maturity Date vs Cut-off Date		<i>Applicable to all loan products</i>
	1	If maturity date of the account is after the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is less than 30 days, the account is tagged under Stage 1 (For Microfinance loans, if maturity date of the account is after the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is less than 10 days, the account is tagged under Stage 1).
	3	If maturity date of the account is prior to the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is more than 30 days, the account is tagged under Stage 3 (For Microfinance loans, if Maturity Date of the account is prior the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is more than 10 days, the account is tagged under Stage 3).

External ratings

In ensuring a quality investment portfolio, the Group monitors credit risk from investments using credit ratings based on Standard and Poor (S&P). Credit quality of due from BSP and other banks and interbank loans receivable are based on available accredited international and local credit raters using Fitch as standard of rating.

The Group assigns the following credit quality groupings based on ratings prior to PFRS 9 adoption as follows:

Credit Quality	Fitch	Moody's	S&P	Stage*
High Grade	AAA to A-	Aaa to A3	AAA to A-	1
Standard Grade	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	1
Substandard Grade	B+ to C-	B1 to Ca	B+ to C-	2
Past due and impaired	D	C	D	3

*Applicable to Banking Segment only.

d. Aging analysis of receivables by class

The aging analysis of the Group's receivables as of September 30, 2022 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	₱98,917,350	₱-	₱580,048	₱ 2,752,682	₱ 2,251,990	₱2,774,632	₱107,276,702
Trade receivables	27,543,845	4,523,778	907,731	1,019,806	508,805	538,860	35,042,825
Due from related parties	4,375,328	-	-	-	-	-	4,375,328
Interest receivable	1,567,133	358	922	55,752	73,289	36,481	1,733,935
Others**	5,744,263	7,149	7,252	107,534	5,456	312,788	6,184,442
	₱138,147,919	₱4,531,285	₱1,495,953	₱3,935,774	₱2,839,540	₱3,662,761	₱154,613,232

* Excludes claims receivable of JGSPC amounting to ₱186,737,480

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.

With respect to the Banking Segment, liquidity risk is considered in assets and liabilities management. The Banking Segment seeks to lengthen liability maturities, diversify existing fund sources, and continuously develop new instruments that cater to different segments of the market. The Assets and Liabilities Committee (ALCO) is composed of some members of the Senior Management including the Lending Groups and Treasury Group Heads. ALCO conducts weekly meetings. The Banking Segment also has specialized units that help monitor market and regulatory developments pertinent to interest rates and liquidity position, as well as prepare cash position reports as needed to measure the liquidity and reserves position of the Banking Segment.

The Banking Segment also keeps credit lines with financial institutions, as well as a pool of liquid or highly marketable securities. Reserves management is another specialized function within the Banking Segment, complying with BSP reserve requirements, which may be a buffer against unforeseen liquidity drains.

The liquidity or maturity gap report is another tool for measuring liquidity risk. Although available contractual maturity dates are generally used for putting instruments into time bands, expected liquidation periods, often based on historical data, are used if contractual maturity dates are unavailable. The liquidity gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive liquidity gap is an estimate of the Banking Segment's net excess funds for the time band. A negative liquidity gap is an estimate of a future funding requirement of the Banking Segment. Although such gaps are a normal part of the business, a significant negative amount may bring significant liquidity risk. To help control liquidity risk arising from negative liquidity gaps, maximum cumulative outflow (MCO) targets are set for time bands up to one (1) year.

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.

Commodity derivative contracts maturing 3 months from reporting date are designated for hedge accounting. Derivative financial instruments which are part of hedging relationships do not expose the Group to market risk since changes in the fair value of the derivatives are offset by the changes in the fair value of the hedged items.

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.

Unquoted equity securities

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

Amounts due from and due to related parties

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

Noninterest-bearing refundable security deposits

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

Investment in convertible note

The 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, pyrolysis fuel oil, aromatics, butadiene and liquefied petroleum gas (LPG)
- 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 nine months ended September 30, 2022 and 2021. 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:

	September 30, 2022							
	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	P107,873,146	P37,533,367	P34,435,036	P26,187,067	P7,690,715	P687,112	P-	P214,406,443
Intersegment revenue	-	-	323,125	850,384	-	-	(1,173,509)	-
	107,873,146	37,533,367	34,758,161	27,037,451	7,690,715	687,112	(1,173,509)	214,406,443
Dividend income	48,454	-	-	-	6,687	2,953,973	-	3,009,114
Equity in net earnings of associates and joint ventures	(325,614)	(106,619)	2,290,016	-	-	5,365,520	158,045	7,381,348
Total revenue	107,595,986	37,426,748	37,048,177	27,037,451	7,697,402	9,006,605	(1,015,464)	224,796,905
Cost of sales and services	79,095,723	34,034,796	22,290,660	31,965,222	1,609,104	178,402	(994,729)	168,179,178
Gross income (loss)	P28,500,263	P3,391,952	P14,757,517	(P4,927,771)	P6,088,298	P8,828,203	(P20,735)	56,617,727
General and administrative expenses								41,782,942
Impairment losses and others								634,417
Operating income								14,200,368
Financing cost and other charges								(7,891,788)
Finance income								1,021,266
Other operating income								4,581,684
Core earnings								11,911,530
Market valuation gains (losses) on financial assets								1,379,583
Foreign exchange gains (losses)								(8,034,402)
Income before income tax								5,256,711
Provision for income tax								1,637,462
Net income								P3,619,249
Net income attributable to equity holders of the Parent Company	P5,206,418	(P7,906,514)	P5,673,798	(P8,985,334)	P832,721	P4,207,801	P112,129	(P858,981)
EBIT	P10,775,259	(P11,196,385)	P10,251,158	(P6,234,817)	P1,590,811	P9,437,877	(P423,535)	P14,200,368
Depreciation, amortization and impairment	4,682,380	9,576,905	3,970,029	3,031,321	474,584	257,653	(289,456)	21,703,416
EBITDA	P15,457,639	(P1,619,480)	P14,221,187	(P3,203,496)	P2,065,395	P9,695,530	(P712,991)	P35,903,784

September 30, 2021

	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	₱85,796,728	₱9,149,620	₱30,112,406	₱27,207,527	₱6,925,672	₱593,246	₱-	₱159,785,199
Intersegment revenue	-	-	422,698	1,408,093	-	-	(1,830,791)	-
	85,796,728	9,149,620	30,535,104	28,615,620	6,925,672	593,246	(1,830,791)	159,785,199
Dividend income	32,303	-	-	-	10,809	2,076,653	-	2,119,765
Equity in net earnings of associates and joint ventures	(90,149)	(125,778)	1,353,989	-	-	4,726,308	133,734	5,998,104
Total revenue	85,738,882	9,023,842	31,889,093	28,615,620	6,936,481	7,396,207	(1,697,057)	167,903,068
Cost of sales and services	60,738,225	13,033,143	20,157,914	26,888,781	1,355,805	174,973	(2,212,951)	120,135,890
Gross income (loss)	₱25,000,657	(₱4,009,301)	₱11,731,179	₱1,726,839	₱5,580,676	₱7,221,234	₱515,894	47,767,178
General and administrative expenses								38,562,751
Impairment losses and others								1,463,129
Operating income								7,741,298
Financing cost and other charges								(6,702,198)
Finance income								788,545
Other operating income								(593,382)
Core earnings								1,234,263
Market valuation gains (losses) on financial assets								256,800
Foreign exchange gains (losses)								(3,872,099)
Income before income tax								(2,381,036)
Provision for income tax								1,394,065
Net Income From Continuing Operations								(3,775,101)
Net Income From Discontinued Operations								896,101
Net income								(₱2,879,000)
Net income attributable to equity holders of the Parent Company	₱5,814,923	₱-15,212,285	₱4,872,597	(₱423,280)	₱565,219	₱3,096,357	(₱1,152,084)	(₱2,438,553)
EBIT	₱9,780,398	(₱18,839,287)	₱7,996,474	₱601,386	₱975,974	₱7,226,353	₱-	₱7,741,298
Depreciation, amortization and impairment	4,361,420	11,045,676	3,816,856	2,198,396	476,967	344,129	(36,922)	22,206,522
EBITDA	₱14,141,818	(₱7,793,611)	₱11,813,330	₱2,799,782	₱1,452,941	₱7,570,482	(₱1,152,084)	₱29,947,820

September 30, 2022								
	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 (reversal) on:								
Receivables	P2,227	(P20,213)	P-	P-	P622,752	P-	P-	P604,766
PPE	29,651	-	-	-	-	-	-	29,651
Impairment losses on receivables	P31,878	(P20,213)	P-	P-	P622,752	P-	P-	P634,417
September 30, 2021								
	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	P30,273	P4,406	P-	P-	P973,732	P-	P-	P1,008,411
Inventories	85,000	-	-	-	-	-	-	85,000
Property, plant and equipment	369,718	-	-	-	-	-	-	369,718
	P484,991	P4,406	P-	P-	P973,732	P-	P-	P1,463,129

Other information on the Group's operating segments follow:

September 30, 2022								
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Olefins	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Segment assets	P162,997,492	P147,114,629	P220,704,590	P148,770,118	P179,488,641	P314,959,574	(P123,498,222)	P1,050,536,822
Segment liabilities	P52,375,199	P158,737,470	P87,817,055	P105,864,318	P159,374,126	P118,930,077	(P60,144,725)	P622,953,520
Capital expenditures	P5,829,416	P7,511,011	P10,494,416	P6,721,240	P236,152	P231,202	P-	P31,023,437

September 30, 2021								
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Olefins	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Segment assets	P152,820,591	P137,410,224	P227,949,939	P164,145,751	P179,795,704	P309,478,815	(P148,856,022)	P1,022,745,002
Segment liabilities	P43,052,857	P138,076,956	P97,599,975	P112,640,010	P161,332,656	P113,029,076	(P86,617,510)	P579,114,020
Capital expenditures	P10,939,288	P2,305,577	P17,021,126	P8,939,208	P161,388	P38,186	(P3,494,160)	P35,910,613

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

	September 30, 2022				December 31, 2021			
	Non-banks	Banks	Elimination*	Consolidated	Non-banks	Banks	Elimination*	Consolidated
ASSETS								
Current Assets								
Cash and cash equivalents	₱82,101,407	₱24,469,314	(₱24,186,715)	₱82,384,006	₱69,702,780	₱39,664,800	(₱26,477,458)	₱82,890,122
Financial assets at fair value through profit and loss	7,494,346	970	–	7,495,316	6,459,104	1,912	–	6,461,016
Financial assets at fair value through other comprehensive income	10,611,015	6,729,885	–	17,340,900	12,728,683	26,529,627	–	39,258,310
Receivables - net	36,354,505	35,124,457	–	71,478,962	40,949,991	31,273,662	–	72,223,653
Inventories	92,326,430	–	–	92,326,430	81,611,907	–	–	81,611,907
Biological assets	219,171	–	–	219,171	132,145	–	–	132,145
Other current assets	25,672,199	892,157	–	26,564,356	22,861,362	828,599	–	23,689,961
Total current assets	254,779,073	67,216,783	(24,186,715)	297,809,141	234,445,972	98,298,600	(26,477,458)	306,267,114
Noncurrent Assets								
Financial assets at fair value through other comprehensive income	39,118,920	–	–	39,118,920	44,506,906	–	–	44,506,906
Receivables - noncurrent	7,021,569	72,449,938	–	79,471,507	7,549,521	67,937,959	–	75,487,480
Investment securities at amortized cost	–	34,473,834	–	34,473,834	–	8,474,859	–	8,474,859
Investments in associates and JVs - net	138,760,008	137,489	–	138,897,497	145,822,110	212,009	–	146,034,119
Property, plant and equipment - net	248,685,755	586,404	–	249,272,159	249,045,908	502,763	–	249,548,671
Investments properties	117,741,793	1,080,696	–	118,822,489	116,975,431	786,054	–	117,761,485
Right-of-use assets	46,896,934	690,578	–	47,587,512	31,449,725	830,590	–	32,280,315
Goodwill	22,665,972	244,327	–	22,910,299	21,993,372	244,327	–	22,237,699
Intangibles assets	2,896,209	1,425,660	–	4,321,869	2,975,606	1,377,090	–	4,352,696
Biological assets - bearer	257,220	–	–	257,220	166,106	–	–	166,106
Other noncurrent assets	16,411,442	1,182,933	–	17,594,375	14,496,099	1,131,453	–	15,627,552
Total Noncurrent Assets	640,455,822	112,271,859	–	752,727,681	634,980,784	81,497,104	–	716,477,888
	₱895,234,895	₱179,488,642	(₱24,186,715)	₱1,050,536,822	₱869,426,756	₱179,795,704	(₱26,477,458)	₱1,022,745,002

*Elimination of intercompany balances between banking and non-banking components

	September 30, 2022				December 31, 2021			
	Non-banks	Banks	Elimination*	Consolidated	Non-banks	Banks	Elimination*	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current liabilities								
Accounts payable and accrued expenses	₱70,953,095	₱136,306,717	(₱24,186,715)	₱183,073,097	₱59,613,317	₱145,933,181	(₱26,477,458)	₱179,069,040
Short-term debts	81,818,528	–	–	81,818,528	65,995,583	–	–	65,995,583
Current portion of long-term debt	70,842,142	–	–	70,842,142	19,501,714	–	–	19,501,714
Lease liabilities	593,067	–	–	593,067	5,716,633	–	–	5,716,633
Income tax payable	643,394	87,354	–	730,748	332,635	766	–	333,401
Other current liabilities	19,015,055	404	–	19,015,459	26,974,476	391	–	26,974,867
Total current liabilities	243,865,281	136,394,475	(24,184,663)	356,073,041	178,134,358	145,934,338	(26,477,458)	297,591,238
Noncurrent liabilities								
Long-term debt - net of current portion	165,207,426	–	–	165,207,426	213,015,316	–	–	213,015,316
Deferred tax liabilities	4,472,814	–	–	4,472,814	4,548,348	–	–	4,548,348
Lease liabilities	52,531,166	800,672	–	53,331,838	29,772,831	939,045	–	29,772,831
Other noncurrent liabilities	21,689,422	22,178,979	–	43,868,401	19,727,014	14,459,273	–	34,186,287
Total noncurrent liabilities	243,900,828	22,979,651	–	266,880,479	267,063,509	15,398,318	–	281,522,782
Total Liabilities	487,766,109	159,374,126	(24,184,663)	622,953,520	444,258,822	161,332,656	(26,477,458)	579,114,020
Stockholders' equity	311,096,363	12,203,777	–	323,300,140	316,845,843	18,463,048	–	335,308,891
Minority interest in consolidated subsidiaries	96,372,423	7,910,739	–	104,283,162	108,322,091	–	–	108,322,091
	₱895,234,895	₱179,488,642	(₱24,184,663)	₱1,050,536,822	₱869,426,756	₱179,795,704	(₱26,477,458)	₱1,022,745,002

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 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 and impairment loss on property, plant and equipment during the period. Depreciation and amortization include the depreciation and amortization of plant and equipment, investment properties, right-of-use assets and intangible assets.

Depreciation and amortization

The amount of reported depreciation and amortization includes depreciation for investment properties, property, plant and equipment, right-of-use assets, 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:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash on hand	₱3,710,656	₱5,654,873
Cash in banks	28,817,561	34,550,143
Cash equivalents	49,855,789	42,685,106
	₱82,384,006	₱82,890,122

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

Conversion Option Arising from Convertible Bonds

On May 10, 2021, CAI issued at face value US\$250.0 million convertible bonds (CB) to the International Finance Corporation (IFC), IFC Emerging Asia Fund LP and Indigo Philippines LLC (collectively known as “the CB Holders”) due on May 10, 2027 (Note 18).

The CB contains conversion and redemption options which were identified as embedded derivatives and were separated and accounted for separately on issuance date of the CBs.

As of September 30, 2022 and December 31, 2021, the fair value of embedded derivatives, which is shown as ‘derivative liabilities’ in the consolidated statements of financial position under “Other current liabilities” amounted to ₱89.0 million and ₱1.7 billion, respectively (Note 17). Net market valuation gains recognized by CAI in 2022 and 2021 amounted to ₱1.6 billion and nil, respectively.

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.

- Interest rate derivatives

CAI enters into interest rate derivative contracts to manage exposure to the volatility of interest rates on the lease rates of the expected aircraft deliveries. These derivatives have various maturity dates within 2022 where hedge accounting under PFRS 9 were also applied.

As of September 30, 2022 and December 31, 2021, CAI has designated for hedge accounting derivatives with net asset position amounting to ₱454.0 million and nil, respectively.

For the nine months ended September 30, 2022, CAI has recycled the effective portion of its cash flow hedge reserves to ‘Financing costs and other charges’ in the consolidated statement of comprehensive income amounting to ₱21.0 million.

Derivatives not designated as accounting hedges

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

- Foreign currency swaps

RBC entered into foreign currency swap transactions with positive fair values of ₱0.4 million and nil as of September 30, 2022 and December 31, 2021, respectively.

‘Market valuation gains on derivative financial instruments - net’ for the nine months ended September 30, 2022 and 2021 follows:

	2022	2021
Embedded derivatives arising from convertible bonds (Note 18)		
Net changes in fair value	₱1,641,669	₱–
Attributable to interest rate derivatives:		
Hedge ineffectiveness	49,045	–
	₱1,690,714	₱–

The net changes in fair value of derivatives taken to profit or loss are included under ‘Market valuation gains (losses) on derivative financial instruments’ in the consolidated statements of comprehensive income, except for the foreign currency swaps of RBC, where the net changes in fair value are taken to profit or loss under ‘Trading and securities gains’.

9. Financial Assets at Fair Value through Profit or Loss

These investments that are held for trading consist of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Investment in convertible note	₱4,742,374	₱4,020,116
Equity securities:		
Quoted	2,489,250	2,438,988
Unquoted	262,721	–
Debt securities:		
Government	440	1,912
Derivatives	531	–
	₱7,495,316	₱6,461,016

JUUL Labs, Inc

In August 2019, JGSPL invested in USD50.0 million Convertible Notes of JUUL Labs, Inc. (“JUUL Labs”). JUUL Labs is a private company based in California, USA, which is in the business of manufacturing and distributing e-cigarettes. In January 2020, JGSPL made additional investment amounted USD25.0 million.

The Convertible Notes have the following features:

1. Repayable after 5 years;
2. 7% p.a. coupon accruing and compounding quarterly paid in kind thru increase in the outstanding principal (“Accreted principal”);
3. Conversion into class of shares (or mix thereof) as specified in paragraph 1.12 of the Note Purchase Agreement;
4. Conversion can be:
 - a. Automatic in the event of any of the following qualified financing events (e.g., qualified private financing, qualified IPO and qualified direct listing), with conversion price determined as the higher of the valuation floor and lower of valuation cap and discounted valuation in the financing event; or
 - b. Optional (i) in the event of financing events whereby conditions for qualification were

- not met, and in that case the conversion price is determined using the basis in (a) above; (ii) upon JUUL Labs' direct listing or starting on the 24th month anniversary, and in such cases the conversion price is the valuation cap; and (iii) when exercised on maturity date and the conversion price is USD30.4 million; and
5. Early redemption at the option of JUUL Labs but subject to the consent of majority investors or one (1) owner provided the Issuer offered the same terms to other investors. The redemption price should not be less than the accreted principal as of the redemption date.

Snapcart Group (HK) Limited

On March 5, 2019, JGDEV entered into a Deed of Adherence with Snapcart Group (HK) Limited pursuant to the Convertible Loan Agreement entered into in February 20, 2019. The consideration is for a loan amount of \$1.0 million at a rate of 3% interest per annum. The convertible loan was set to mature on December 20, 2019 but subsequently amended to extend maturity to March 31, 2020. The convertible note is classified under financial assets at fair value through profit and loss.

Zuzu Hospitality Solutions Pte. Ltd.

On September 10, 2019, JGDCPL entered into a Note Purchase Agreement with Zuzu Hospitality Solutions Pte. Ltd. (Zuzu Hospitality) to invest in a Convertible Note amounting to SGD1 million. Zuzu Hospitality is a private company incorporated and based in Singapore that offers outsourced revenue management to independent hotels. Zuzu Hospitality currently operates in Indonesia and Taiwan.

10. Investment Securities

Financial Assets at FVOCI

This account consists of investments in:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Debt securities:		
Government	₱3,039,639	₱15,713,379
Private	13,331,928	21,514,353
	16,371,567	37,227,732
Equity securities:		
Quoted	37,299,656	44,717,315
Unquoted	2,788,597	1,820,169
	40,088,253	46,537,484
	₱56,459,820	₱83,765,216

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:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current portion	₱17,340,900	₱39,258,310
Noncurrent portion	39,118,920	44,506,906
	₱56,459,820	₱83,765,216

The Group has classified its 17.3 million PLDT shares representing 8.0% ownership interest and the additional ownership interest equivalent to 3.23% through the acquisition of American Depositary Receipts (ADRs) in December 2019 as financial assets at FVOCI, which have carrying values of ₱36.7 billion and ₱44.1 billion as of September 30, 2022 and December 31, 2021, respectively.

Investment Securities at Amortized Cost

The Group's investment securities at amortized cost consist of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Government securities	₱23,082,931	₱6,655,528
Private bonds	11,390,903	1,819,331
	₱34,473,834	₱8,474,859

In line with the change in PFRS 9 Business Model, Robinsons Bank has reclassified on April 1, 2022 USD-denominated and Peso-denominated Financial Assets at FVOCI with a consolidated carrying amount of ₱12.7 billion, both under the 'Investment Securities at Amortized Cost'. The reclassification resulted a 'Net unrealized gain on Financial Assets at FVOCI' recognized in 'Other Comprehensive Income' of ₱2.4 billion.

11. Receivables

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Finance receivables	₱107,276,702	₱98,918,972
Trade receivables	35,042,825	38,333,349
Due from related parties	4,375,328	4,218,363
Interest receivable	1,733,935	1,716,625
Other receivables	6,184,442	7,808,301
	154,613,232	150,995,610
Less allowance for impairment losses	3,662,763	3,284,477
	₱150,950,469	₱147,711,133

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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current portion	₱71,478,962	₱72,223,653
Noncurrent portion	79,471,507	75,487,480
	₱150,950,469	₱147,711,133

Noncurrent receivables consist of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Finance receivables	₱72,449,937	₱67,937,959
Trade receivables	4,217,266	4,727,617
Due from related parties	2,804,304	2,821,904
	₱79,471,507	₱75,487,480

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:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Subdivision land, condominium and residential units for sale	₱32,996,738	₱37,679,442
Raw materials	24,905,509	17,729,203
Spare parts, packaging materials and other supplies	16,302,693	13,977,308
Finished goods	15,271,580	10,696,680
Work-in-process	2,849,910	1,529,274
	₱92,326,430	₱81,611,907

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 nil and P85.0 million in 2022 and 2021, respectively (see Note 34).

13. Other Current Assets

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Input value-added tax (VAT)	P10,218,478	P10,249,021
Advances to suppliers (Note 2)	6,065,222	5,191,796
Creditable withholding tax	3,148,296	3,070,805
Advances to lot owners	2,508,899	25,735
Prepaid expenses	2,361,304	3,169,873
Restricted cash	1,542,779	1,818,639
Others	719,378	164,092
	P26,564,356	P23,689,961

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

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.

Prepaid Expenses

This account consists of prepayments on rent, insurance, taxes, and office supplies.

Restricted cash

RLC has restricted cash 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.

CAI also has restricted cash deposited with certain banks to secure standby letters of credit issued in favor of lessors.

14. Investments in Associates and Joint Ventures

Details of this account follow:

	September 30, 2022 (Unaudited)	December 31, 2021 Audited
Acquisition cost:		
Balance at beginning of year	P107,653,237	P107,272,930
Additional investments	1,105,783	655,600
Disposal of investments	(8,510,608)	–
Reclassification/ transfer	–	(275,293)
Balance at end of year	100,248,412	107,653,237
Accumulated equity in net earnings:		
Balance at beginning of year	38,080,751	33,854,783
Equity in net earnings	7,381,348	9,685,312
Dividends received	(5,861,376)	(4,985,371)
Elimination of unrealized gains on downstream sales	(856,982)	(404,888)
Disposals	(389,238)	–
Reclassification / transfer	–	(69,085)
Balance at end of year	38,354,503	38,080,751
Share in unrealized gain (loss) on financial assets at fair value thru other comprehensive income (FVOCI) of associates:		
Balance at beginning of year	124,999	90,515
Share in net changes in fair value of financial assets at FVOCI of associates	(117,473)	34,484
Balance at end of year	7,526	124,999
Share in remeasurements of the net defined benefit liability of associates:		
Balance at beginning of year	308,655	(1,610,066)
Share in net changes in remeasurements of the net defined benefit liability of associates	(10,724)	1,918,721
	297,931	308,655
Cumulative translation adjustment	323,491	200,843
	139,231,863	146,368,485
Less allowance for impairment losses	334,366	334,366
	P138,897,497	P146,034,119

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:

	Effective Ownership		Carrying Value	
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
(In Million Pesos)				
Associates				
Domestic:				
Manila Electric Company (Meralco)	29.56	29.56	₱74,631.6	₱83,185.1
Oriental Petroleum and Mining Corporation (OPMC)	19.40	19.40	789.7	776.6
G2M Solutions Philippines Pte. Ltd (G2M)	0.00	0.00	711.2	439.2
Luzon International Premiere Airport Development Corp. (LIPAD)	33.00	33.00	424.1	475.0
GoTyme Bank Corporation	24.41	24.24	484.6	354.7
DHL Summit Solutions, Inc. (DSSI) formerly Summit Supply Chain Solutions, Inc.	50.00	50.00	77.5	30.3
Cebu Light Industrial Park, Inc. (CLIP)	20.00	20.00	59.1	58.7
Foreign:				
Singapore Land Group Limited (formerly United Industrial Corp., Limited) (SLG)	37.05	37.05	58,740.3	58,034.9
Zyllem Pte. Ltd	13.33	13.33	49.7	46.0
Value Alliance Travel System Pte. Ltd (VATS)	10.18	10.18	–	–
			135,967.8	143,400.5
Joint Ventures				
Domestic:				
RHK Land Corporation	36.71	36.71	1,435.3	1,342.9
Robinsons DoubleDragon Corporation	40.21	40.21	672.5	672.6
RLC DMCI Property Ventures, Inc	30.59	30.59	434.3	375.4
Philippine Academy for Aviation Training (PAAT)	33.93	33.93	196.0	187.5
Vitasoy-URC, Inc (VURCI)	27.67	27.67	127.3	–
1 Aviation Groundhandling Services Corp.	27.15	27.15	–	–
Shang Robinsons Properties, Inc.	30.49	30.49	–	–
Danone Universal Robina Beverages, Inc. (DURBI)	27.67	27.67	–	–
Foreign:				
Calbee – URC Malaysia Sdn. Bhd (CURM)	27.63	27.63	64.3	55.2
Proper Snack Foods Limited (PSFL)	27.68	27.68	–	–
			2,929.7	2,633.6
			₱138,897.5	₱146,034.1

Meralco

On July 28, 2022, the BOD of JGSHI approved the holding of an overnight block trade for the sale of its 36.0 million common shares in Meralco. On the same day, the Company entered into a Secondary Block Trade Agreement with UBS AG, Singapore Branch (UBS) whereby it appointed UBS, to procure purchasers for the 36.0 million common shares of Meralco at a price of at least ₱344 per share for a total consideration of ₱12.4 billion together with all dividends, distributions and other benefits attaching to the shares. The sale represents 3.2% of Meralco's total outstanding shares which resulted to the change in the Parent Company's equity interest over Meralco from 29.56% to 26.37%.

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.

SLG

SLG, a company incorporated and listed in Singapore is engaged in residential property management. SLG follows the fair value model in measuring investment properties while the Group follows the cost model in measuring investment properties. The financial information of SLG below represents the adjusted amounts after reversal of the effect of revaluation and depreciation on the said assets.

Effective 2020, SLG is only required to file financial reports semi-annually instead of quarterly in accordance with the new rules of the Singapore Stock Exchange (SGX). Accordingly, SLG results is not included in the quarterly consolidated financial statements of the Group.

Individually immaterial investees

LIPAD

On February 18, 2019, the Parent Company invested in Luzon International Premiere Airport Development Corporation (LIPAD). The shares acquired represented 33% of LIPAD's total outstanding common shares. LIPAD is a corporation organized and incorporated in the Philippines to engage in the operation and maintenance of airports, whether operating as a domestic or international airport or both, including day-to-day administration, functioning, management, manning, upkeep, and repair of all facilities necessary for the use or required for the safe and proper operation of airports.

In December 2020, the Parent Company made additional investment amounting to ₱115.5 million equivalent to 115.5 million shares.

CLIFI

The Group accounts for its investments in CLIFI as an associate as it owns 20.0% of the issued share capital of CLIFI. In 2015, CLIFI returned EHI's deposit for future stock subscription amounting to ₱5.0 million. As of September 30, 2022, the Group has deposit for future stock subscription in CLIFI amounting to ₱10.0 million. These represents 20.0% of CLIFI's proposed increase in authorize capital stock.

G2M

On September 20, 2018, the Parent Company invested in G2M's convertible note amounting to On September 16, 2020, the Parent Company entered into an assignment of agreement with JG Digital Capital Pte. Ltd (JGDCPL) to assign all its rights and obligations in the investment.

In June 2021 and December 2020, JGDCPL invested in G2M's convertible note amounting to \$0.7 million and \$1.5 million, respectively.

As of December 31, 2021, the convertible note has been converted into 231,120 preferred shares of series A2 and 34,668 preferred shares of series B, equivalent to the Group's 14.17% ownership in G2M. The Group has one representation in the BOD of G2M.

In March 2022, JGDCPL subscribed to G2M's 31,336 series C investments which resulted to a slight dilution of the Group's ownership in G2M to 13.07%.

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.

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.

VATS (formerly Air Black Box)

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 Asia Pacific Pte. Ltd.

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. CAI has assessed that it has significant influence over ABB through its representation in the BOD and participation in the policy-making process of ABB. Accordingly, the investment was classified as an investment in an associate and is accounted for at equity method.

In 2021, CAI assessed that its investment in VATS was impaired. VATS has incurred operating losses since it started its operations and is currently on a capital deficiency. The target growth turned significantly lower than actual, and expectation has also been further tempered due to the impact of the ongoing COVID-19 pandemic. On this basis and following the key requirements of PAS 36, *Impairment of Assets* wherein assets can be carried at no more than their recoverable amount, the Group has recognized impairment provisions of ₱36.9 million. As of September 30, 2022 and December 31, 2021, the net carrying amount of the Group's investment with VATS amounted to nil.

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.

DURBI

In 2018, URC made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5,000,000 common shares for a total cost of ₱82.5 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

In 2019, URC made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 10,000,000 common shares for a total cost of ₱125.0 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

On April 19, 2021, URC made additional subscriptions to unissued authorized capital stock of DURBI consisting of 5,000,000 common shares for a total cost of ₱105.0 million.

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. On May 19, 2022, URC made additional subscriptions to the unissued authorized capital stock of VURCI consisting of 46,100,000 common shares for a total cost of ₱461.0 million.

PSFL

On June 30, 2017, Griffin's purchased 50.1% of the shares in Proper Snack Foods Ltd. (PSFL) approximately NZ\$7.8 million (₱275.3 million), which includes deferred consideration amounting to NZ\$1.5 million (₱51.5 million) recorded under 'Accounts payable and other accrued liabilities' in the consolidated statement of financial position.

In January 2021, the shareholders' agreement was amended that resulted to Griffin's gaining ultimate control of the board with no change in equity interest, which is still at 50.1%. No consideration was paid for the transaction and PSFL net assets at the time of business combination amounted to US\$4.6 million (₱226.0 million).

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 Robinsons Properties, Inc (SRPI)

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 SRPI, 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. SRPI also plans to pursue other development projects.

RHK Land Corporation (RHK Land)

On February 5, 2018, RLC'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 RHK Land, 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. RHK Land also plans to pursue other development projects.

On October 2018, RLC entered into a Shareholder Loan Agreement with RHK Land to make available a loan facility of ₱1.4 billion which RHK Land may draw from time to time subject to the terms and conditions set out in the agreement.

Robinsons DoubleDragon Corporation (RDDC)

On December 26, 2019, Robinsons DoubleDragon Corp. (RDDC) was incorporated as the joint venture company (JVC) between RLC and DoubleDragon Corporation. The primary purpose is to engage in realty development.

RLC DMCI Property Ventures, Inc.

In October 2018, RLC 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 Piñas 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. (RLC DMCI) was incorporated as the joint venture company (JVC) between RLC and DMCI PDI. The proposed project is intended to be a multi-tower residential condominium and may include commercial spaces.

The investments in JVCs are accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control.

DHL Summit Solutions, Inc. (DSSI)

On December 18, 2019, the Parent Company invested in DSSI. DSSI was incorporated on October 1, 2019 and shall engage in the business of providing domestic transportation, logistics, warehousing and distribution of cargoes, and other supply chain management activities. DSSI started commercial operations in July 2020.

Zyllem Pte. Ltd.

In August 2019, JGDCPL invested in 7,476,857 Series A+ shares of Zyllem Pte. Ltd. (Zyllem) at SGD0.1806 per share, or total subscription price of SGD1.35 million. Zyllem is a private company incorporated and based in Singapore that provides fast, cost-effective and reliable on-demand delivery service. Zyllem operates in certain cities in Southeast Asia. Post-subscription, JGDCPL holds 13.33% ownership interest in Zyllem. Also, under the Shareholders' Agreement, subject to JGDCPL holding less than 10.00% ownership interest, JGDCPL is entitled to appoint one (1) director. The investment in Zyllem is accounted for as investment in an associate since the Group has one representation on the BOD of Zyllem.

On November 13, 2020, JGDCPL invested in convertible note with face value of SGD0.3 million equivalent to ₱10.7 million.

GoTyme Bank Corporation

On February 18, 2021, RBC entered into a joint venture agreement with RLC, Robinsons Retail Holdings, Inc (RRHI) and Tyme Global Limited (TGL) to establish a joint venture company (JVC) which will operate a digital bank in the Philippines and have its own banking license and independent governance structure, subject to the approval of the Bangko Sentral ng Pilipinas (BSP). The initial funding and capital structure required RBC, RLC and RRHI, named as the founding shareholders, to contribute a pro rata portion up to ₱1.25 billion. The shareholder percentage of the RBC, RLC, RRHI and TGL upon incorporation shall be 20.00%, 20.00%, 20.00% and 40.00%, respectively of the share capital and voting rights of the JVC.

On August 24, 2021 RBC's equity investment of ₱200.00 million representing 20% ownership of the digital bank which was named GoTyme Bank Corporation (GoTyme) was approved by the BSP. After securing Certificate of Authority to Register from the Monetary Board, the SEC approved the Certificate of Incorporation of GoTyme on December 28, 2021.

15. Other Noncurrent Assets

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deferred tax assets	₱7,320,000	₱5,142,289
Security and miscellaneous deposits	2,755,068	2,336,295
Advances to suppliers - net of current portion	2,679,431	2,238,793
Advances to lot owners - net of current portion	2,214,991	3,097,764
Utility deposits	734,002	702,432
Others	1,890,883	2,109,979
	₱17,594,375	₱15,627,552

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.

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. The deposits to various joint venture partners represent RLC's 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 Group's share in the completed units or share in the sales proceeds of the units, depending on the agreement with the other party.

16. Accounts Payable and Accrued Expenses

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deposit liabilities	₱106,369,099	₱115,822,972
Trade payables	43,463,492	32,881,004
Accrued expenses	19,886,650	17,514,281
Airport and other related fees payable	3,463,789	2,432,101
Output VAT	2,733,322	2,421,602
Travel fund payable (Note 19)	1,420,854	2,802,832
Withholding taxes payable	243,146	447,019
Refunds payable	199,500	117,200
Due to related parties	160,113	169,069
Dividends payable	19,867	20,061
Other payables	5,113,265	4,440,899
	₱183,073,097	₱179,069,040

Deposit Liabilities

Deposit liabilities represent the savings, demand and time deposit liabilities of RBC and LSB. Remaining deposit liabilities of the RBC and LBC bear annual fixed interest rates ranging from nil to 5.75% in 2022 and 2021.

As of September 30, 2022, RBC and LSB are in compliance with the regulations.

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.

Refunds payable

In light of the significant increase in flight cancellations due to the COVID-19 outbreak and consequent grounding of the Group's commercial operations, customers were given options for their cancelled flights, which included free rebooking, full cash refund or conversion to a full travel fund. Refunds payable pertain to cash due to be returned to customers.

Other Payables

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

17. Other Current Liabilities

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Unearned transportation revenue	₱10,330,769	₱4,568,641
Contract liabilities (Note 19)	3,516,558	16,314,490
Deposit from lessees (Note 19)	3,154,329	3,047,062
Derivative liabilities (Note 8)	89,292	1,732,327
Customer's deposits	1,173,064	803,990
Advances from agents and others	751,447	508,357
	₱19,015,459	₱26,974,867

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).

Contract Liabilities

Contract liabilities (including noncurrent portion shown in Note 19) 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 based on percentage of completion.

The movement in the contract liability is mainly due to reservation of sales and advance payment of buyers less real estate sales recognized upon reaching the equity threshold from increase in percentage of completion. The contract liabilities account includes deposits from real estate buyers that have not met the revenue recognition threshold of 10%.

Deposits from Lessees

Deposits from lessees (including the noncurrent portion shown in Note 19) 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

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 Debts and Long-term Debts

Short-term Debts

Short-term debts consist of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Subsidiaries:		
Philippine Peso - with interest rates of 3.8% to 4.9% in 2022 and 2.0% to 2.4% in 2021	₱72,208,936	₱55,957,650
Foreign currencies - unsecured with interest rates ranging from 1.30% to 3.50% in 2022 and from 1.30% to 1.50% in 2021	9,609,592	10,037,933
	₱81,818,528	₱65,995,583

Long-term Debts

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

	Maturities	Interest Rates	September 30, 2022	December 31, 2021	Condition
Parent Company:					
Fixed Rate Retail Bonds:					
Term Loans					
₱5.0 billion Term Loan	2022	4.65%	₱-	₱4,997,160	Unsecured
₱10.0 billion Term Loan	2023	Floating (3.85%)	9,988,830	9,976,958	Unsecured
₱5.0 billion Term Loan	2023	Floating (2.4829% in 2022 and 1.64842% in 2021)	4,994,291	4,988,346	Unsecured
₱7.0 billion Term Loan	2024	Floating (2.84% in 2022 and 1.89% in 2021)	6,978,901	6,970,866	Unsecured
₱5.0 billion Term Loan	2024	3.50%	4,793,067	4,840,001	Unsecured
₱4.0 billion Term Loan	2025	4.00%	3,982,648	3,978,261	
			30,737,737	35,751,592	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US\$750.0 million guaranteed Notes	2023	4.38%	35,783,497	31,117,589	Guaranteed
US\$600.0 million guaranteed notes	2030	4.125%	34,602,418	30,465,049	Guaranteed
CAI					
USD Convertible bonds	2027		14,087,463	12,184,836	
USD Commercial loan from foreign banks	Various dates through 2030	1-8%; (US\$ Libor)	11,973,665	20,427,515	Secured
JPY Commercial loan	Various dates through 2029	Less than 1% LIBOR	5,697,925	6,681,793	Secured
			102,144,968	100,876,782	

	Maturities	Interest Rates	September 30, 2022	December 31, 2021	Condition
Philippine Peso:					
RLC					
P10.6 billion loan facility	2022	4.80%	–	10,633,033	Unsecured
P12.7 billion loan facility	2023	3.683%	12,715,341	12,679,687	- do -
P5.0 billion loan facility	2023	3.89%	4,936,635	4,944,259	- do -
P7.0 billion loan facility	2024	3.10%	–	6,567,681	- do -
P6.4 billion loan facility	2024	4.75%	6,431,263	–	
P6.0 billion loan facility	2025	4.75%	5,973,803	–	
P6.0 billion loan facility	2025	5.3789%	5,824,629	5,967,921	- do -
P1.4 billion loan facility	2025	4.93%	1,360,717	1,359,782	- do -
P0.4 billion loan facility	2025	3.8%	423,993	423,419	- do -
P9.0 billion loan facility	2027	5.936%	9,000,000	–	
P4.5 billion loan facility	2027	4.00%	4,463,579	4,467,082	- do -
JGSOC					
P14.5 billion term loan	2024	Floating (1.98% to 2.27%)	14,508,000	14,508,000	- do -
P5.0 billion term loan	2024	5.00%	5,000,000	5,000,000	- do -
P4.0 billion term loan	2024	4.72%	–	4,000,000	- do -
P4.0 billion term loan	2024	Floating (3.9%)	4,000,000	4,000,000	- do -
P1.2 billion term loan	2024	6.64%	1,210,000	1,210,000	- do -
P1.3 billion term loan	2024	6.62%	1,282,000	1,282,000	- do -
P5.0 billion term loan	2025	5.2582%	5,000,000	–	- do -
P4.0 billion term loan	2025	4.722%	4,000,000	–	- do -
CAI					
Commercial loans	Various dates through 2028	2%-5% (PH BVAL)	16,290,236	16,290,236	Guaranteed
Term loan	2023	4.80%	746,667	2,555,556	
			103,166,863	95,888,656	
			236,049,568	232,517,030	
Less current portion			70,842,142	19,501,714	
			P165,207,426	P213,015,316	

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, JGSPL issued US\$750.0 million, 4.375% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company. On July 21, 2020, JGSPL redeemed notes with a face value of \$32.0 million for a total consideration of \$34.0 million. The redemption resulted in a loss on bond reacquisition amounting to P66.2 million.

JGSPL 4.125% Senior Unsecured Notes Due 2030

On July 2020, JGSPL issued US\$600.0 million, 4.125% senior unsecured notes due 2030. The notes are unconditionally and irrevocably guaranteed by the Parent Company. On various dates from March 1, 2022 to September 30, 2022, JGSPL redeemed notes with a face value of \$7.7 million for a total consideration of \$7.5 million. The redemption resulted in a gain on bond reacquisition amounting to P10.6 million.

CAI's US Dollar Commercial Loan From Foreign Banks

From 2007 to 2019, CAI entered into commercial loan facilities to partially finance the purchase of 19 Airbus A320 aircraft, seven (7) Airbus A321 CEO aircraft, five (5) aircraft engines, and one (1) Airbus A321 NEO aircraft. The security trustees of these commercial loan facilities established SPEs, namely: PTALL, PTHALL, SAALL, SBALL, SCALL, SDALL, TOADAC and RALL, which purchased the aircraft from CAI pursuant to (a) five to ten-year finance lease arrangement for the Airbus A320, A321 CEO, and A321 NEO 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 entered into four (4) Philippine peso commercial loan facilities and six (6) USD commercial loans. The proceeds of the loan were used to prepay the outstanding US dollar loan facilities for ten (10) Airbus A320 aircraft resulting to dissolution of PTHALL, SAALL and SBALL

(Note 1). 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.

In 2019, CAI entered into a US dollar commercial loan facility to finance the acquisition of one (1) Airbus A321NEO aircraft.

In 2020, CAI entered into a US dollar commercial loan facility to finance the acquisition of one (1) Airbus A321NEO aircraft.

The terms of the remaining commercial loans of CAI from foreign banks follow:

- Term of six to 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 September 30, 2022 and December 31, 2021, the total outstanding balance of the US Dollar commercial loans amounted to ₱12.0 billion (US\$204 million) and ₱20.4 billion (US\$401 million), respectively. Interest expense amounted to ₱315 million and ₱476 million for the nine months ended September 30, 2022 and 2021, respectively.

CAI's Japanese Yen Commercial Loans

In 2019, CAI entered into a Japanese commercial loans covering four (4) Airbus A321NEO aircraft. The loan requires semi-annual installments with a maturity not longer than 14 years at a variable interest rate based on JPY LIBOR plus margin.

As of September 30, 2022 and December 31, 2021, the total outstanding balance of the Japanese yen commercial loans amounted to ₱5.7 billion (¥14.0 billion) and ₱6.7 billion (¥15.1 billion). Interest expense amounted to ₱11.7 million and ₱14.0 million for the nine months ended September 30, 2022 and 2021, respectively.

URC NZ Finance Company Limited NZD395 Million Term Loan due 2023

In October 2021, the long-term debt was transferred to Intersnack Group upon divestment.

URC Australia Finance Company Limited Term Loan US\$484.2 Million

In October 2021, the long-term debt was transferred to Intersnack Group upon divestment.

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. On February 2019, the Parent Company fully settled its five-year bond amounting to ₱24.5 billion. On January 18, 2021, the BOD of the Parent Company approved the exercise of the option for early redemption of the Parent Company's ₱176.3 million fixed rate 5.3% bonds due on 2024 at the early redemption price of

₱101.50. On March 2, 2021, the Parent Company exercised its option for early redemption and recognized loss on extinguishment of debt amounting to ₱3.2 million

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. The loan was fully settled in July 2022. Interest for the nine months ended September 30, 2022 and 2021 amounted to ₱115.3 million.

Parent Company ₱10.0 Billion Term Loan with BDO due in June 2023

On June 8, 2018, the Company borrowed ₱10.0 billion under Term Loan Facility Agreement with BDO. Interest for the nine months ended September 30, 2022 and 2021 amounted to ₱211 million and ₱205 million, respectively.

Parent Company ₱5.0 Billion Term Loan with MBTC due in June 2023

On June 14, 2018, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC. Interest for the nine months ended September 30, 2022 and 2021 amounted to ₱83 million and ₱64 million, respectively.

Parent Company ₱7.0 Billion Term Loan with BPI due in August 2024

On August 23, 2019, the Parent Company borrowed ₱7.0 billion under Term Loan Facility Agreement with BPI. The loan obtained bears a market interest rate plus a certain spread, payable quarterly. Interest for the nine months ended September 30, 2022 and 2021 amounted to ₱108 million and ₱97 million, respectively.

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. Interest for the nine months ended September 30, 2022 and 2021 amounted to ₱129 million and ₱180 million, respectively.

Parent Company ₱5.0 Billion Term Loan with PNB due in August 2024

On August 23, 2019, the Parent Company borrowed ₱5.0 billion under Term Loan Facility Agreement with PNB with a fixed rate at 4.901% per annum and shall be payable quarterly in arrears. Interest for the nine months ended September 30, 2021 amounted to ₱158 million. In August 2021, the Parent Company pre-terminated its term loan with PNB. This resulted in a loss of debt extinguishment amounting to ₱74 million in 2021.

Parent Company ₱4.0 Billion Term Loan with BDO due in 2025

On June 26, 2020, the Parent Company borrowed ₱4.0 billion under Term Loan Facility Agreement with BDO with a fixed rate at 4.75% per annum and shall be payable quarterly in arrears. September 30, 2022 and 2021 amounted to ₱120 million and ₱142 million, respectively.

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. The loan was fully settled in July 2021.

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. The loan was fully settled in February 2022.

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 Three-year “Series C Bonds” maturing on July 17, 2023 and Five-Year “Series D Bonds” maturing on July 17, 2025.

On July 17, 2020, RLC issued its “Series C Bonds” amounting to ₱12,763 million and “Series D Bonds” amounting to ₱427 million constituting direct, unconditional, unsecured and unsubordinated peso-denominated obligations of RLC and shall at all times rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu with all other present and future unsubordinated and unsecured obligations of RLC, other than obligations preferred by law. The net proceeds of the issue shall be used by the RLC to: (i) partially fund the capital expenditure budget of RLC for calendar years 2020 and 2021; (ii) repay short-term loans maturing in the second half of calendar year; and (iii) fund general corporate purposes including, but not limited to, working capital. The bonds have been rated PRS Aaa by Philippine Rating Services Corporation (PhilRatings).

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on January 17 and July 17 of each year at which the bonds are outstanding.

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 ₱6.0 Billion Term Loan due June 2025

On June 30, 2020, RLC borrowed ₱6.0 billion under Term Loan Facility Agreements with BDO Unibank, Inc. The loan was released on June 30, 2020 which bears interest rate at 4.7500% computed 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 ₱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 Three-year “Series E Bonds” maturing on August 26, 2025 and Five-Year “Series F Bonds” maturing on August 26, 2027.

On August 26, 2022, the Group issued its “Series E Bonds” amounting to ₱6.0 billion and “Series F Bonds” amounting to ₱9.0 billion constituting direct, unconditional, unsecured and unsubordinated peso-denominated obligations of RLC and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of RLC, other than obligations preferred by law. The net proceeds of the issue shall be used by RLC to: (i) partially fund the capital expenditure budget for project development and land acquisition for calendar years 2022 and 2023 and to partially repay maturing debt obligations; and (ii) for general corporate purposes including, but not limited to, working capital. The bonds have been rated PRS Aaa by Philippine Rating Services Corporation (PhilRatings).

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid quarterly in arrears on February 26, May 26, August 26 and November 26 of each year at which the bonds are outstanding.

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. Partial payment for this loan amounting to ₱5 million was made on February 13, 2019 and 2018.

CAI Philippine Peso Commercial Loans

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 loans 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).
- 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 September 30, 2022 and December 31, 2021, the total outstanding Philippine Peso commercial loans amounted ₱16.3 billion. Interest expense incurred from these loans amounted to ₱424 million and ₱418 million for the nine months ended September 30, 2022 and 2021, respectively.

CAI Philippine Peso Term Loans

In 2020, CAI entered into an unsecured, Philippine peso-denominated loan amounting to ₱4.0 billion with Security Bank Corporation due in 2023. The loan was obtained to support the working capital requirements of the Group.

As of September 30, 2022 and December 31, 2021, the total outstanding Philippine Peso term loan amounted to ₱747 million and ₱2.6 billion, respectively. Interest expense incurred from this loan amounted to ₱78 million and ₱123 million for the nine months ended September 30, 2022 and 2021, respectively.

JGSOC Philippine Peso Term Loan

These are clean loans obtained in 2019 to finance the JGSOC's expansion projects and are payable in lump sum after five years.

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 term loan facilities of ₱5.0 billion due 2022, ₱10.0 billion due 2023, ₱5.0 billion due 2023, ₱7.0 billion due 2024, ₱5.0 billion due 2024 and ₱4.0 billion due 2025, 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 JGSPL's US\$750.0 million Senior Unsecured Notes due in 2023, the guarantor shall procure:

- Consolidated Current Assets to Consolidated Current Liabilities is not at any time less than 0.5:1.0; and
- Consolidated Total Borrowings to Consolidated Stockholders' Equity does not at any time exceed 2:1.

For JGSPL's US\$600.0 million loans due in 2030, the guarantor shall procure that the ratio of Consolidated Total Borrowings to Consolidated Shareholders' Equity does not at any time exceed 2:1.

For CAI's Japanese Yen term loans, CAI is required to comply with affirmative and negative covenants until termination of loans. As of September 30, 2022 and December 31, 2021, CAI is not in breach of any loan covenants.

CAI's Philippine commercial loans are secured by the related aircraft. CAI is required to comply with affirmative and negative covenants until termination of loans. As of September 30, 2022 and December 31, 2021, CAI is not in breach of any loan covenants.

For CAI's Philippine term loans, CAI is required to maintain certain financial ratio until termination of loans. As of December 31, 2021, CAI obtained a waiver from the bank in relation to debt service coverage ratio requirement. Accordingly, the related loan is classified as non-current as at December 31, 2021.

For RLC's ₱1.4 billion Retail Bonds due 2025, ₱5.0 billion term loan due 2023, ₱6.4 billion term loan due 2024, ₱4.5 billion term loan due 2027, ₱6.0 billion term loan due 2025, and ₱7.0 billion term loan due 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 September 30. These loans were not guaranteed by the Parent Company.

For RLC's "Series C Bonds" due 2023 and "Series D Bonds" due 2025, RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statements as of its calendar year end December 31 and consolidated interim financial statements as at June 30. RLC has complied with the debt covenant as of September 30, 2022.

For RLC's 3-year "Series E Bonds" due 2025 and 5-Year "Series F Bonds" due 2027, RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statements as of its calendar year end December 31 and consolidated interim financial statements as at September 30, 2022. RLC has complied with the debt covenant as of September 30, 2022 and December 31, 2021.

For JGSOC's term loans, JGSOC is required to maintain a net debt-to-equity ratio of not more than 2.5:1.0, as measured at the end of each calendar year-end. JGSOC has complied with the debt covenant as of September 30, 2022 and December 31, 2021.

The Group has complied with all of its debt covenants as of September 30, 2022 and December 31, 2021.

CAI's USD Convertible Bonds

On May 10, 2021, CAI issued at face value US\$250.0 million convertible bonds (CB) to the International Finance Corporation (IFC), IFC Emerging Asia Fund LP and Indigo Philippines LLC (collectively known as "the CB Holders") due on May 10, 2027. The bonds bear an interest rate of 4.5% payable semi-annually in arrears on May 10 and November 10 of each year.

The CBs have a conversion option features which entitles the CB Holders to convert any or all of the outstanding CBs that they hold for the Parent Company's common shares at any time within the conversion period which shall begin 40 days after the issue date of the CB and shall end 20 business days before the maturity date. The price at which the common shares will be issued upon conversion will initially be at ₱38.00 per share, as translated to U.S. Dollars at the fixed exchange rate of USD\$1.00 = ₱48.45 and subject to any adjustments from time to time in accordance with the adjustment provisions included in the terms and conditions of the CBs. None of the CB Holders have exercised their conversion option as of September 30, 2022 and December 31, 2021. The CBs also have an optional redemption features which give the CB Holders the option to require the Parent Company to redeem the CBs upon the occurrence of any of the early redemption and regulatory events as specified in the terms of the CBs.

The CBs were assessed to be a hybrid instrument containing a host financial liability component and embedded derivative components for the equity conversion and redemption options. The embedded derivatives were separated from the CBs and accounted for as a single compound derivative on the issuance date of the CBs.

In subsequent period, the host financial liability component of CBs will be carried at amortized cost using the EIR method. Interest expense recognized from the CBs, which is included under 'Financing and others' in the consolidated statement of comprehensive income, for the nine months ended September 30, 2022 and 2021, amounted to ₱529 million and ₱218 million, respectively.

The fair value at initial recognition and carrying amount as at September 30, 2022 and December 31, 2021 of the host financial liability component of the CBs are presented below:

	September 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	In US Dollar	Philippine Peso	In US Dollar	Philippine Peso
Beginning balance	US\$238,923,040	₱12,184,836,126	US\$237,795,834	₱11,369,629,644
Unrealized foreign exchange loss		1,828,946,732	–	759,069,399
Bond amortization	1,374,837	73,680,189	1,127,206	56,137,083
Ending balance	US\$240,297,877	₱14,087,463,047	US\$238,923,040	₱12,184,836,126

The bifurcated embedded derivatives have an initial fair value of ₱412.8 million and is presented as ‘Derivative liabilities’ in the consolidated statement of financial position. These bifurcated derivatives are subsequently remeasured at fair value. Any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

The changes in fair value in 2022 and 2021 of the derivative liabilities at FVPL follows:

	September 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	In US Dollar	Philippine Peso	In US Dollar	Philippine Peso
Beginning balance	US\$33,941,073	₱1,730,960,768	US\$8,632,924	₱412,843,691
Market valuation losses (gains)	(32,417,967)	(1,641,668,695)	25,308,149	1,318,117,077
Ending balance	US\$1,523,106	₱89,292,074	US\$33,941,073	₱1,730,960,768

The fair value of the convertible bond was determined using the Jarrow-Rudd model.

The inputs used for the calculation of fair value as of specific valuation date are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Stock price	₱36.90	₱42.15
Risk free rate	4.05%	1.29%
Conversion price	₱38.00	₱38.00
Term	5.9 years	5.9 years
Volatility	50.79%	47.27%

19. Other Noncurrent Liabilities

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deposit liabilities - net of current portion	₱11,904,676	₱11,752,181
ARO	10,335,255	7,084,719
Bills payable	10,150,000	2,618,524
Deposit from lessees - net of current portion (Note 17)	4,016,624	3,875,726
Pension liabilities	2,427,154	1,939,057
Deferred revenue on rewards program	723,589	655,368
Travel fund payable	532,573	1,850,993
Contract liabilities – net of current portion (Note 17)	448,861	2,082,417
Others	3,329,669	2,327,302
	₱43,868,401	₱34,186,287

Deposit Liabilities

Deposit liabilities represent time deposit liabilities of RBC and LSB with maturities of beyond 12 months from reporting date.

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. On July 6, 2018, the Parent Company issued additional LTNCD amounting to ₱1.78 billion with nominal interest rate of 4.875% and EIR of 5.15% payable every quarter which will mature on January 6, 2024. The proceeds was used to diversify RBC's maturity profile and funding sources and general corporate purposes.

The BSP approved the decrease in reserve requirements on non-FCDU deposit liabilities through the following circulars:

- Circular 1041 dated May 23, 2019 to 17.00% effective May 31, 2019; 16.50% effective June 28, 2019; 16.00% effective July 26, 2019 for the Parent Company and from 7.00% to 6.50% and 6.00% respectively for LSB.
- Circular 1056 dated October 3, 2019 to 15.00% for the Parent Company and 5.00% for LSB effective November 1, 2019.
- Circular No. 1063 to 14.00% for the Parent Company and 4.00% for LSB effective December 06, 2019.

On May 27, 2020, the BSP through Circular 1087 approved the *Alternative Compliance with the Reserve Requirements of Banks and Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBs)* effective May 29, 2020, subject to certain requirements provided by the MORB, the following alternative compliance with the required reserves against deposit and deposit substitute liabilities shall be allowed:

- Peso-denominated loans that are granted to micro-, small-, and medium enterprises (“MSME”), banks and NBQBs that meet the definition of a small and medium enterprise;

- Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs that meet the definition of a large enterprise.

Bills Payable

Bills payable consist of long-term peso denominated borrowing with Development Bank of the Philippines (DBP) and Land Bank of the Philippines (LBP) wholesale lending facility amounting to ₱10.50 billion with interest rate from 3.00% to 4.85% as of September 30, 2022.

Interest expense on bills payable amounted to ₱241 million for the period ending September 30, 2022.

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.

Travel Fund Payable

In light of the significant increase in flight cancellations due to the COVID-19 outbreak and consequent to the grounding of the Group's commercial operations, customers were given options for their cancelled flights which included, among others, conversion to a full travel fund which is a virtual wallet equivalent to the amount paid for an existing booking. A travel fund is valid for two years and can be used as payment for future bookings.

Deposits from Lessees

Deposits from lessees (including the noncurrent portion shown in Note 19) 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:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year	₱655,368	₱1,384,913
Add: Estimated liability on issued points	68,221	332,508
Subtotal	723,589	1,717,421
Less: Estimated liability on redeemed points	–	1,062,053
Balance at end of year	₱723,589	₱655,368

Others

Others include retention payable and heavy maintenance visits.

Retention payable

The 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.

Heavy maintenance visits

CAI is contractually required under various lease contracts to undertake the maintenance and overhaul of certain leased aircraft throughout the contract period. Major maintenance events are required to be performed on a regular basis based on historical or industry experience and manufacturer's advice. Estimated costs of major maintenance events are accrued and charged to profit or loss over the estimated period between overhauls as the leased aircraft is utilized.

20. Equity

Details of the Parent Company's authorized capital stock as of September 30, 2022 and December 31, 2021 follow:

	Par Value	Shares	Amount
Common shares	₱1.00	12,850,800	₱12,850,800
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	₱14,890,800

As of September 30, 2022 and December 31, 2021, the paid-up capital of the Group consists of the following:

Capital stock:

Common shares - ₱1 par value	₱7,520,983
Preferred voting shares - ₱0.01 par value	42,000
	7,562,983
Additional paid-in capital	45,194,285
Total paid-up capital	₱52,757,268

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.

On December 3, 2020, the Parent Company applied with the SEC for the reclassification of preferred non-voting shares to preferred voting shares.

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:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
(a) Gross debt		
Short-term debt (Note 18)	P81,818,528	P65,995,583
Current portion of long-term debt (Note 18)	70,842,142	19,501,714
Long-term debt, net of current portion (Note 18)	165,207,426	213,015,316
Derivative liabilities (Note 8)	89,292	1,732,328
	P317,957,388	P300,244,941
(b) Capital	P427,583,301	P443,630,983
(c) Debt-to-capital ratio (a/b)	0.74:1	0.68:1

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 10.0% 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 0.0% to 125.0% 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)
150%	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 0.0% to 100.0%, 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 100.0%, while items not involving credit risk has a CCF of 0.0%.

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 ₱15.0 billion.

On June 9, 2016, the BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, which provides implementing guidelines for universal, commercial, and their subsidiary banks/quasi banks. The circular sets out a minimum leverage ratio of 5.00% on a solo and consolidated basis and shall be complied with at all times.

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 September 30, 2022, RBC was in compliance with the required CAR.

Restricted Retained Earnings

Parent Company

As of September 30, 2022, the ₱101.2 billion restricted retained earnings of the Parent Company are earmarked for the following: (a) settlement of a certain subsidiary's loan obligations guaranteed by the Parent Company (Note 23); (b) settlement of Parent Company loan obligations; (c) capital investment related to digital venture businesses; and (d) 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
4.125% senior unsecured notes	JGSH Philippines, Limited	US\$600.0 million	10 years maturing in 2030
Term Loans	Parent Company	₱35.9 billion	Maturing in 2022 to 2024
Term Loans	JGSPC	₱27.5 billion	Maturing in 2024 and 2025
Term Loans	JGSOC	₱2.4 billion	Maturing in 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 16, 2020, URC's BOD approved the reversal of the appropriation of retained earnings in the aggregate amount of ₱2.0 billion, which was approved by the BOD in its resolutions adopted on September 8, 2015 and September 7, 2016.

RLC

On December 8, 2021, RLC's BOD approved the reversal of the retained earnings it appropriated in 2020 amounting to ₱26.0 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, RLC's BOD also approved the appropriation of ₱25.5 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of RLC for various projects. These projects and acquisitions are expected to be completed in various dates from 2022 to 2027.

On December 10, 2020, RLC's BOD approved the reversal of the retained earnings it appropriated in 2019 amounting to ₱27.0 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, RLC's BOD also approved the appropriation of ₱26.0 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of RLC for various projects. These projects and acquisitions are expected to be completed in various dates from 2021 to 2026.

CAI

On September 7, 2020, December 4, 2019 and December 12, 2018, CAI's BOD appropriated ₱12.0 billion, ₱26.0 billion and ₱22.0 billion, respectively, from its unrestricted retained earnings for purposes of the Group's re-fleeting program. Appropriations as of December 31, 2019 and 2018 were reversed in the following year. The appropriated amount as of December 31, 2020 will be used for the settlement of aircraft and engine lease commitments in 2021.

As of September 30, 2022 and December 31, 2021, CAI has no appropriated retained earnings.

RBC

In compliance with existing BSP regulations, 10.0% of the net profits realized by RBC from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.0% of RBC's regulatory capital.

In 2021, RBC's BOD approved to appropriate reserves for trust reserves amounting to ₱0.08 million.

In 2021, RBC's BOD approved to reverse the appropriation of reserves for expected credit losses amounting to ₱15.61 million. In 2020, RBC's BOD approved to reverse the appropriation of reserves for expected credit losses amounting to ₱14.42 million. In 2019, RBC's BOD approved to appropriate reserves for expected credit losses amounting to ₱444.47 million, in compliance with the requirements of the BSP Circular No. 1011. Under this BSP Circular, RBC shall treat Stage 1 provisions for loan accounts as General Provisions (GP) while Stage 2 and 3 provisions shall be treated as Specific Provisions (SP). RBC shall set up GLLP equivalent to 1% of all outstanding Stage 1 on-balance sheet loan accounts, except for accounts considered as credit risk-free under existing regulations. In cases when the computed allowance for credit losses on Stage 1 accounts is less than the 1% required GP, the deficiency shall be recognized by appropriating the 'Retained Earnings' (RE) account. GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in surplus shall be considered as Tier 2 capital subject to the limit provided under the CAR framework.

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 ₱83.0 billion and ₱102.6 billion as of September 30, 2022 and December 31, 2021, 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.

Stock Dividends

On August 14, 2020, the BOD approved the declaration of stock dividend as follows:

- A stock dividend equivalent to five percent (5%) of the total issued and outstanding shares of the Company or 358,142,083 common shares, to be issued and paid out of the unrestricted retained earnings of the Company as of December 31, 2019, to all stockholders holding common shares as of record date of October 30, 2020 and distributed on November 25, 2020.
- Any fractional shares resulting from the stock dividend declaration will be paid in cash.

On October 20, 2020, the stockholders representing 87.11% of the total outstanding capital stock of the Company approved the declaration of the stock dividend.

Equity Reserve

On July 30, 2021, the Board of Directors of URC approved the creation and implementation of a share buyback program involving up to 3.0 billion worth of URC's common shares. The Board of Directors of URC approved the extension of the share buyback program for an additional amount of 5.0 billion on July 29, 2022. As a result of various share buy-back transactions during the period, the Parent Company's ownership over URC changed from 55.33% as of December 31, 2021 to 55.90% as of September 30, 2022.

On August 20, 2021, RLC sold its investment in RCR by way of public offering at a selling price of ₱6.45 per share, with a total selling price amounting to ₱22.6 billion, net of transaction costs

amounting to ₱737.3 million. As a result of the sale, the equity interest of RLC over RCR changed from 100% to 63.49%. RLC assessed that the change in its ownership interest over RCR as a result of the public offering did not result in a loss of control. Thus, RLC accounted for the decrease in ownership interest in RCR as an equity transaction. No gain or loss was recognized upon consolidation, and the difference in the proceeds from sale of shares to public and the amount recorded as NCI amounting to ₱10.8 billion was recorded as 'Equity Reserve' in the consolidated statements of financial position.

On November 4, 2021, the Board of Directors of RLC approved the creation and implementation of a share buyback program involving up to 3.0 billion worth of RLC's common shares. As a result of various share buy-back transactions during the period, the Parent Company's ownership over RLC changed from 61.19% as of December 31, 2021 to 62.34% as of September 30, 2022.

In December 2019, Intersnack bought 40% of URC's equity interest in the Oceania business for a total consideration of ₱7.7 billion (see Note 44). As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%. The excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱1.3 billion is presented under 'Equity reserve' in the consolidated statements of financial position.

In October 2021, URC sold its remaining 60.0% equity interest in Oceania business to Intersnack. As a result, the Group derecognized the assets and liabilities related to its Oceania business. The Group is of the view that the Equity Reserve can be reclassified to Retained Earnings to present more useful information about its equity. The Group evaluated the nature of the Equity Reserve, and if there are specific requirements on its derecognition. Management also considered nature of equity and the applicability of the requirements of PFRS and definitions, recognition criteria and measurement concepts in the Framework.

On February 8, 2022, URC requested for the SEC's opinion on the reclassification and subsequent treatment of the Equity Reserve. On February 22, 2022, the SEC confirmed that the reclassification of the Equity Reserve to Retained Earnings does not counter any principles in PFRS, and would allow for more understandable financial information for users. Accordingly, the Group reclassified Equity Reserve amounting to ₱1.3 billion to Retained Earnings.

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 ₱659.8 million into the pension fund in 2022.

22. Income Taxes

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.
- Effective January 1, 2022, regional operating headquarters (ROHQ) currently enjoying 10% preferential income tax rate shall be subject to RCIT.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
 - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
 - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
 - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.
- Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).
- Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED.
- For investments prior to effectivity of CREATE:
 - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
 - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 27.5% effective July 1, 2020. This will result in lower deferred tax assets/liabilities recognized as of 2020 year-end by ₱211.2 million comprised of ₱292.6 million in

profit or loss and 81.4 million reduction in other comprehensive income, respectively. These reductions were recognized in the 2021 financial statements.

23. 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

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Loss attributable to equity holders of common shares of the Parent Company	(P858,981)	P (2,438,553)
Weighted average number of common shares	7,520,984	7,520,984
Basic/diluted earnings per share	(P0.11)	(P0.32)

24. 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.

Approval requirements and limits on the amount and extent of related party transactions

Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (1)-month with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual MRPTs shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

25. 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.

26. 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.

27. Discontinued Operations and Disposal of Businesses

Sale of Oceania businesses

In July 2019, Intersnack, agreed to buy 40% of Oceania businesses of URC, to leverage on the Group's and Intersnack's know-how from their respective markets. This transaction is expected to yield better manufacturing, supply chain and sustainability practices and will set the groundwork for an even larger and more efficient Oceania operations. On December 23, 2019, the Australian

Foreign Investment Review Board (FIRB) approved the transaction. Following the approval, the transaction was completed on the same date. Considerations received for the transaction consisted of cash and Yarra Valley net assets amounting to US\$142.0 million (₱7.2 billion) and US\$10.1 million (₱0.5 billion), respectively. As part of the agreement, Intersnack was also given an option to acquire an additional 9% equity share in UHC.

As a result of the sale, the equity interest of URC changed from 100.0% to 60.0% and gave rise to 40% non-controlling interest in the consolidated financial statements. As the Group continued to exercise control over UHC, the partial disposal was accounted for as a transaction between owners in their capacity as owners, or an equity transaction, in accordance with the requirements of PFRS 3, *Business Combinations*. Accordingly, the excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱2.4 billion is presented under 'Equity reserve' in the consolidated statement of financial position.

On July 29, 2021, URC Oceania executed a share purchase agreement to sell its remaining 60% ownership interest in its Australia and New Zealand businesses (held under UHC) to Intersnack Group. The first tranche was the exercise of the call option from the 2019 transaction by Intersnack, which allowed it to acquire an additional 9% ownership interest (38,700 ordinary shares) in UHC at a pre-determined exercise price. This was immediately followed by the sale for cash of the remaining 51% ownership interest (219,300 ordinary shares) in UHC. The total cash received by URC Oceania from the 2021 disposal amounted to ₱24.0 billion.

The closing conditions were met, and the transaction was approved by the Australian Foreign Investment Review Board and New Zealand Overseas Investment Office on October 29, 2021. As a result of this transaction, the Group has relinquished control and ownership over UHC and its subsidiaries.

The derecognized assets and liabilities of UHC as of the date of deconsolidation amounted to ₱64.5 billion and ₱44.7 billion, respectively.

PFRS 5 requires income and expenses from disposal groups to be presented separately from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the consolidated statements of income. Accordingly, the consolidated statements of income for the period ended September 30, 2021 have been restated to present the results of operations of Unisnack as 'Net income after tax from discontinued operations'.

The results of operations of Unisnack in the consolidated statements of income for the nine months ended September 30, 2021 are presented below (in thousands PhP):

Sale of goods and services	₱10,652,033
Cost of sales	7,381,975
Gross profit	3,270,058
Operating expenses	2,324,336
Operating income	945,722
Net finance costs	(346,807)
Net foreign exchange gain	34,174
Other expense – net	(7,596)
Income before income tax	625,493
Provision for income tax	164,598
Net income	₱460,895

28. Subsequent events

Continuing COVID-19 Outbreak

Real Estate

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting have caused disruptions in business activities. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain. As this global problem evolves, the Group will continually adapt and adjust its business model according to the business environment in the areas where the Group operates, in full cooperation with the national and local government units.

Air transportation

IATF imposed new classification framework which focuses on the imposition of granular lockdown measures. Community quarantines were reduced to either ECQ or GCQ with the latter having an Alert Level System (Alert level 1 to 4) with each Alert Level limiting restrictions to identified risk activities. As of September 30, 2022, NCR has remained under Alert level 1 until July 15, 2022 and was extended until the end of July 2022. The development comes amid the recorded spike in COVID-19 cases nationwide. These measures have caused disruptions to the businesses and economic activities, and its impact on businesses continue to evolve.

Likewise, government authorities in other countries where the Group operates certain flights, continued to adopt measures, including lockdowns, to control the continuing spread of the virus and mitigate the impact of the outbreak.

The COVID-19 pandemic has continuously affected the operations of the Group as its scale and duration remain uncertain as at the report date. The Group, however, is encouraged by the strong demand for airline services specifically during the second quarter of 2022 and anticipates the same to continue as a result of the easing of COVID-19 restrictions in most parts of the country. The Group anticipates further recovery on the level of its domestic and international operations by third quarter of 2022. Considering the evolving nature of the pandemic, the Group will continue to monitor the situation.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATOR

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

Ratio	Formula	September 30, 2022	December 31, 2021
Liquidity:			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.84	1.03
Solvency:			
Debt-to-equity ratio/ Gearing ratio	$\frac{\text{Total financial debt}^*}{\text{Total equity}^{**}}$ <i>* short-term debt and long-term debt including current portion</i> <i>** equity holders + non-controlling interests</i>	0.74	0.68
Net debt-to-equity ratio	$\frac{\text{Total financial debt less total cash}^{***}}{\text{Total equity}^{**}}$ <i>*** including financial assets at FVTPL and FVOCI (excluding RBC cash, financial assets at FVTPL and FVOCI)</i>	0.52	0.48
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}^{**}}$	2.46	2.31

Ratio	Formula	Nine months ended September 30	
		2022	2021
Profitability:			
Operating income margin	$\frac{\text{Operating income (EBIT)}}{\text{Total revenues}}$	0.06	0.05
Leverage:			
Interest rate coverage ratio	$\frac{\text{Operating income plus depreciation and amortization (EBITDA)}}{\text{Financing costs and other charges}}$	4.55	4.47