COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 8 4 0 4 4

COMPANY NAME

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

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - Q		N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.jgsummit.com.ph	8633-7631	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
997	Last Thursday of May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Brian M. Go	Brian.Go@jgsummit.ph	8633-7631	–

CONTACT PERSON's ADDRESS

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

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

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

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, 2023**

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. (JG Summit / the Company / the Group), was incorporated in November 1990 as the holding company for a group of companies with substantial stakes 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, but primarily in and around Metro Manila (where it is based) and in the regions of Luzon, Visayas and Mindanao.

The Group also has a branded consumer foods business in all the major economies in the ASEAN, as well as the People's Republic of China (PRC), and a core investment in a property development company in Singapore.

Results of Operations

JG Summit sustains core profit improvement, hitting ₱15B in 9M2023

JG Summit Holdings, Inc. (JGS), one of the country's leading conglomerates, posted core net income after taxes of ₱14.9 billion for the nine months of 2023 (9M23), 128.1% increase from the ₱6.5 billion it earned during the same period last year (SPLY). The Group's core net income after taxes of ₱5.5 billion in the third quarter of 2023 (3Q23) also improved both quarter-on-quarter (QoQ) from ₱5.0 billion in 2Q23 and year-on-year (YoY) vs ₱5.1 billion in 3Q22.

The turnaround in JGS' air transport operations plus margin gains in its real estate and food businesses further boosted the stellar topline performance, outweighing the absence of the ₱3.2 billion gains from the sale of Meralco shares last year and a longer petrochemicals shutdown this year. Incorporating mark-to-market and foreign exchange gains, net profit for 9M23 also improved to ₱15.4 billion, a stark contrast from the ₱859 million loss the conglomerate saw in the same period last year (SPLY).

Consolidated revenues for the third quarter amounted to ₱87.9 billion, growing 8.4% vs 2Q23 and 23.8% YoY, with evident increases across all its strategic business units (SBUs). This was on the back of its airline achieving its strongest 3Q performance in history and its petrochemicals unit seeing doubled revenues coming from muted volumes in 3Q22. These brought 9M23 topline to ₱251.3 billion, rising 15.7% YoY, or a 22.9% increase if we excluded the sizable contributions from Chengdu in the first half of last year.

Consolidated cost of sales and services for the nine months of 2023 is at ₱174.1 billion, 4.5% up vs SPLY mainly due to higher fuel consumption of CEB and input costs of URC, partly offset by the decline in costs of RLC and SOC.

The Group's operating expenses increased by 9.7% to ₱41.6 billion from ₱37.9 billion driven by URC's higher freight costs and personnel-related expenses, as well as increase in CEB's repairs and maintenance, aircraft and traffic servicing, and other flight-related expenses relative to increase in flight operations.

As a result, Consolidated Operating Income or EBIT amounted to ₱35.7 billion for the nine months of 2023, 181.3% increase from ₱12.7 billion SPLY. Consolidated EBITDA amounted to ₱57.1 billion for the nine months of 2023, 67.7% increase from ₱34.0 billion SPLY.

The Group's financing costs and other charges, net of interest income, increased by 42.9% to ₱9.8 billion this year due to higher interest rates and higher level of interest-bearing liabilities.

Market valuation gains recognized from financial assets and derivative instruments for the nine months of 2023 amounted to ₱1.2 billion from ₱1.4 billion SPLY attributable to the lower valuation gains of CEB on its convertible bonds' embedded derivatives, interest rate and fuel derivatives, partly offset by the increase in market value of the Group's equity investments.

The Group recognized net foreign exchange (FX) gains of ₱244 million in 2023 from net FX losses of ₱8.2 billion SPLY mainly driven by slower depreciation of Philippine Peso compared to last year, and appreciation of Indonesian Rupiah and Myanmar Kyats during the period compared to depreciation in SPLY.

Other income amounted to ₱286 million for the nine months of 2023 from ₱4.5 billion SPLY primarily due to the ₱3.2 billion gain on the sale of MER shares, as well as the ₱1.0 billion lower gain on CEB's sale and lease back transactions on aircrafts YoY.

Provision for income tax increased by 99.2% to ₱2.7 billion for the nine months of 2023 from ₱1.3 billion SPLY mainly due to decline in deferred tax benefit of CEB.

The Group's net income after tax from continuing operations for the nine months of 2023 amounted to ₱24.9 billion, a significant improvement from ₱2.2 billion SPLY mainly driven by higher operating income, FX valuation gains, partly offset by higher financing costs and the absence of ₱3.2 billion gain from the Meralco share sale last year.

The Group's net income after tax from discontinued operations amounted to ₱1.2 billion for the nine months of 2023 which pertains to the result of operations of Robinsons Bank Corporation (RBC). In accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, the results of RBC operations were presented as discontinued operations, separately from continuing operations, in the consolidated statements of comprehensive income, in relation to its planned merger with Bank of Philippine Islands (BPI).

Net income attributable to equity holders of the parent amounted to ₱15.4 billion for the nine months of 2023, a turnaround from ₱859 million net loss for the nine months of 2022 as a result of the factors discussed above.

FOOD

Universal Robina Corporation (URC) generated a consolidated sale of goods and services of ₱117.6 billion for the nine months ended September 30, 2023, 9.0% higher than the same period last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's BCF group, including packaging division, increased by ₱2.1 billion or 2.6% to ₱82.0 billion for the nine months of 2023 from ₱79.9 billion registered in the same period last year. BCF domestic operations posted a 2.8% increase in net sales from ₱55.5 billion for the nine months of 2022 to ₱57.1 billion for the nine months of 2023 driven by growth in most categories on the back of multiple waves of price increases in 2022.

- BCF international operations reported a 2.2% increase in net sales from ₱24.4 billion for the nine months of 2022 to ₱24.9 billion for the nine months of 2023. In constant US dollar (US$) terms, sales increased by 0.6%. Vietnam, Malaysia, and Myanmar led the growth of international operations.

- Sale of goods and services in URC's AIC group amounted to ₱35.6 billion for the nine months of 2023, an increase of 27.3% from ₱28.0 billion recorded in the same period last year. The SURE business reported a 40.6% increase in net sales from ₱13.1 billion for the nine months of 2022 to ₱18.4 billion for the nine months of 2023 driven by higher selling prices. The agro-industrial group reported net sales of ₱12.6 billion for the nine months of 2023, an increase of 19.2% from ₱10.6 billion recorded in the same period last year driven by the feed business. The flour business posted a 6.9% sales growth from ₱4.3 billion for the nine months of 2022 to ₱4.6 billion for the nine months of 2023 driven by higher selling prices.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs, and direct labor costs. Cost of sales increased by ₱6.9 billion or 8.8% to ₱86.0 billion for the nine months of 2023 from ₱79.1 billion recorded in the same period last year as some input costs remained elevated.

URC's gross profit for the nine months of 2023 amounted to ₱31.6 billion, up by ₱2.8 billion or 9.8% from ₱28.8 billion reported in the same period last year. Gross profit margin increased by 19 basis points from 26.7% for the nine months of 2022 to 26.9% for the nine months of 2023 as higher selling prices more than offset the impact of higher material costs.

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 ₱992 million or 5.5% to ₱19.0 billion for the nine months of 2023 from ₱18.0 billion registered in the nine months of 2022 primarily driven by higher freight costs, personnel-related costs, contracted services, and rent.

As a result of the above factors, operating income increased by 17.0% or ₱1.8 billion to ₱12.6 billion for the nine months of 2023 from ₱10.8 billion reported for the nine months of 2022.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱17.4 billion for the nine months of 2023, 12.6% higher than the ₱15.5 billion posted for the nine months of 2022.

URC's finance costs consist mainly of interest expense from short-term debts and trust receipts. Finance costs increased by 120.1% to ₱1.1 billion for the nine months of 2023 from ₱514 million in the same period last year due to higher interest rates.

Net foreign exchange gains amounted to ₱1.0 billion for the nine months of 2023 from ₱1.4 billion for the nine months of 2022 mainly driven by slower depreciation of the Philippine Peso compared to last year, and appreciation of Indonesian Rupiah and Myanmar Kyats during the period compared to depreciation in the same period last year.

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 3.8% to ₱219 million for the nine months of 2023 from ₱211 million in the same period last year due to higher interest income from money market placements.

Impairment losses for the nine months of 2023 amounted to ₱205 million from ₱32 million, which relates to the book value of certain farm assets of AIG.

Market valuation gain on financial instruments at fair value through profit or loss amounted to ₱135 million for the nine months of 2023 from ₱65 million for the nine months of 2022 due to an increase in the market value of equity investments.

Equity in net losses of joint ventures amounted to ₱65 million for the nine months of 2023 from ₱326 million equity in net loss of joint ventures in the same period last year due to lower equity take up in net losses of Vitasoy-URC, Inc. (VURC) this year.

Other expense - net account consists of gain (loss) on the sale of fixed assets and investments, rental income, consultancy fees, and miscellaneous income and expenses. Other expense - net amounted to ₱122 million for the nine months of 2023 from ₱42 million other expense - net for the nine months of 2022 driven by the higher consultancy fees this year and lower rental income following the sale of investment property last year.

URC recognized provision for income tax of ₱2.1 billion for the nine months of 2023, a 21.3% increase from ₱1.8 billion for the nine months of 2022 mainly due to higher taxable income.

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 2023 amounted to ₱9.4 billion, an increase of 11.4% from ₱8.4 billion recorded in the same period last year.

URC's net income after tax for the nine months of 2023 amounted to ₱10.3 billion, higher by ₱568 million from ₱9.7 billion for the nine months of 2022 driven by higher operating income, offset by higher finance costs, lower foreign exchange gain and higher impairment losses.

Net income attributable to equity holders of the parent increased by ₱390 million or 4.2% to ₱9.7 billion for the nine months of 2023 from ₱9.3 billion for the nine months of 2022 as a result of the factors discussed above.

Net income attributable to non-controlling interest (NCI) increased from ₱373 million for the nine months of 2022 to ₱550 million for the nine months of 2023.

AIR TRANSPORTATION

Cebu Air, Inc. (CEB) recorded revenues amounting to ₱66.9 billion for the nine months ended September 30, 2023, 78.2% higher than the ₱37.5 billion revenues generated in the same period last year. The overall increase in revenues was primarily driven by significant increase in passenger volume due to the increased demand for travel, especially for international destinations. CEB continues to ramp-up its international network with an increase in international flights of 236.2% compared to the same period last year. The increase in revenues is accounted for as follows: (1) Passenger revenues went up by ₱23.7 billion or 105.2% to ₱46.1 billion for the nine months ended September 30, 2023, from ₱22.5 billion earned in the same period last year. mainly attributable to the 48.8% increase in passenger volume from 10.4 million to 15.5 million. This was brought about by a 10.0 ppts increase in seat load factor from 74.4% to 84.4%, together with a 444% increase in international passengers to 3.5 million from 0.6 million same period last year. Together with increased travel demand particularly in the third quarter, driven by the shift in the school calendar, average fares increased by 37.9% to ₱2,970 from ₱2,154 for the same period last year, as more passengers fly longer international routes; (2) Cargo revenues decreased by ₱2.6 billion or 47.1% to ₱3.0 billion for the nine months ended September 30, 2023, from ₱5.6 billion for the nine months ended September 30, 2022, primarily driven by lower cargo kilograms flown and lower yield from cargo services; and (3) Ancillary revenues increased by ₱8.4 billion or 88.5% to ₱17.8 billion for the nine months ended September 30, 2023 from ₱9.4 billion generated in the same period last year largely due to higher passenger volume and flight activity during the period, particularly for international routes.

CEB incurred operating expenses of ₱60.7 billion for the nine months ended September 30, 2023, higher by 24.7% compared to the ₱48.7 billion operating expenses recorded for the nine months ended September 30, 2022. The weakening of the Philippine peso against the U.S. Dollar as referenced by the depreciation of the Philippine peso to an average of P55.49 per U.S. Dollar for the nine months ended September 30, 2023, from an average of ₱53.55 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 generated an operating income of ₱6.2 billion for the nine months ended September 30, 2023, a reversal from the ₱11.2 billion operating loss incurred for the same period last year.

Interest income increased by ₱522 million or 358.9% to ₱668 million for the nine months ended September 30, 2023 from ₱146 million earned in the same period last year due to significantly higher average interest rates for cash in bank and short-term placements.

CEB's gain on disposal amounting to ₱401.3 million pertains mainly to ₱400.8 million to the sale-and-leaseback transactions in June and July 2023. In 2022, gain on disposal amounting to ₱1.5 billion pertains mainly to ₱1.5 billion gain on sale and leaseback transactions.

CEB's market valuation gains amounting to ₱880 million for the nine months ended September 30, 2023, originated from the market valuation gains recognized for CEB's embedded derivative arising from its convertible bonds and fuel derivatives. In the same period last year, CEB recognized a gain of ₱1.7 billion mainly from the market valuation gains from CEB's embedded derivative from its convertible bonds and interest rate derivatives.

CEB's net foreign exchange losses of ₱559 million was due to the depreciation of the Philippine Peso against the US Dollar which closed at ₱56.58 as at September 30, 2023 from ₱55.76 as at December 31, 2022, offset by the slight appreciation of the Philippine Peso against the Japanese Yen which closed at ₱0.38 as at September 30, 2023 from ₱0.42 per Japanese Yen as at December 31, 2022. 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's major exposure to foreign exchange rate fluctuations is with 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 income of joint ventures and associates of ₱36 million for the nine months ended September 30, 2023, a reversal from the ₱107 million equity in net loss of joint venture and associates incurred in the same period last year. The increase was due to the recorded share in net income as the CEB's joint ventures and associates reported a net profit during the current period.

Interest expense increased by ₱976 million or 39.9% to ₱3.4 billion for the nine months ended September 30, 2023, from ₱2.4 billion for the same period last year due to the additional aircraft deliveries during the period. The increase is coupled with the increase in bank interest rates for debts and the effect of the depreciation of the Philippine Peso against the U.S. Dollar.

As a result of the foregoing, CEB recorded income before income tax of ₱4.2 billion for the nine months ended September 30, 2023, a reversal from the ₱14.2 billion loss before income tax posted for the nine months ended September 30, 2022.

Net income for the nine months ended September 30, 2023, amounted to ₱5.0 billion, a reversal from the ₱12.0 billion net loss sustained for the nine months ended September 30, 2022.

REAL ESTATE AND HOTELS

Robinsons Land Corporation (RLC) demonstrated strong revenue growth across all business units, and a record-high consolidated EBIT and EBITDA margins. For the nine months ended September 30, 2023, net income attributable to equity holders of parent grew 31% to ₱8.8 billion versus the same period last year. This was achieved despite a high base due to the recognition of profits from our China project in 2022. Excluding the effect of the China profit from last year, the net income attributable to parent for the nine months ended September 30, 2023 would have soared to an astounding 64% year-on-year increase.

Consolidated revenues registered at ₱28.3 billion, while EBITDA and EBIT reached ₱16.7 billion and ₱12.7 billion to soar by 17.2% and 23.4%, respectively. The combination of increased revenues and improved operational efficiency led to register impressive operating margins to record highs of 55% (EBITDA) and 42% (EBIT).

Robinsons Malls' demonstrated remarkable growth, with total revenues surging by 27% vs same period last year to ₱11.8 billion, contributing 39% to RLC's consolidated revenues. The rental revenues experienced an impressive 32% increase, propelled by strong consumer spending and the normalization of business operations nationwide. EBITDA increased by 48% year-on-year to ₱7.0 billion, while EBIT soared by 119% year-on-year to ₱4.4 billion, the highest in RLC's history so far.

Total mall leasable space currently stands at 1.6 million square meters, accommodating over 8,000 retailers.

Robinsons Offices demonstrated stable topline results with a 5% growth in revenues to ₱5.5 billion for the nine months ended September 30, 2023, accounting for 18% of consolidated revenues. EBITDA and EBIT stood at ₱4.7 billion and ₱3.9 billion, respectively. RLC's office portfolio comprises 31 office buildings with a gross leasable space of 741,000 square meters, strategically located in major central business districts, key cities, and urban areas. Notably, sixteen of these office assets had been infused into RLC's flagship real estate investment trust, RL Commercial REIT, Inc. (RCR).

The tourism and hospitality sector also made substantial contributions to RLC's performance. **Robinsons Hotels and Resorts (RHR)** experienced a revenue surge of 134% and registered a record-breaking revenue of ₱3.2 billion for the nine months ended September 30,2023, accounting for 11% of consolidated revenues. Likewise, the revenues for third quarter 2023 alone registered a record of ₱1.2 billion, surpassing the previous record achieved in 2Q2023. Revenues for the 3rd quarter increased 11% on a quarter-on-quarter basis led by Fili Hotel and Westin Manila. Higher average room rates, increased food and beverage sales, and the revival of Meetings, Incentives, Conferences, and Exhibitions (MICE) events positioned RLC's hospitality business on a trajectory for solid financial performance. For the nine months ended September 30, 2023, EBITDA and EBIT experienced impressive growth rates of 286% and 279%, respectively, reaching ₱788 million and ₱300 million.

Accounting for 28% of consolidated revenues, the **RLC Residences and Robinsons Homes** generated combined realized revenues of ₱8.4 billion, which grew by 34% versus the same period last year due. This is supported by higher collections, faster construction progress, and strong equity earnings contribution from joint venture projects. EBITDA surged by 40% to ₱3,335 million, while EBIT jumped by 41% to ₱3,265 million versus the same period last year.

Robinsons Logistics and Industrial Facilities (RLX) posted revenues of ₱477 million in the first nine months of 2023, a healthy growth of 17% versus the same period last year. EBITDA increased by 29%, while EBIT accelerated by 34% to ₱445 million and ₱335 million, respectively. RLX owns eight industrial facilities strategically located in Sucat, Muntinlupa, Sierra Valley in Cainta, San Fernando, Mexico in Pampanga, and Calamba, Laguna.

The **Integrated Developments Division** recorded ₱714 million in revenues from a portion of deferred gain on the sale of land to joint venture entities. EBITDA and EBIT settled at ₱397 million and ₱394 million, respectively.

PETROCHEMICALS

JG Summit Olefins Corporation (JGSOC) sold 493K MT for the nine months ended September 30,2023, which is 13% higher than the volumes sold for the same period last year. However, revenues for the period remained largely flat YoY at ₱25.5 billion for 9M23 as increased volumes, especially in 3Q after its cracking operations resumed in June, cushioned the impact of lower petrochemical selling prices vs last year. Gross margins improved to 4.3% or ₱1.1 billion this year, showing a 381% increase from last year's 0.9% GP margin, due to the lower input costs. EBITDA loss is at ₱2.6 billion for the period which is 19% better YoY, from the improvements in the gross profit offset by losses from unplanned shutdowns this year. This was offset by the higher depreciation and interest expense resulting in a net loss for the period of ₱8.8 billion, which is ₱0.2 billion lower than last year's net loss.

JGSOC is focused on increasing its sales volumes, improving pricing strategies, and managing its costs. The operations restarted in phases, beginning with the Polyethylene (PE)1 plant in April followed by the PE2 plant in May. The Polypropylene (PP), Naphtha Cracker, Aromatics, and Butadiene extraction units restarted last June, and the PE3 plant in August. JGSOC's LPG trading arm also continues to grow registering a 26% increase in sales volume YoY.

BANKING

Robinsons Bank Corporation (RBC) banking revenues expanded by 25% YoY to ₱9.6 billion for the nine months ended September 30, 2023 from ₱7.7 billion in the same period last year on the back of better yields across loans and treasury assets, coupled with a double-digit growth in the bank's fee income. Although total loans remained flat at ₱105.4 billion, RBC's portfolio shifted towards higher-yielding consumer loans that were up 11% YoY to ₱52.1 billion.

However, the faster rise deposit rates put downward pressure on net interest margins (NIMs), leading its net income to slip 35% YoY to ₱0.8 billion for the nine months ended September 30, 2023. Meanwhile, on the proposed merger with the Bank of the Philippine Islands, clearance was secured from the Philippine Competition Commission, and the signed decision was received September 13. The parties target to complete the regulatory approvals from BSP and the SEC by the end of the year to finalize the merger.

In accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, the results of RBC operations were presented as discontinued operations, separately from continuing operations, in the consolidated statements of comprehensive income, in relation to its planned merger with BPI.

CORE INVESTMENTS

Equity in net earnings of associated companies and joint ventures amounted to ₱9.6 billion for the nine months ended September 30, 2023, a 28.8% increase from ₱7.5 billion SPLY mainly from the combined results of the following core associates of the Group:

- Our Group's equity in net earnings of **Meralco** amounted to ₱7.3 billion, a 32.3% increase from ₱5.5 billion last year mainly from higher energy volumes distributed, robust power generation business, GBP turnaround, and completion of distribution and asset true-up refunds.

- On the other hand, for **Singapore Land Group (SLG),** only its 1H2023 performance is included in JGS' 9M2023 consolidated results given its semi-annual disclosure to Singapore Exchange. Our equity in net earnings in SLG amounted to ₱1.2 billion which dropped 17.8% compared to ₱1.4 billion SPLY. SLG recorded net income from operations* of SG$88 million for the first half of 2023 versus SG$114 million SPLY as a result of lower income from its residential projects (Avenue South Residence, The Tre Ver, and Park Eleven) which were substantially sold by 2022, along with the redevelopment of the Clifford Centre and asset enhancement works at Singapore Land Tower. This was cushioned, however, by SLG's improving hotel operations.

  ** Since the Group's policy for the valuation of investment property is the cost basis method, the equity income taken up by the Group in SLG represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets.*

Meanwhile, **PLDT** declared a regular dividend of ₱94 per share, ₱5 higher than last year, and an additional special dividend of ₱14 per share, ₱14 lower than last year. This led to a total dividend income of ₱2.6 billion from PLDT, a decline of 8% YoY.

FINANCIAL CONDITION

September 30, 2023 vs December 31, 2022

The Group's balance sheet remains robust to support continuous growth across the Group. As of September 30, 2023, consolidated assets amounted to ₱1.078 trillion from ₱1.073 trillion as of December 31, 2022. Current ratio stood at 1.11. The Group's indebtedness remained manageable with a gearing ratio of 0.70 and net debt to equity of 0.57 as of September 30, 2023.

Cash and cash equivalents decreased to ₱55.2 billion as of September 30, 2023 from ₱85.7 billion as of December 31, 2022 (including Robinson Bank's). 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 ended September 30, 2023 amounted to ₱42.3 billion. Net cash used in investing activities amounted to ₱20.0 billion, which were substantially used for the Group's capital expenditures. Net cash used in financing activities amounted to ₱52.8 billion mainly from settlement of long-term debt, payment of lease liabilities, subsidiaries' purchase of treasury shares and payment of dividends.

The Group's capital expenditures totaling ₱41.8 billion for nine months ended September 30, 2023 which include URC's capacity expansion, RLC's investment and development of malls, offices, hotels, residential properties and warehouse facilities, CEB's additional aircraft acquisition, purchase of buyer furnished equipment, rotables, assemblies and capitalized overhaul expenses; JGSOC's tail-end of expansion projects and RBC's digitalization and business development initiatives.

As of September 30, 2023, 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.

As of September 30, 2023, 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.

Material Changes in the 2023 Financial Statements
(Increase/Decrease of 5% or more versus 2022)

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, 2023 versus December 31, 2022

43.3% decrease in Cash and Cash Equivalents
Mainly due to the Group's capital expenditures, net settlement of debts, subsidiaries' purchase of treasury shares and payment of dividends.

9.7% decrease in Financial assets at FVOCI (including noncurrent portion)
Mainly due to the decline in the market value of PLDT investments.

7.4% decrease in Biological Assets (including noncurrent portion)
Due to hogs downsizing and closure of one poultry farm.

11.8% increase in Other Current Assets
Mainly due to increase in advances to suppliers related to purchase of inventories and fixed assets, and higher prepayments and input taxes.

39.7% increase in Right-of-use Asset
Due to delivery of 10 aircrafts: (1) A330 NEO, four (4) A320 CEO, and five (5) A320 NEO offset by depreciation during the period.

14.4% increase in Other Noncurrent Assets
Due to increase in deferred tax asset and refundable deposits to various counterparties during the period.

6.3% increase in Accounts Payable and Accrued Expenses
Due to additional trade payables and accruals during the period.

32.8% decrease in Short-term Debt
Due to the settlement of loans and trust receipts during the period.

16.3% decrease in Income Tax Payable
Due to payment made during the period, net of tax provisions.

12.6% increase in Other Current Liabilities
Due to CEB's higher unearned transportation revenue from increased forward bookings as of September 30, 2023 compared to December 31, 2022 in line with the increased airline services demand during the period, and RLC's higher deposit from lessees and real estate buyers.

36.7% increase in Lease Liabilities (including current portion)
Relative to the increase in ROU assets due to delivery of 10 aircrafts: (1) A330 NEO, four (4) A320 CEO, and five (5) A320 NEO offset by lease payments made during the period

10.3% decrease in Other Noncurrent Liabilities
Due to lower provision for asset restoration obligation coupled with significant applications during the period

Stockholders' equity, excluding minority interest, stood at ₱329.4 billion as of September 30, 2023 from ₱319.9 billion last year.

Book value per share amounted to ₱43.79 as of September 30, 2023 from ₱42.54 as of December 31, 2022.

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, 2023 and December 31, 2022 and for the nine months ended September 30, 2023 and 2022:

Key Financial Indicators	**2023**	**2022**
Revenues	₱251,337 million	₱217,183 million
EBIT	₱35,709 million	₱12,696 million
EBITDA	₱57,054 million	₱34,015 million
Core net income after taxes	₱14,924 million	₱6,543 million
Core net income after taxes from continuing operations	₱14,335 million	₱5,775 million
Net income (loss) attributable to equity holders of the Parent Company	₱15,375 million	(₱859 million)
Liquidity Ratio:		
Current ratio	1.11	0.98
Solvency ratios:		
Gearing ratio	0.70	0.77
Net debt to equity ratio	0.57	0.56
Asset-to-equity ratio	2.47	2.51
Interest rate coverage ratio	5.04	4.31
Profitability ratio:		
Operating margin	0.14	0.06
Book value per share	₱43.79	₱42.54

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 ₱228.1 billion while current liabilities reached ₱204.9 billion, for a current ratio of 1.11:1. Total financial debt amounted to ₱304.4 billion in 2023, lower than last year's ₱329.6 billion. The Company's indebtedness remains manageable with a gearing ratio of 0.70:1, well within the financial covenant of 2.0:1. Net debt stood at ₱247.8 billion, bringing our net debt to equity ratio to 0.57:1.

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.

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.

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:

11/14/2023

JAMES L. GO
Chairman of the Board

11/14/2023

LANCE Y. GOKONGWEI
President and
Chief Executive Officer

11/14/2023

BRIAN M. GO
Chief Financial and Risk Officer

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023
(With Comparative Audited Figures as of December 31, 2022)
(In Thousands)

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱44,856,652**	₱79,071,733
Financial assets at fair value through profit or loss (Note 9)	**7,535,462**	7,245,929
Financial assets at fair value through other comprehensive income (Note 10)	**8,326,060**	9,249,940
Receivables (Note 11)	**44,324,885**	41,427,326
Inventories (Note 12)	**92,659,387**	92,052,100
Assets held for sale (Note 27)	**164,472,776**	166,382,403
Biological assets	**167,304**	205,303
Other current assets (Note 13)	**30,191,973**	27,005,302
Total Current Assets	**392,534,499**	422,640,036
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Note 10)	**31,483,806**	34,822,127
Receivables (Note 11)	**6,565,081**	6,594,190
Investments in associates and joint ventures (Note 14)	**147,837,274**	143,294,924
Property, plant and equipment	**266,005,751**	256,035,706
Investment properties	**127,561,496**	123,082,821
Right-of-use assets	**62,641,187**	44,825,772
Goodwill	**19,192,110**	20,084,733
Intangible assets	**6,098,338**	5,889,940
Biological assets	**213,371**	205,740
Other noncurrent assets (Note 15)	**17,992,435**	15,725,802
Total Noncurrent Assets	**685,590,849**	650,561,755
	₱1,078,125,348	₱1,073,201,791

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 16)	**₱74,673,669**	₱70,279,442
Short-term debts (Note 18)	**61,797,353**	91,917,480
Current portion of:		
Long-term debts (Note 18)	**36,155,608**	70,460,433
Lease liabilities	**7,945,845**	6,281,322
Income tax payable	**521,807**	623,359
Liabilities directly associated with assets held for sale (Note 27)	**144,648,383**	146,616,161
Other current liabilities (Note 17)	**23,831,545**	21,170,097
Total Current Liabilities	**349,574,210**	407,348,294

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debts (Note 18)	**₱192,791,501**	₱153,779,908
Lease liabilities	**61,678,732**	44,642,213
Bonds payable (Note 18)	**13,702,833**	13,423,323
Deferred tax liabilities	**5,228,933**	5,252,972
Other noncurrent liabilities (Note 19)	**19,187,430**	21,390,398
Total Noncurrent Liabilities	**292,589,429**	238,488,814
Total Liabilities	**642,163,639**	645,837,108
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 20)	**52,738,325**	52,749,051
Retained earnings (Note 20)	**256,166,453**	243,815,587
Equity reserve (Note 20)	**40,791,058**	39,128,891
Reserves of disposal group held for sale (Note 27)	**(368,151)**	(373,833)
Other comprehensive loss	**(19,969,064)**	(15,387,707)
	329,358,621	319,931,989
Non-controlling interests	**106,603,088**	107,432,694
Total Equity	**435,961,709**	427,364,683
	₱1,078,125,348	₱1,073,201,791

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(In Thousands Except Per Share Amounts)

	Quarters Ended		**Nine Months Ended**	
	2023	2022 (As Restated- Note 27)	**2023**	2022 (As Restated- Note 27)
REVENUE				
Sale of goods and services:				
Foods	**₱38,991,414**	₱36,765,057	**₱117,620,740**	₱107,873,146
Air transportation	**23,344,788**	16,851,787	**66,896,141**	37,533,367
Real estate and hotels	**9,839,786**	7,816,136	**28,257,813**	34,435,036
Petrochemicals	**11,239,182**	5,453,537	**25,455,268**	26,187,067
Equity in net earnings of associates and joint ventures	**3,015,230**	2,037,798	**9,632,673**	7,476,483
Dividend income	**1,276,348**	1,880,947	**2,801,471**	3,002,426
Supplementary businesses	**236,081**	239,730	**672,957**	675,291
	87,942,829	71,044,992	**251,337,063**	217,182,816
COST OF SALES AND SERVICES	**60,649,456**	53,441,590	**174,050,012**	166,580,378
GROSS INCOME	**27,293,373**	17,603,402	**77,287,051**	50,602,438
OTHER OPERATING EXPENSES				
General and administrative expenses	**14,453,047**	13,244,389	**41,243,538**	37,894,998
Impairment losses and others	**95,724**	(8,452)	**334,605**	11,665
	14,548,771	13,235,937	**41,578,143**	37,906,663
OPERATING INCOME	**12,744,602**	4,367,465	**35,708,908**	12,695,775
OTHER INCOME (LOSSES)				
Financing costs and other charges:				
Financing and others	**(3,355,592)**	(2,545,410)	**(9,700,006)**	(6,966,140)
PFRS 16 Leases	**(664,119)**	(390,567)	**(1,618,806)**	(925,648)
Market valuation gains on derivative financial instruments	**421,446**	1,531,538	**880,160**	1,690,714
Foreign exchange gains (losses)	**(1,182,259)**	(4,013,863)	**243,576**	(8,156,984)
Finance income	**522,374**	265,490	**1,500,711**	1,021,266
Market valuation gains (losses) on financial assets at fair value through profit or loss	**8,475**	(214,632)	**315,860**	(311,131)
Others	**211,361**	4,669,033	**286,309**	4,508,271
INCOME (LOSS) BEFORE INCOME TAX	**8,706,288**	3,669,054	**27,616,712**	3,556,123
PROVISION FOR INCOME TAX	**780,706**	258,757	**2,667,954**	1,339,384
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**7,925,582**	3,410,297	**24,948,758**	2,216,739
NET INCOME FROM DISCONTINUED OPERATIONS	**474,590**	398,312	**1,234,968**	1,402,510
	₱8,400,172	₱3,808,609	**₱26,183,726**	(₱3,619,249)

	Quarters Ended		Nine Months Ended	
	2023	2022 (As Restated-Note 27)	**2023**	2022 (As Restated-Note 27)
NET INCOME (LOSS) ATTRIBUTABLE TO				
Equity holders of the Parent Company	**₱4,998,883**	₱1,890,270	**₱15,375,259**	(₱858,981)
Non-controlling interests	**3,401,289**	1,918,339	**10,808,467**	4,478,230
	₱8,400,172	₱3,808,609	**₱26,183,726**	₱3,619,249
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Item that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustments	**(90,018)**	705,601	**(1,607,461)**	1,658,904
Net losses on financial assets at FVOCI (debt securities)	**(587,327)**	(931,980)	**(511,106)**	(2,087,276)
Net gains (losses) from cash flow hedges	**76,938**	364,167	**(97,601)**	600,858
	(600,407)	137,788	**(2,216,168)**	172,486
Item that will not be reclassified subsequently to profit or loss:				
Net losses on financial assets at FVOCI (equity securities)	**(3,321,111)**	(3,394,905)	**(3,326,753)**	(6,752,413)
Remeasurement gains (losses) due to defined benefit liability, net of tax	**(713)**	313,163	**151,081**	265,687
Share in remeasurements of the net defined benefit liability of associates	**12,701**	(295,038)	**43,881**	(283,033)
Share in net unrealized losses on FA at FVOCI of associates (equity securities)	**3,362**	(107,734)	**(14,544)**	(170,468)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(3,906,168)**	(3,346,726)	**(5,362,503)**	(6,767,741)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱4,494,004**	₱461,883	**₱20,821,223**	(₱3,148,492)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO				
Equity holders of the Parent Company	**₱1,160,449**	(₱1,790,580)	**₱10,799,584**	(₱8,673,575)
Non-controlling interests	**3,333,555**	2,252,463	**10,021,639**	5,525,083
	₱4,494,004	₱461,883	**₱20,821,223**	(₱3,148,492)
Earnings Per Share Attributable to Equity Holders of the Parent Company				
Basic/diluted earnings (loss) per share (Note 23)	**₱0.66**	₱0.25	**₱2.04**	(₱0.11)

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(With Comparative Unaudited Figures for the Nine Months Ended September 30, 2022)
(In Thousands)

	For the Nine Months Ended September 30, 2023 and 2022																
	Attributable to Equity Holders of the Parent Company																
	Paid-up Capital (Note 20)			Retained Earnings				Other Comprehensive Income									
	Capital Stock	Additional Paid-in Capital	Total Paid-up Capital	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Retained Earnings	Equity Reserve (Note 20)	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)	Reserves of Disposal Group Held for Sale (Note 27)	Total	Non-Controlling Interests	Total Equity
Balance at January 1, 2023	**₱7,562,984**	**₱45,186,067**	**₱52,749,051**	**₱125,531,258**	**₱118,284,329**	**₱243,815,587**	**₱39,128,891**	**₱868,620**	**(₱17,985,729)**	**₱369,272**	**₱1,360,130**	**(₱15,387,707)**	**(₱373,833)**	**₱319,931,989**	**₱107,432,694**	**₱427,364,683**
Total comprehensive income	**–**	**–**	**–**	**15,375,259**	**–**	**15,375,259**	**–**	**(837,825)**	**(3,830,659)**	**(65,055)**	**157,864**	**(4,575,675)**	**–**	**10,799,584**	**10,021,639**	**20,821,223**
Reclassification to reserves of disposal group held for sale	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,114**	**(10,860)**	**–**	**(1,936)**	**(5,682)**	**5,682**	**–**	**–**	**–**
Cash dividends	**–**	**–**	**–**	**(3,024,393)**	**–**	**(3,024,393)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,024,393)**	**(6,164,062)**	**(9,188,455)**
Change in non-controlling interest without loss of control	**–**	**–**	**–**	**–**	**–**	**–**	**210,262**	**–**	**–**	**–**	**–**	**–**	**–**	**210,262**	**(114,840)**	**95,422**
Increase in subsidiaries' treasury shares	**–**	**(5,223)**	**(5,223)**	**–**	**–**	**–**	**1,451,905**	**–**	**–**	**–**	**–**	**–**	**–**	**1,446,682**	**(4,560,409)**	**(3,113,727)**
Subsidiary's share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,934)**	**(11,934)**
Stock issue costs of subsidiaries	**–**	**(5,503)**	**(5,503)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,503)**		**(5,503)**
Balance at September 30, 2023	**₱7,562,984**	**₱45,175,341**	**₱52,738,325**	**₱137,882,124**	**₱118,284,329**	**₱256,166,453**	**₱40,791,058**	**₱37,909**	**(₱21,827,248)**	**₱304,217**	**₱1,516,058**	**(₱19,969,064)**	**(₱368,151)**	**₱329,358,621**	**₱106,603,088**	**₱435,961,709**
Balance at January 1, 2022	₱7,562,983	₱45,212,570	₱52,775,553	₱127,906,371	₱118,284,329	₱246,190,700	₱40,341,546	(₱47,180)	(₱4,039,360)	₱–	₱87,632	(₱3,998,908)	₱–	₱335,308,891	₱108,322,091	₱443,630,982
Total comprehensive loss	–	–	–	(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)	(5,691,247)	(8,715,640)
Issuance of shares by subsidiaries	–	–	–	–	–	–	134,230	–	–	–	–	–	–	134,230	(102,347)	31,883
Acquisition of business under common control by a subsidiary	–	–	–	–	–	–	7,313	–	–	–	–	–	–	7,313	5,908	13,221
Stock issue costs of subsidiaries	–	(15,530)	(15,530)	(650)	–	(650)	–	–	–	–	–	–	–	(16,180)	(400)	(16,580)
Increase in subsidiaries' treasury shares	–	(2,755)	(2,755)	–	–	–	(433,388)	–	–	–	–	–	–	(436,143)	(3,841,183)	(4,277,326)
Acquisition of non-controlling interest by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	43,500	43,500
Subsidiary's share-based payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	21,754	21,754
Balance at September 30, 2022	₱7,562,983	₱45,194,285	₱52,757,268	₱124,022,347	₱118,284,329	₱242,306,676	₱40,049,701	₱901,003	(₱13,198,889)	₱397,227	₱87,157	(₱11,813,502)	₱–	₱323,300,143	₱104,283,159	₱427,583,302

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF SEPTEMBER 30, 2023
(With Comparative Unaudited Figures as of September 30, 2022)
(In Thousands)

	Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	**₱27,616,712**	₱3,556,123
Income before income tax from discontinuing operations (Note 27)	**1,469,174**	1,700,588
Income before income tax	**29,085,886**	5,256,711
Adjustments for:		
Depreciation and amortization	**21,550,856**	21,673,766
Interest expense	**9,339,414**	6,737,933
Equity in net earnings of associates and joint ventures	**(9,632,673)**	(7,381,348)
Provision for asset retirement obligation (ARO) and heavy maintenance visits (HMV) (Note 19)	**3,665,319**	5,443,103
Dividend income	**(2,808,158)**	(3,009,114)
Interest income	**(1,500,711)**	(1,021,266)
Market valuation gains on derivative financial instruments - net	**(880,160)**	(1,690,714)
Provision for impairment losses	**812,538**	634,417
Redeemed and expired portion of travel fund payable	**(709,870)**	(635,836)
Foreign exchange losses (gains)	**(496,975)**	8,034,402
Gain on sale and retirement of property, plant and equipment	**(429,235)**	(1,597,441)
Market valuation losses (gains) on financial assets fair value through profit or loss	**(315,860)**	311,131
Gains arising from changes in fair value less estimated costs to sell of swine stocks	**(2,098)**	(21,239)
Gain on extinguishment of debt	**(7,627)**	(10,924)
Gain on disposal of investment in an associate	**–**	(3,222,220)
Operating income before changes in working capital accounts	**47,670,646**	29,501,361
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Financial assets at fair value through profit or loss	**(13,248)**	(1,345,431)
Receivables	**(50,762)**	(4,147,884)
Inventories	**(607,289)**	(10,708,596)
Biological assets	**(67,104)**	(242,245)
Other current assets	**(3,447,661)**	(2,272,161)
Increase (decrease) in the amounts of:		
Accounts payable and accrued expenses	**7,511,712**	1,414,160
Unearned revenue	**2,659,661**	5,762,128
Other current liabilities	**799,007**	(7,479,445)
Net cash generated from operations	**54,454,962**	10,481,887
Interest paid	**(9,710,909)**	(7,255,769)
Income taxes paid	**(4,098,462)**	(3,068,725)
Interest received	**1,692,012**	1,003,956
Net cash provided by operating activities	**42,337,603**	1,161,349

(Forward)

	Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	**(₱33,931,336)**	(₱23,903,360)
Investment properties	**(7,838,691)**	(7,120,077)
Investment in associates and joint ventures	**(635,634)**	(1,105,784)
Intangible assets	**(172,149)**	(59,851)
Subsidiaries,net of cash acquired	**–**	(486,015)
Refund of pre-delivery payments	**6,119,936**	4,195,723
Net decrease (increase) in the amounts of:		
Financial assets at FVOCI	**492,666**	8,774,302
Investment securities at amortized cost	**(380,117)**	(13,255,671)
Other noncurrent assets (Note 15)	**(1,311,903)**	(8,208)
Proceeds from:		
Sale of property, plant and equipment	**8,295,922**	8,129,616
Sale of investment in an associate	**–**	12,163,281
Sale of assets held for sale	**–**	1,897,650
Subscription from non-controlling interest	**–**	43,500
Dividends received on investment in associates and joint ventures	**6,596,951**	5,841,972
Dividends received	**2,808,158**	3,015,132
Net cash used in investing activities	**(19,956,197)**	(1,877,790)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Short-term debts	**(30,049,329)**	13,544,460
Long-term debts	**5,230,744**	274,245
Lease liabilities	**(7,435,944)**	(6,000,956)
Increase (decrease) in the amounts of other noncurrent liabilities (Note 19)	**(8,291,598)**	5,385,542
Dividends paid on:		
Common shares	**(3,008,393)**	(3,008,393)
Preferred shares	**(16,000)**	(16,000)
Dividends paid to non-controlling interests	**(6,164,062)**	(5,691,247)
Subsidiaries' purchase of treasury shares	**(3,113,726)**	(4,277,326)
Net cash provided by (used in) financing activities	**(52,848,308)**	210,325
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(30,466,902)**	(506,116)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**85,709,747**	82,890,122
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱55,242,845**	₱82,384,006

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

JG Summit Holdings, Inc. ("JGSHI" or "the Parent Company"), was incorporated in the Philippines on November 23, 1990. The Parent Company was listed on the Philippine Stock Exchange in 1993. The registered office address of the Parent Company is at 43rd Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City, Metro Manila.

JGSHI is the ultimate parent of the JG Summit Group (the Group) and is a holding company with substantial business interests in branded consumer foods, agro-industrial and commodity food products, real estate and hotel, air transportation, banking and financial services, and petrochemicals. The Group also has core investments in telecommunications and power generation and 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 all the major economies in the ASEAN, as well as the People's Republic of China (PRC), and a core investment in a property development company in Singapore.

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

2. Summary of Significant AccountingPolicies

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	US Dollar
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 a Subsidiary		
JG Digital Capital Pte. Ltd.	Singapore	Singapore Dollar

(Forward)

Subsidiaries	Country of Incorporation	Functional Currency
URC Group		
URC Asean Brands Co. Ltd. (UABCL)	British Virgin Islands	US Dollar
Hong Kong China Foods Co. Ltd. (HCFCL)	- do -	- do -
URC International Co. Ltd. (URCICL)	- do -	- do -
Shanghai Peggy Foods Co., Ltd.(Shanghai Peggy)	China	Chinese Renminbi
URC China Commercial Co. Ltd. (URCCCL)	- do -	- do -
Xiamen Tongan Pacific Food Co., Ltd.	- do -	- do -
Guangzhou Peggy Foods Co., Ltd.	- do -	- do -
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	- do -
Jiangsu Acesfood Industrial Co., Ltd.	- do -	- do -
Shantou Peggy Co. Ltd.	- do -	- do -
URC Hong Kong Company Limited	Hong Kong	Hong Kong Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Snack Foods (Malaysia) Sdn. Bhd. (URC Malaysia)	Malaysia	Malaysian Ringgit
Ricellent Sdn. Bhd.	- do -	- do -
Crunchy Foods Sdn. Bhd (Malaysia)	- do -	- do -
Munchy Food Industries Sdn. Bhd	- do -	- do -
Munchworld Marketing Sdn Bhd	- do -	- do -
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Advanson International Pte. Ltd. (Advanson)	- do -	- do -
Pan Pacific Investments Co. Ltd. (PPICL)	- do -	- do -
URC Equity Ventures Pte. Ltd.	- do -	US Dollar
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	- do -	- do -
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyat
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	- do -	- do -
URC Central Co. Ltd.	- do -	- do -
RLC Group		
Robinsons (Cayman) Limited	Cayman Islands	US Dollar
RLC Resources Ltd	British Virgin Islands	-do-
Land Century Holdings, Ltd.	China	Hong Kong Dollar
World Century Enterprise Ltd.	-do-	-do-
First Capital Development, Ltd.	-do-	-do-
Chengdu Xin Yao Real Estate Development, Co. Ltd	-do-	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, 2022.

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 2023	2022
Food				
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	**55.91**	55.90
CFC Corporation	-do-	-do-	**55.91**	55.90
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	**55.91**	55.90
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**28.51****	28.51**
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	**55.91**	55.90
URC Beverage Ventures Inc. (formerly, Hunt-URC (HURC))	-do-	-do-	**55.91**	55.90
URC Philippines, Limited (URCPL)	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	**59.91**	59.90
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	**55.91**	55.90
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	**55.91**	55.90
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	**55.91**	55.90
Najalin Agri-Ventures, Inc. (NAVI)	Philippines	CAC Compound, La Carlota City, Negros Occidental	**53.57****	53.56**
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-	**65.54**	66.10
CEBGO, Inc. (CEBGO)	-do-	AO-08-09 Mezzanine Level, Passenger Terminal Building, Clark International Airport, Clark Freeport Zone, Pampanga	**65.54**	66.10
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	**65.32**	62.66
Robinson's Inn, Inc.	-do-	-do-	**65.32**	62.66
RL Commercial REIT, Inc. (RCR) (formerly Robinsons Realty and Management Corporation)	-do-	-do-	**43.19****	41.44**
Robinsons (Cayman) Limited	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	**65.32**	62.66
Robinsons Properties Marketing and Management Corporation	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	**65.32**	62.66
Manhattan Buildings and Management Corp	-do-	-do-	**65.32**	62.66
Altus Angeles, Inc.	-do-	McArthur Highway, Balisage, Angeles City, Pampanga	**33.31****	31.96**

(Forward)

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership 2023	2022
Go Hotels Davao, Inc.	-do-	Lanang, Davao City	**33.31****	31.96**
RLC Resources Ltd	British Virgin Islands	British Virgin Islands	**65.32**	62.66
Land Century Holdings, Ltd.	China	Hong Kong	**65.32**	62.66
World Century Enterprise Ltd.	-do-	Hong Kong	**65.32**	62.66
First Capital Development, Ltd	-do-	Hong Kong	**65.32**	62.66
Chengdu Xin Yao Real Estate Development Co. Ltd.	-do-	China	**65.32**	62.66
Bacoor R and F Land Corporation (BRFLC)	Philippines	Philippines	**45.72****	43.86**
Bonifacio Property Ventures, Inc.	-do-	Philippines	**65.32**	62.66
Altus Mall Ventures, Inc.	-do-	Philippines	**65.32**	62.66
RLGB Land Corporation (RLGB)	-do-	Philippines	**65.32**	62.66
Robinsons Logistix and Industrials, Inc. (RLII)	-do-	Philippines	**65.32**	62.66
RL Property Management, Inc. (RLPMI)	-do-	Philippines	**65.32**	62.66
RL Fund Management, Inc. (RLFMI)	-do-	Philippines	**65.32**	62.66
Malldash Corp.	-do-	Philippines	**65.32**	62.66
Staten Property Management, Inc.	-do-	Philippines	**65.32**	62.66
RL Digital Ventures, Inc.	-do-	Philippines	**65.32**	62.66
Altus Property Ventures, Inc. (APVI)	-do-	Brgy. 1 San Francisco, San Nicolas, Ilocos Norte	**64.96**	64.80
Petrochemicals				
JG Summit Olefins Corporation (JGSOC)	Philippines	9th Floor, Robinsons Cyberscape Gamma Bldg., Topaz and Ruby Roads, Ortigas Center, Pasig City	**100.00**	100.00
Peak Fuel Corporation	-do-	10th Floor Robinsons Cybergate Gamma, Bldg., Topaz and Ruby Roads, Ortigas Center, Pasig City	**100.00**	100.00
JGSOC Philippines Limited	British Virgin Islands	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	**100.00**	100.00
Banking				
Robinsons Bank Corporation (RBC) and a Subsidiary	Philippines	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				
Data Analytics Ventures, Inc. (DAVI)	-do-	37F Cyberscape Gamma Topaz and Ruby Roads Ortigas Center, Pasig City	**44.48****	44.57**
JG Digital Equity Ventures, Inc. (JG DEV) and Subsidiary	-do-	37F Cyberscape Gamma Topaz and Ruby Roads Ortigas Center, Pasig 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
JG Summit Cayman, Ltd. (JGSCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	**100.00**	100.00
JG Summit Philippines Ltd. (JGSPL) and Subsidiaries	-do-	-do-	**100.00**	100.00
JGSH Philippines, Limited	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	**100.00**	100.00
Telegraph Developments, Ltd.	-do-	-do-	**100.00**	100.00
Summit Top Investments, Ltd.	-do-	-do-	**100.00**	100.00

(Forward)

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership 2023	2022
Unicon Insurance Brokers Corporation (UIBC)	Philippines	25F Robinsons Equitable Tower, ADB Ave. corner Poveda St., San Antonio, Pasig City	**84.00**	84.00
JG Summit Infrastructure Holdings Corporation	-do-	43rd Floor Robinsons Equitable Tower, ADB avenue, Corner Poveda Road, Pasig City	**100.00**	100.00
Merbau Corporation	-do-	Ground floor Cybergate Tower 1 Edsa cor Pioneer St. Mandaluyong City	**100.00**	100.00
Batangas Agro-Industrial Development				
Corporation (BAID) and Subsidiaries	-do-	43rd Floor, Robinsons Equitable Tower ADB Avenue corner Poveda St., Ortigas Center, Pasig City	**100.00**	100.00
Fruits of the East, Inc.	-do-	-do-	**100.00**	100.00
Hometel Integrated Management Corporation	-do-	5th Floor, Citibank Center Bldg., Paseo De Roxas, Makati	**100.00**	100.00
King Leader Philippines, Inc.	-do-	43rd Floor, Robinsons Equitable Tower ADB Avenue corner Poveda St., Ortigas Center, Pasig City	**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-	5th Floor, Citibank Center Bldg., 8741 Paseo De Roxas, Makati	**100.00**	100.00

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

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

Merger of 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.

Incorporation of Staten Property Management
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.

Incorporation of RL Digital Ventures
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 BRFLC
In 2022, BRFLC issued 1,450,000 additional common shares from its registered share capital of 10,000,000 common shares at par of ₱100 per share, 70% of which or 1,015,000 common shares was subscribed and paid up by RLC.

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 years, except that the Group has adopted the following PFRSs and Philippine Accounting Standards (PAS) and Philippine Interpretations beginning January 1, 2023. Unless otherwise indicated, the adoption of the new and amended standards and interpretations did not have any impact on the consolidated financial statements of 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.

- 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.

- 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.

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

All other assets are classified as noncurrent.

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

All other liabilities are classified as noncurrent.

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

<u>Fair Value Measurement</u>
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.

Restricted cash

Restricted cash are cash in bank set aside as security for letters of credit issued to aircraft lessors and held at separate escrow account for the purchase of land properties. The nature of restriction is assessed by the Group to determine its eligibility to be classified as cash and cash equivalents. The Group classifies restricted cash as current and noncurrent assets depending on the tenure of the restriction.

Financial Instruments - Classification and Measurement

Initial recognition and measurement of financial assets
Financial assets are classified, at initial recognition, as 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 FVPL, 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 FVOCI with recycling of cumulative gains and losses (debt instruments);

- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVPL.

Financial assets at FVOCI
Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI 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 'Net gains (losses) 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 EIR 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 'Provision for 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 FVPL
Financial assets are measured at FVPL 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 FVPL are initially recognized at fair value, with transaction costs recognized in the profit or loss in the statement of comprehensive 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 FVPL 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 FVPL, 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 10.00% 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 FVPL, 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 FVPL
Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

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 FVPL 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 FVPL.

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 10.00% 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 10.00% 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 unlikeliness to pay. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted.

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

Credit risk at initial recognition

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

Significant increase in credit risk

The assessment of whether there has been a 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 standard's simplified approach for the trade receivables and contract assets 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 fair value through OCI
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.

Debt Issuance Costs
Debt issue costs are amortized using the effective interest method. The unamortized debt issuance costs are offset against the related carrying value of the loan of the Group's statement of financial position. When a loan is paid, the related unamortized debt issuance costs at the date of repayment are charged against current operations.

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.

<u>Biological Assets</u>
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.

<u>Assets and Disposal Groups Held for Sale</u>
The Group classifies assets and disposal groups as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, and its sale must be highly probable.

For the sale to be highly probable, (a) an appropriate level of management must be committed to a plan to sell the asset, (b) an active program must have been initiated, (c) the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, (d) the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and (e) actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Asset and disposal groups classified as held for sale are measured at the lower of their previous carrying amount, net of any impairment, and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.

In circumstances where certain events have extended the period to complete the sale of a disposal group beyond one year, the disposal group continues to be classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the disposal group. Otherwise, if the criteria for classification of a disposal group as held for sale are no longer met, the Group ceases to classify the disposal group as held for sale.

Initial and subsequent measurement
Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amount of the asset (or all the assets and liabilities of the disposal group) shall be measured in accordance with applicable standards.

An entity shall present a disposal group held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. These assets and liabilities shall not be offset and presented as a single amount.

Assets and disposal groups held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Impairment losses are recognized for any initial or subsequent write-down of the assets held for sale to the extent that these have not been previously recognized at initial recognition. Reversals of impairment losses for any subsequent increases in fair value less cost to sell of the assets held for sale are recognized as a gain, but not in excess of the cumulative impairment loss that has been previously recognized. Liabilities directly related to assets held for sale are measured at their expected settlement amounts.

Discontinued Operation
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to a separate major line of business or geographical area of operations , or
- is a subsidiary acquired exclusively with view to resale.

The related results of operations and cash flows of the disposal group that qualify as discontinued operations are separated from the results of those that would be recovered principally through continuing use, and the prior years' profit or loss in the consolidated statement of comprehensive income and consolidated statement of cash flows are re-presented. Results of operations and cash flows of the disposal group that qualify as discontinued operations are presented in profit or loss in the consolidated statement of comprehensive income and consolidated statement of cash flows as items associated with discontinued operations.

Additional disclosures are provided in Note 27. All other notes to the consolidated financial statements include amounts of disposal group, unless otherwise mentioned.

<u>Investments in Associates and Joint Ventures</u>
Associates pertain to all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In the consolidated financial statements, investment in associates is accounted for under the equity method of accounting.

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

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

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

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

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

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

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

Land improvements	10 to 20 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 improvements	5 to 40 years
Buildings and improvements	10 to 50 years
Machinery and equipment	4 to 50 years
Leasehold improvements	15 years or the lease term, whichever is shorter
Passenger aircraft	15 years
Other flight equipment	3 to 5 years
Transportation, furnishing and other equipment	3 to 5 years

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.

Asset Retirement Obligation (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.

Heavy Maintenance Visits (HMV)
The Group 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 advise. 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. HMV liability is carried at amortized cost using the effective interest method.

Travel Fund
Travel fund is a virtual wallet that can be used as a form of payment for booking new flights and purchasing add-ons. Travel fund is offered for cancelled flights or for flights with schedule changes of more than 60 minutes. Prior to March 15, 2020 (pre-COVID), the validity of travel fund was only 90 days from the travel fund creation date. However, due to the COVID-19, the Group extended the validity of travel fund from 90 days to two (2) years to give guests enough time to plan on their next trip.

The Group further provided an option for guest to refund their travel fund if unused after one (1) year but this is specific only for flights affected by COVID-19 between March 15, 2020 to July 31, 2020.

Starting August 1, 2020, refund of travel fund is no longer an option for flights yet the validity of travel fund remains two (2) years.

However, as subsequently amended, effective April 1, 2022, in line with the Group's recovery efforts and continuous updating of Customer Flexible Options, all created travel fund starting the said date shall be valid for six (6) months from the date of creation or conversion to travel fund. Also, effective April 6, 2022, selected guests will now be able to use their travel fund to book for anyone, regardless whether the member is part of the new booking's passenger list or not.

Later on, effective August 1, 2023, the travel fund will no longer have an expiration date and the validity of travel vouchers will be extended from six (6) months to 18 months.

In accordance with PFRS 15, *Revenue from Contracts with Customers,* upon receipt of a prepayment from customer, an entity shall recognize a contract liability in the amount of the prepayment for its performance obligation to transfer, or to stand ready to transfer, goods or services in the future. An entity shall derecognize that contract liability (and recognize revenue) when it transfers those goods or services and, therefore, satisfies its performance obligation.

A customer's non-refundable prepayment to an entity gives the customer a right to receive a good service in the future (and obliges the entity to stand ready to transfer a good or service). However, customers may not exercise all of their contractual rights. Those unexercised rights are often referred to as breakage.

If an entity expects to be entitled to a breakage amount in a contract liability, the entity shall recognize the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. If an entity does not expect to be entitled to a breakage amount, the entity shall recognize the expected breakage amount as revenue when the likelihood of the customer exercising its remaining rights becomes remote.

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.

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.

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', 'Property, plant and equipment', 'Investment properties', 'Right-of-Use assets', 'Goodwill', 'Intangible assets', and 'Biological assets'.

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 or reversal of impairment losses from continuing operations are recognized under 'Provision for (reversal of) impairment losses and others' in profit or loss in the statement of comprehensive income.

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.

Member Redemption Liability
The Group operates a reward program that issues loyalty points to its members for purchases made at any participating partner establishment that can be redeemed against any future purchases, subject to a minimum number of points obtained. The Group receives the cost per points issued (CPP) and service fees from the participating partner establishments based on agreed terms and conditions upon issuance of points to program members. The CPP of outstanding issued and unredeemed points are recognized as 'Membership redemption liability' and is presented under 'noncurrent liabilities' in the statement of financial position while the service fees are recognized as 'Revenues' in the statement of comprehensive income.

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 and services
Revenue from sale of goods and services is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and services. 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. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception using the expected value method and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods and services provide customers with a right to return the goods within a specific period.

Sale of sugar and molasses
Sale of raw sugar is recognized upon (a) endorsement and transfer of quedans for quedan-based sales and (b) shipment or delivery and acceptance by the customers for physical sugar sales. Sale of refined sugar and alcohol is recognized upon shipment of delivery and acceptance by the customers. Sale of molasses is recognized upon (a) surrendering of molasses certificates (warehouse receipts for molasses) or (b) delivery and acceptance by the customer for physical molasses, whichever comes first.

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.

Revenue from estimated breakage (expiration) of unused travel funds
Revenue from estimated breakage (expiration) of unused travel funds are recognized based on the historical expiration experience of the Group on the unused travel funds.

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

Significant Accounting Policies Generally Applicable to Real Estate and Hotels

<u>Revenue Recognition</u>

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 POC) 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 excludes 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 collections over the total of recognized trade receivables and installment contract receivables is included as 'Contract liabilities' under 'Other current and noncurrent liabilities' in the consolidated statements 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.

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.

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.

Costs and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized when incurred.

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.

Share-based Payments
The Group has a Long-Term Incentive Plan (LTIP) granting eligible persons any one or a combination of Restricted Stock Units (RSUs) and Stock Options to purchase a fixed number of shares of stock at a stated price during a specified period ("equity-settled transactions").

The cost of equity-settled transactions is measured by reference to the fair value at the date at which these are granted. Said cost is recognized in profit or loss, together with a corresponding increase in 'Share-based payments' account in the consolidated statement of financial position, over the period in which the service conditions are fulfilled, ending on the date on which the eligible persons become fully entitled to the award ("vesting date"). The fair value of Stock Options is determined using the Cox-Ross-Rubinstein Binomial Option Pricing Method. The cumulative expense recognized for the share-based transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for awards that do not ultimately vest.

Where the terms of a share-based award are modified, at a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment agreement, or is otherwise beneficial to the eligible persons as measured at the date of modification.

Where a share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if there were a modification of the original award. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

<u>Income Taxes</u>
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:

	Period
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.

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 pronouncements when they become effective.

Effective beginning on or after January 1, 2024

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

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - 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, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

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 and Sustainability 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 consolidated 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 September 30, 2023.

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.

Identifying performance obligation

The Group entered into a contract to sell covering a land upon which, site preparation will be performed prior to turnover to the buyer. The Group concluded that the revenue and cost of real estate sales should be recorded upon completion of the site preparation activities as specifically stated in the contract to sell, which is at a point in time, since there is only one performance obligation (i.e., developed land) and the Group does not have a right to demand payment for work performed to date from the buyer. For the nine months ended September 30, 2023, the related revenue has been recognized as the performance obligations under the contract to sell has been performed.

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, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10.0% on projects that are under development and construction demonstrate the buyer's commitment to pay. For certain inventories that have been fully completed and ready for occupancy, outright investment of the buyer of about 5.0% demonstrates the buyer's commitment to pay.

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, 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. The utility and service companies, and not the Group, are primarily 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.

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
Chengdu Xin Yao Real Estate Development Co. Ltd. secured the license to sell the condominium units in Phase 1 and Phase 2 of its residential development in Chengdu Xin Yao Ban Bian Jie, and the related revenue has been recognized as of September 30, 2023 and 2022.

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. Under this method, 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.

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 for all revenue streams at a point in time, when the goods are sold and delivered and when services are already rendered. 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.

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 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

e. *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.

f. *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.

g. *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.

h. *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.

i. *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.

j. *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.

k. 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.

l. 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.

m. 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.

n. *Disposal group held of sale and discontinued operations*

As of September 30, 2023 and December 31, 2022, the Group classifies its Banking Segment as a disposal group held for sale as it meets the following conditions at the reporting date:

- The entity is available for immediate sale and can be sold in its current condition;
- Sale is highly probable (a buyer has already been identified and the merger plan has been initiated); and
- The entity is to be genuinely sold, not abandoned.

The Group determined that the sale of the Group's Banking Segment and Oceania business qualified for presentation as discontinued operations since it represented a separate line of business for which the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes from the rest of the Group (Note 27).

<u>Estimates</u>
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, the Group reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the balance sheet and any changes thereto in the statement of income. In particular, judgments and estimates by management are required in determining the following:

- whether a financial asset has had a significant increase in credit risk since initial recognition; whether default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of
- default as well as the Group's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes;

- sufficiency and appropriateness of data used and relationships assumed in building the
- components of the Group's expected credit loss models;
- measuring the exposure at default for unused commitments on which an expected credit loss
- should be recognized and the applicable loss rate

For installment contract receivables from the real estate business, the Group uses vintage analysis approach to calculate ECLs for installment contract receivables. 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 trade 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 then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in 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 assumptions that affect the valuation of its ROU assets and lease liabilities. These include determining the length of 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, 2023 and 2022, the real estate sales recognized over time amounted to ₱6.3 billion and ₱4.8 billion, respectively, while the related cost of real estate sales amounted to ₱3.2 billion and ₱2.6 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.

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

Assumptions and estimates used to compute ARO are reviewed and updated annually by the Group. As of September 30, 2023 and December 31, 2022, 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 *HMV*
The Group 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 advise. 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.

The carrying values of the Group's HMV (included under 'Other noncurrent liabilities' in the consolidated statements of financial position) is disclosed in Note 19 to the consolidated financial statements.

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

In 2022, the Group's review indicated that the estimated useful lives of certain buildings, machinery and equipment should be extended from 40 to 50 years based on the Group's reassessment of the expected period over which the Group will benefit from the use of these assets.

j. *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.

k. Assessment of impairment of nonfinancial assets excluding goodwill and intangible 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.

l. 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 comprise cash and cash equivalents, financial assets at FVPL, financial assets at FVOCI, financial liabilities at FVPL and interest-bearing loans and borrowings. 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 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 and currency swaps. 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.

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

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

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

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL and certain derivative investments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.
The Group has a counterparty credit risk management policy which allocates investment limits based on counterparty credit ratings and credit risk profile.

a. Credit risk exposure

The Group holds collateral in the form of real estate and chattel mortgages, government securities and standby letters of credit. The amount and type of collateral required depends on an assessment of credit risk. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

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
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.

d. Aging analysis of receivables by class

The aging analysis of the Group's receivables as of September 30, 2023 follow:

		Past Due But Not Impaired					
	Neither Past Due Nor Impaired	Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days	Past Due and Impaired	Total
Trade receivables	₱33,296,475	₱4,839,381	₱941,198	₱1,177,627	₱1,664,948	₱569,048	₱42,488,677
Due from related parties	5,201,420	–	–	–	–	–	5,201,420
Interest receivable	369,759	–	–	–	–	–	369,759
Others*	3,212,421	–	–	–	–	201,234	3,413,655
	₱42,080,075	₱4,839,381	₱941,198	₱1,177,627	₱1,664,948	₱770,282	₱51,473,511

**Excludes claims receivable of JGSOC amounting to ₱186,737*

Liquidity risk

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

Market risk

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

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 raterisk relates primarily to the Group's financial assets at FVPL.

Commodity price risk
The Group enters into commodity derivatives to hedge its exposure to jet fuel price risks arising from its forecasted fuel purchases. Commodity hedging allows stability in prices, thus, offsetting the risk of volatile market fluctuations. Depending on the economic hedge cover, the price changes on the commodity derivative positions are offset by higher or lower purchase costs on fuel. A change in price by US$10.00 per barrel of jet fuel affects the Group's fuel costs in pre-tax income by ₱1,844.0 million and ₱1,140.6 million for the nine months ended September 30, 2023 and 2022, respectively, in each of the covered periods, assuming no change in volume of fuel is consumed.

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.

These hedging activities are in accordance with the risk management strategy and objectives outlined in the TRM policies and guidelines which have been approved by the Executive Committee on September 1, 2019.

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.

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 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.

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. If the fair value of financial assets cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models using inputs from observable markets subject to a degree of judgment.

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.

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

Noninterest-bearing refundable security deposits
The fair values are determined as the present value of estimated future cash flows using prevailing market rates.

Investment in convertible note
The fair value of the convertible notes are determined using HP binomial pricing model and EV/Sales multiple of comparable companies' market data.

Biological assets
Biological assets are measured at their fair values less costs to sell. The fair values of Level 2 biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit while Level 3 are determined based on adjusted commercial farmgate prices. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. 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 derivatives are determined based on the quotes obtained from counterparties. The fair value of the embedded derivative component for the equity conversion and redemption options of the convertible bonds payable was determined using the Jarrow-Rudd model (Note 18).

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

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

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

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

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 far 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.

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6. **Segment Information**

<u>Operating Segments</u>
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 and distribution of a diverse mix of salty snacks, chocolates, candies, biscuits, bakery products, beverages, instant noodles and pasta; hog and poultry farming, manufacturing and distribution of animal feeds, glucose and soya products, and production and distribution of animal health products; and sugar milling and refining and flour milling.

- Air transportation - air transport services, both domestic and international, for passengers and cargos; and line and light maintenance services.

- 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), 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. The results of the banking segment is presented as discontinued operations in the segment information.

- Other supplementary businesses - insurance brokering, data analytics, securities investment and business process outsourcing. This also includes dividend income from PLDT and equity in net earnings of Meralco.

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, 2023 and 2022. Core earnings pertain to income before income tax excluding market valuation gains (losses) on financial assets at FVPL, market valuation gains (losses) on derivative financial instruments and foreign exchange gains (losses).

The Group's operating segment information follows:

	September 30, 2023						
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**TOTAL OPERATIONS**
Revenue							
Sale of goods and services:							
External customers	**₱117,620,740**	**₱66,896,141**	**₱28,257,813**	**₱25,455,268**	**₱672,957**	**₱–**	**₱238,902,919**
Intersegment revenue	–	–	**215,592**	–	–	**(215,592)**	–
	117,620,740	**66,896,141**	**28,473,405**	**25,455,268**	**672,957**	**(215,592)**	**238,902,919**
Dividend income	**32,303**	–	–	–	**2,769,168**	–	**2,801,471**
Equity in net earnings of associates and joint ventures (Note 14)	**(64,624)**	**36,201**	**2,560,333**	–	**7,065,316**	**35,447**	**9,632,673**
Total revenue	**117,588,419**	**66,932,342**	**31,033,738**	**25,455,268**	**10,507,441**	**(180,145)**	**251,337,063**
Cost of sales and services	**86,022,493**	**44,053,435**	**13,965,181**	**29,877,536**	**215,032**	**(83,665)**	**174,050,012**
Gross income (loss)	**₱31,565,926**	**₱22,878,907**	**₱17,068,557**	**(₱4,422,268)**	**₱10,292,409**	**(₱96,480)**	**77,287,051**
General and administrative expenses							**41,243,538**
Impairment losses and others							**334,605**
Operating income							**35,708,908**
Financing cost and other charges							**(11,318,812)**
Finance income							**1,500,711**
Other operating income							**286,309**
Core earnings							**26,177,116**
Market valuation gains on financial assets							**1,196,020**
Foreign exchange gains							**243,576**
Income before income tax							**27,616,712**
Provision for income tax							**2,667,954**
Net income from Continuing Operations							**24,948,758**
Net income from Discontinued Operations (Note 27)							**1,234,968**
Net income							**₱26,183,726**
Net Income Attributable To							
Equity holders of the Parent Company							
Income (loss) from Continuing Operations	**₱5,443,451**	**₱3,390,413**	**₱7,113,592**	**(₱8,802,186)**	**₱7,574,394**	**(₱85,386)**	**₱14,634,278**
Income from Discontinued Operations	–	–	–	–	–	–	**740,981**
	₱5,443,451	**₱3,390,413**	**₱7,113,592**	**(₱8,802,186)**	**₱7,574,394**	**(₱85,386)**	**₱15,375,259**
EBIT	**₱12,601,930**	**₱6,150,123**	**₱12,650,638**	**(₱5,756,841)**	**₱10,620,683**	**(₱557,625)**	**₱35,708,908**
Depreciation, amortization and impairment	**4,797,800**	**9,090,529**	**4,012,885**	**3,164,073**	**224,274**	**55,713**	**21,345,274**
EBITDA	**₱17,399,730**	**₱15,240,652**	**₱16,663,523**	**(₱2,592,768)**	**₱10,844,957**	**(₱501,912)**	**₱57,054,182**

	September 30, 2022						
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue							
Sale of goods and services:							
External customers	₱107,873,146	₱37,533,367	₱34,435,036	₱26,187,067	₱675,291	₱–	₱206,703,907
Intersegment revenue	–	–	323,125	–	–	(323,125)	–
	107,873,146	37,533,367	34,758,161	26,187,067	675,291	(323,125)	206,703,907
Dividend income	48,454	–	–	–	2,953,972	–	3,002,426
Equity in net earnings of associates and joint ventures (Note 14)	(325,614)	(106,619)	2,290,016	–	5,460,654	158,046	7,476,483
Total revenue	107,595,986	37,426,748	37,048,177	26,187,067	9,089,917	(165,079)	217,182,816
Cost of sales and services	79,095,723	34,034,796	22,290,660	31,114,838	178,401	(134,040)	166,580,378
Gross income (loss)	₱28,500,263	(₱3,391,952)	₱14,757,517	(₱4,927,771)	₱8,911,516	(₱31,039)	50,602,438
General and administrative expenses							37,894,998
Impairment losses and others							11,665
Operating income							12,695,775
Financing cost and other charges							(7,891,788)
Finance income							1,021,266
Other operating income							4,508,271
Core earnings							10,333,524
Market valuation gains on financial assets							1,379,583
Foreign exchange losses							(8,156,984)
Income before income tax							3,556,123
Provision for income tax							1,339,384
Net income from Continuing Operations							2,216,739
Net income from Discontinued Operations (Note 27)							1,402,510
Net income							₱3,619,249
Net Income Attributable To							
Equity holders of the Parent Company							
Income (loss) from Continuing Operations	₱5,206,418	(₱7,906,514)	₱5,673,798	(₱8,985,334)	₱4,264,882	₱46,263	(₱1,700,487)
Income from Discontinued Operations	–	–	–	–	–	–	841,506
	₱5,206,418	(₱7,906,514)	₱5,673,798	(₱8,985,334)	₱4,264,882	(₱46,263)	(₱858,981)
EBIT	₱10,775,259	(₱11,196,385)	₱10,251,158	(₱6,234,817)	₱9,560,817	(₱460,257)	₱12,695,775
Depreciation and amortization	4,682,380	9,576,905	3,970,029	3,031,321	257,653	(198,986)	21,319,302
EBITDA	₱15,457,639	(₱1,619,480)	₱14,221,187	(₱3,203,496)	₱9,818,470	(₱659,243)	₱34,015,077

	September 30, 2023						
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**TOTAL OPERATIONS**
Other information							
Non-cash expenses other than depreciation and amortization							
Impairment losses on:							
Receivables	**₱–**	**₱35,020**	**₱–**	**₱–**	**₱4,154**	**₱–**	**₱39,174**
Inventories	**2**	**–**	**–**	**–**	**–**	**–**	**2**
FVPL & FVOCI	**–**	**–**	**–**	**–**	**89,942**	**–**	**89,942**
Property, plant and equipment	**205,487**	**–**	**–**	**–**	**–**	**–**	**205,487**
	₱205,489	**₱35,020**	**₱–**	**₱–**	**₱94,096**	**₱–**	**₱334,605**

	September 30, 2022						
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Other information							
Non-cash expenses other than depreciation and amortization							
Impairment losses on:							
Receivables	₱2,227	(₱20,213)	₱–	₱–	₱–	₱–	(₱17,986)
Property, plant and equipment	29,651	–	–	–	–	–	29,651
	₱31,878	(₱20,213)	₱–	₱–	₱–	₱–	₱11,665

Other information on the Group's operating segments follow:

	September 30, 2023						
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**Consolidated**
Segment assets	**₱175,840,013**	**₱171,695,962**	**₱230,846,280**	**₱147,862,046**	**₱304,551,929**	**(₱115,982,431)**	**₱914,813,799**
Segment liabilities	**₱59,641,836**	**₱180,460,656**	**₱92,258,962**	**₱114,635,343**	**₱81,861,450**	**(₱30,181,764)**	**₱498,676,483**
Capital expenditures	**₱7,921,589**	**₱19,341,819**	**₱9,402,084**	**₱4,757,656**	**₱275,827**	**₱–**	**₱41,698,975**

**Excludes Assets held for sale and Liabilities directly associated with assets held for sale and Capital expenditures for the banking business of ₱71,052*

	December 31, 2022						
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Segment assets	₱169,953,629	₱146,312,316	₱222,935,879	₱149,083,076	₱324,627,169	(₱106,092,682)	₱906,819,387
Segment liabilities	₱53,983,288	₱160,060,000	₱87,488,753	₱107,103,862	₱121,275,334	(₱30,690,290)	₱499,220,947
Capital expenditures	₱5,829,416	₱7,511,011	₱10,494,416	₱6,721,240	₱231,203	₱–	₱30,787,286

**Excludes Assets held for sale and Liabilities directly associated with assets held for sale and Capital expenditures for the banking business of ₱236,152.*

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. 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 including impairment of property, plant and equipment during the period.

Depreciation and amortization
The amount of reported depreciation and amortization includes depreciation of property, plant and equipment, investment properties, right-of-use assets and amortization of intangible assets and biological 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.

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

7. Cash and Cash Equivalents

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	**₱138,842**	₱219,267
Cash in banks	**18,789,401**	22,195,777
Cash equivalents	**25,928,409**	56,656,689
	₱44,856,652	₱79,071,733

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents represent money market placements made for varying periods depending on the immediate cash requirements of the Group, and earn annual interest ranging from 2.23% to 7.30% and from 0.30% to 7.30% for foreign currency-denominated money market placements as at September 30, 2023 and December 31, 2022, respectively. Peso-denominated money market placements, on the other hand, earn interest ranging from 4.5% to 5.46% and from 3.30% to 4.60% as at September 30, 2023 and December 31, 2022, respectively.

Interest earned on cash and cash equivalents amounted to ₱1,084 million and ₱595 million for the nine months ended September 30, 2023 and 2022, respectively.

For the purpose of the statement of cash flows, cash and cash equivalents as of September 30, 2023 comprise of the following:

	Amounts
Cash on hand	₱138,842
Cash in banks	18,789,401
Cash equivalents	25,928,409
Cash and cash equivalents classified as part of assets held for sale (Note 27)	10,386,193
	₱55,242,845

8. Derivative Financial Instruments

The tables below show the fair values of the Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as of September 30, 2023 and December 31, 2022. The notional amount is the basis upon which changes in the value of derivatives are measured.

	September 30, 2023 (Unaudited)		
	Notional Amounts	**Derivative Assets** (Note 9)	**Derivative Liabilities** (Note 17)
Derivatives Designated as Accounting Hedges			
Fuel derivatives	**$4,869**	**₱102,994**	**₱–**

	December 31, 2022 (Audited)		
	Notional Amounts	**Derivative Assets** (Note 9)	**Derivative Liabilities** (Note 17)
Derivatives Designated as Accounting Hedges			
Interest rate derivatives	$86,400	₱60,911	₱–
Derivatives Not Designated as Accounting Hedges			
Conversion option arising from convertible bonds (Note 18)	–	–	846,836
		₱60,911	₱846,836

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 bonds bear an interest rate of 4.5% payable semi-annually in arrears on May 10 and November 10 of each year.

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 (see Note 18).

As of September 30, 2023 and December 31, 2022, , the fair value of embedded derivatives, which is shown under 'Other current liabilities' in the consolidated statements of financial position amounted to nil and ₱846.8 million, respectively (Note 17). For the nine months ended September

30, 2023 and 2022, net market valuation gains recognized by CAI in the consolidated statement of comprehensive income amounted to ₱880.2 million and ₱1,690.7 million, 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 December 31, 2022, CAI has designated for hedge accounting derivatives with net asset position, included under 'Financial Assets at Fair Value through Profit or Loss' in the consolidated statements of financial position, amounting to ₱60.9 million (nil as of September 30, 2023).

  For the nine months ended September 30, 2023 and 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 ₱78.0 million and ₱21.3 million, respectively.

- Fuel Derivatives
  CAI enters into zero cost collars and commodity swaps derivative contracts to manage its exposure to fuel price fluctuations. The notional quantity is the amount of the derivatives'underlying asset or liability, reference rate or index and is the basis upon which changes in the value of derivatives are measured. These swaps and collars can be exercised at various calculation dates with specified quantities on each calculation date. These instruments have various maturity dates through 2023.

  As of September 30, 2023, CAI has designated for hedge accounting derivatives with a net asset position, which is shown as 'Financial assets at fair value through profit or loss' in the consolidated statement of financial position, amounting to ₱103.0 million (nil in 2022).

  For the nine months ended September 30, 2023, CAI has recycled the effective portion of its cash flow hedge reserves to 'Cost of Sales and Services' in the consolidated statement of comprehensive income amounting to ₱5.8 million (nil in 2022).

Fair Value Changes in Derivatives

Fair value changes in derivatives designated as accounting hedges

The net movements in fair value of the Group's derivative financial instruments designated as accounting hedges follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	**₱60,911**	₱–
Net changes shown in other comprehensive income:		
Net changes in fair value of derivatives taken to other comprehensive income	**(7,495)**	863,403
Fair value of settled instruments	**49,578**	(802,492)
	(₱102,994)	₱60,911

Net changes in fair value of derivatives taken to other comprehensive income are recorded under 'Net gains (losses) from cash flow hedges' in the consolidated statement of comprehensive income.

Refer to Note 18 for the changes in fair value of conversion option arising from convertible bonds.

9. Financial Assets at Fair Value through Profit or Loss

This account consists of the following:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Equity securities -		
Quoted	**₱3,008,342**	₱2,782,798
Investment in convertible notes	**4,424,126**	4,402,220
Derivatives (Note 8)	**102,994**	60,911
	₱7,535,462	₱7,245,929

'Investment in convertible notes' includes the following:

JUUL Labs, Inc

JGSPL invested a total of USD75.0 million Convertible Notes of JUUL Labs, Inc. ("JUUL Labs"). It is repayable after 5 years, bears interest at 7.0% p.a. compounded quarterly and paid in kind, contains automatic and optional conversion features, and redeemable at the option of the issuer subject to certain conditions. JUUL Labs is a private company based in California, USA, which is in the business of manufacturing and distributing e-cigarettes.

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 on February 20, 2019. The consideration is for a loan amount of $1.0 million at a rate of 3.0% 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 was classified under financial assets at FVPL.

On March 31, 2020, convertible loan from Snapcart Group (HK) Limited matured and was converted into 102,402 shares of Series B amounting to $1.03 million.

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. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of investments in:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Debt securities:		
Government	**₱561,228**	₱549,548
Private	**7,764,832**	8,700,392
	8,326,060	9,249,940
Equity securities:		
Quoted	**29,115,520**	32,505,517
Unquoted	**2,368,286**	2,316,610
	31,483,806	34,822,127
	₱39,809,866	₱44,072,067

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 as shown in the consolidated statements of financial position follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current portion	**₱8,326,060**	₱9,249,940
Noncurrent portion	**31,483,806**	34,822,127
	₱39,809,866	₱44,072,067

The Group has classified its 24.3 million PLDT shares representing 11.27% ownership interest as financial assets at FVOCI, which have carrying values of ₱28.6 billion and ₱32.1 billion as of September 30, 2023 and December 31, 2022, respectively.

11. **Receivables**

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables	**₱42,488,677**	₱37,686,460
Due from related parties	**5,201,420**	4,421,673
Interest receivable	**369,759**	354,149
Other receivables	**3,600,392**	6,309,903
	51,660,248	48,772,185
Less allowance for impairment losses	**770,282**	750,669
	₱50,889,966	₱48,021,516

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current portion	**₱44,324,885**	₱41,427,326
Noncurrent portion	**6,565,081**	6,594,190
	₱50,889,966	₱48,021,516

Noncurrent receivables consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables	**₱4,994,636**	₱4,763,985
Due from related parties	**1,902,741**	1,830,205
	₱6,897,377	₱6,594,190

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, advances to brokers and other non-trade receivables.

12. **Inventories**

This account consists of inventories held as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Subdivision land, condominium and residential units for sale	**₱34,968,569**	₱32,511,606
Finished goods	**15,255,698**	16,784,675
Raw materials	**21,775,424**	24,288,481
Spare parts, packaging materials and other supplies	**17,767,144**	15,870,427
Work-in-process	**2,892,552**	2,596,911
	₱92,659,387	₱92,052,100

13. **Other Current Assets**

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Input value-added tax (VAT)	**₱11,230,726**	₱10,356,862
Advances to suppliers and contractors	**10,980,026**	8,326,965
Creditable withholding tax	**2,968,649**	2,627,098
Prepaid expenses	**2,619,053**	2,407,943
Restricted cash	**1,393,160**	1,266,355
Advances to lot owners	**376,036**	1,159,147
Others	**624,323**	860,932
	₱30,191,973	₱27,005,302

Input VAT

Input tax pertains to VAT from purchases of goods and services, which will be claimed as credit against output tax liabilities in a manner prescribed by pertinent revenue regulations. The Group believes that the amount of input VAT is fully realizable in the future.

Advances to Suppliers

Advances to suppliers include advance payments for the acquisition of raw materials, spare parts, packaging materials and other supplies. This also includes prepayments for the construction of residential projects.

Prepaid Expenses

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

Restricted Cash

RLC has restricted cash which includes deposits in local banks for the purchase of land. CAI also has restricted cash deposited with certain banks to secure standby letters of credit issued in favor of lessors.

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.

14. Investments in Associates and Joint Ventures

Details of this account follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Acquisition cost:		
Balance at beginning of year	**₱100,048,412**	₱107,653,237
Additional investments	**635,634**	1,462,314
Disposal of investment	**–**	(8,510,609)
Reclassification	**556,530**	(556,530)
Balance at end of year	**101,240,576**	100,048,412
Accumulated equity in net earnings:		
Balance at beginning of year	**41,947,181**	38,080,751
Equity in net earnings from continuing operations	**9,632,673**	11,852,001
Equity in net losses from discontinued operations (Note 27)	**–**	(169,065)
Dividends received	**(6,596,951)**	(5,862,376)
Elimination of unrealized gains on downstream sales	**474,935**	(1,626,725)
Accumulated equity in net earnings of disposed investment	**–**	(541,782)
Reclassification	**(214,377)**	214,377
Balance at end of year	**45,243,461**	41,947,181
Share in unrealized gain on financial assets at FVOCI of associates:		
Balance at beginning of year	**7,748**	124,999
Share in net changes in fair value of financial assets at FVOCI of associates	**18,679**	(109,578)
Accumulated share in net changes in fair value of financial assets at FVOCI of disposed investment	**–**	(7,673)
Balance at end of year	**26,427**	7,748
Share in remeasurements of the net defined benefit liability of associates:		
Balance at beginning of year	**1,491,404**	₱308,655
Share in net changes in remeasurements of the net defined benefit liability of associates	**43,881**	1,219,095
Accumulated share in net changes in remeasurements of the net defined benefit liability of disposed investment	**–**	(36,346)
Balance at end of year	**1,535,285**	1,491,404
Cumulative translation adjustment	**176,250**	134,545
	148,221,999	143,629,290
Less allowance for impairment losses	**384,725**	334,366
	₱147,837,274	₱143,294,924

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, 2023 (Unaudited)	December 31, 2022 (Audited)	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
			(In Million Pesos)	
Associates				
Domestic:				
Manila Electric Company (Meralco)	**26.37**	26.37	**₱79,397.1**	₱77,806.5
Oriental Petroleum and Mining Corporation (OPMC)	**19.40**	19.40	**760.2**	754.7
G2M Solutions Philippines Pte. Ltd. (G2M)	**13.07**	13.07	**698.7**	676.3
Luzon International Premiere Airport Development Corp. (LIPAD)	**33.00**	33.00	**379.6**	397.7
GoTyme Bank Corporation	**24.46**	24.53	**593.1**	338.3
DHL Summit Solutions, Inc. (DSSI)	**50.00**	50.00	**185.2**	109.6
Cebu Light Industrial Park, Inc. (CLIPI)	**20.00**	20.00	**58.6**	58.3
Foreign:				
Singapore Land Group Limited (SLG)	**37.05**	37.05	**60,679.2**	60,283.2
Zyllem Pte. Ltd	**13.33**	13.33	**–**	50.6
Value Alliance Travel System Pte. Ltd. (VATS) (formerly Air Block Box Asia Pacific Pte. Ltd.)	**8.52**	10.18	**–**	–
			142,751.7	140,475.2
Joint Ventures				
Domestic:				
RHK Land Corporation (RHK Land)	**39.19**	37.60	**1,267.0**	1,022.4
Shang Robinsons Properties, Inc. (SRPI)	**32.66**	31.33	**2,220.2**	329.7
Robinsons DoubleDragon Corporation (RDDC)	**42.93**	41.18	**672.1**	672.3
RLC DMCI Property Ventures, Inc. (RLC DMCI)	**32.66**	31.33	**501.6**	442.1
Philippine Academy for Aviation Training (PAAT)	**39.32**	39.67	**278.1**	215.1
Vitasoy-URC, Inc (VURCI)	**27.95**	27.95	**67.5**	80.7
1Aviation Groundhandling Services Corp. (1Aviation)	**26.22**	27.15	**–**	–
Danone Universal Robina Beverages, Inc. (DURBI)	**27.95**	27.95	**–**	–
Foreign:				
Calbee - URC Malaysia Sdn. Bhd (CURM)	**27.95**	27.95	**79.1**	57.4
			5,085.6	2,819.7
			₱147,837.3	₱143,294.9

Material investees

Meralco
On July 28, 2022, the BOD of the Parent Company 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 Parent 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 ₱344.0 per share for a total consideration of ₱12.4 billion together with all dividends, distributions and other benefits attaching to the shares. The total consideration, net of transaction costs, amounted to ₱12.2 billion and with resulting gain on sale of ₱3.1 billion recognized under ‘Other Operating Income (Expenses)’ in the consolidated statements of income. The sale represents 3.2% of Meralco’s total outstanding shares which resulted in 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 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.

Individually immaterial investees

LIPAD
On February 18, 2019, the Parent Company invested in LIPAD. The shares acquired represented 33.0% 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.

CLIPI
The Group accounts for its investments in CLIPI as an associate as it owns 20.0% of the issued share capital of CLIPI. In 2015, CLIPI returned JGDEV's deposit for future stock subscription amounting to ₱5.0 million. As of September 30, 2023, the Group has deposit for future stock subscription in CLIPI amounting to ₱10.0 million. These represents 20.0% of CLIPI's proposed increase in 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 14.2% 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 in a slight dilution of the Group's ownership in G2M to 13.1%.

PAAT
Investment in PAAT pertains to CAI's 60.0% 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 50.0% share on the net income/loss of PAAT. As such, the CAI recognizes equivalent 50.0% 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.

1Aviation
Investment in 1Aviation refers to CAI's 40.0% investment in shares of the joint venture. The joint venture agreement indicates that the agreed ownership ratio is 40.0% for CAI and the remaining 60.0% shall be collectively owned by PAGSS and an individual. CAI recognizes 40.0% 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 15.0% 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, 2023 and December 31, 2022, the net carrying amount of the Group's investment with VATS amounted to nil.

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 VURC consisting of 46,100,000 common shares for a total cost of ₱461.0 million. On April 28, 2023, URC made additional subscriptions to the unissued authorized capital stock of VURC consisting of 7,500,000 common shares for a total cost of ₱75.0 million.

CURM
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).

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, SRPI., 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
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 60.0% and 40.0%, 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.

RDDC
On December 26, 2019, 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
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 50.0% ownership.

On March 18, 2019, 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 13.3% ownership interest in Zyllem. Also, under the Shareholders' Agreement, subject to JGDCPL holding less than 10.0% 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. In 2023, JGDCPL recognized full impairment on its investment in Zyllem amounting to ₱50.6 million (SGD1.4 million).

GoTyme Bank Corporation
On February 18, 2021, RBC and RLC entered into a joint venture agreement with 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 ₱1.3 billion. The shareholder percentage of the RBC, RLC, RRHI and TGL upon incorporation shall be 20.0%, 20.0%, 20.0% and 40.0%, respectively of the share capital and voting rights of the JVC.

On August 24, 2021 RBC's equity investment of ₱200.0 million representing 20.0% 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.

In February 2022, GoTyme's BOD approved the additional capital infusion from the shareholders totaling ₱1.6 billion to support the pre-launch and operations of GoTyme and to comply with the ₱1.0 billion BSP-mandated minimum regulatory capital for digital banks.

In 2023, additional capital infusion from the shareholders totaling ₱1.4 billion was made in line with the capital infusion schedule as approved by GoTyme's BOD in October 2022.

15. Other Noncurrent Assets

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred tax assets	**₱7,885,284**	₱6,631,829
Security and miscellaneous deposits	**3,865,160**	2,577,069
Advances to suppliers - net of current portion	**2,526,135**	2,548,232
Advances to lot owners - net of current portion	**1,397,720**	1,528,297
Deferred input VAT	**464,045**	481,015
Utility deposits	**758,296**	736,368
Others	**1,095,795**	1,222,992
	₱17,992,435	₱15,725,802

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

Utility Deposits
Utility deposits that are refundable consist primarily of bill and meter deposits.

Advances to Suppliers
Advances to suppliers pertain to RLC's prepayments for the construction of investment properties and property and equipment.

Advances to Lot Owners
Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired.

Others
As of September 30, 2023 and December 31, 2022, others include refundable prepaid rent amounting to ₱100.0 million. This also includes training costs prepaid by the Group for its "study-now, pay-later" Cadet Pilot Program amounting to ₱395.3 million and ₱401.3 million., respectively.

16. **Accounts Payable and Accrued Expenses**

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade payables	**₱37,527,915**	₱36,466,313
Accrued expenses	**26,352,454**	22,585,348
Airport and other related fees payable	**4,709,302**	3,747,888
Output VAT	**3,900,417**	2,925,263
Withholding taxes payable	**541,359**	385,931
Due to related parties	**458,400**	161,443
Refunds payable	**6,783**	70,009
Travel fund payable (Note 19)	**–**	1,027,066
Other payables	**1,177,039**	2,910,181
	₱74,673,669	₱70,279,442

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, 2023 (Unaudited)	December 31, 2022 (Audited)
Unearned transportation revenue	**₱14,218,767**	₱11,559,106
Contract liabilities (Note 19)	**3,464,741**	2,837,695
Deposit from lessees (Notes 19)	**3,289,151**	2,993,141
Customer's deposits	**1,296,382**	1,633,847
Advances from agents and others	**1,562,504**	1,299,472
Derivative liabilities (Notes 8)	–	846,836
	₱23,831,545	₱21,170,097

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).

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Unearned revenue	**₱11,295,174**	₱9,585,832
Deferred ancillary revenue	**2,923,593**	1,973,274
	₱14,218,767	₱11,559,106

Recognized deferred ancillary revenue as of September 30, 2023 and December 31, 2022 follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at January 1	**₱1,973,274**	₱463,921
Deferred during the year	**15,877,775**	12,869,576
Recognized to income	**(14,927,456)**	(11,360,223)
	₱2,923,593	₱1,973,274

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.

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, Long-term Debts and Bonds Payable

Short-term Debts
Short-term debts consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Parent Company:		
Philippine Peso - with interest rates ranging 5.1% to 5.7% in 2022	**₱–**	₱4,800,000
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 2.80% to 6.05% in 2023 and from 1.8% to 4.9% in 2022	**10,438,033**	10,646,528
Philippine Peso - with interest rates of 6.25% to 7.10% in 2023 and 4.8% to 6.9% in 2022	**51,359,320**	76,470,952
	₱61,797,353	₱91,917,480

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

	Maturities	Interest Rates	**September 30, 2023 (Unaudited)**	December 31, 2022 (Audited)	Condition
Parent Company:					
Term Loans					
₱10.0 billion term loan	2023	Floating (6.60%)	**₱–**	₱9,992,871	Unsecured
₱5.0 billion term loan	2023	Floating (5.71%)	**–**	4,996,310	Unsecured
₱5.0 billion term loan	2024	3.50%	**4,747,109**	4,793,966	Unsecured
₱7.0 billion term loan	2024	Floating (6.48%)	**6,989,702**	6,981,567	Unsecured
₱4.0 billion term loan	2025	4.00%	**3,988,728**	3,984,156	Unsecured
₱5.0 billion term loan	2028	Floating (6.75%)	**4,964,378**	–	Unsecured
₱10.0 billion term loan	2028	Floating (6.60%)	**9,926,834**	–	Unsecured
			30,616,751	30,748,870	
Subsidiaries:					
Foreign currencies:					
JGSHPL					
US$750.0 million guaranteed notes	2023	4.38%	**–**	34,055,265	Guaranteed
US$600.0 million guaranteed notes	2030	4.13%	**33,154,191**	32,897,608	Guaranteed
CAI					
JPY commercial loan	Various dates through 2029	Less than 1% (TONA)	**11,557,960**	5,668,468	Secured
USD commercial loan from foreign banks	Various dates through 2030	1.00% to 8.00%; (US$ Libor)	**18,697,323**	20,328,193	Secured
			63,409,474	92,949,534	

(Forward)

	Maturities	Interest Rates	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	Condition
Philippine Peso:					
RLC					
₱12.7 billion loan facility	2023	3.68%	**₱–**	₱12,733,408	Unsecured
₱5.0 billion loan facility	2023	3.89%	**–**	4,937,829	Unsecured
₱7.0 billion loan facility	2024	3.10%	**6,297,335**	6,433,105	Unsecured
₱6.0 billion loan facility	2025	5.38%	**5,951,333**	5,933,566	Unsecured
₱6.0 billion loan facility	2025	4.00%	**5,983,584**	5,976,794	Unsecured
₱1.4 billion loan facility	2025	4.93%	**1,362,306**	1,361,198	Unsecured
₱0.4 billion loan facility	2025	3.80%	**425,173**	424,354	Unsecured
₱6.0 billion loan facility	2026	6.10%	**5,935,551**	–	Unsecured
₱9.0 billion loan facility	2027	5.94%	**8,910,087**	8,894,511	Unsecured
₱4.5 billion loan facility	2027	4.00%	**4,461,123**	4,464,350	Unsecured
₱4.9 billion loan facility	2028	Floating (6.50%)	**4,940,000**	–	Unsecured
₱9.0 billion loan facility	2028	6.17%	**8,852,984**	–	Unsecured
JGSOC					
₱14.5 billion term loan	2024	Floating (5.8 to 6.88%)	**14,508,000**	14,508,000	Unsecured
₱5.0 billion term loan	2024	5.00%	**5,000,000**	5,000,000	Unsecured
₱1.2 billion term loan	2024	5.50%	**1,210,000**	1,210,000	Unsecured
₱1.3 billion term loan	2024	5.50%	**1,282,000**	1,282,000	Unsecured
₱5.0 billion term loan	2025	5.26%	**5,000,000**	5,000,000	Unsecured
₱4.0 billion term loan	2025	Floating (6.9%)	**4,000,000**	4,000,000	Unsecured
₱4.0 billion term loan	2025	4.72%	**4,000,000**	4,000,000	Unsecured
₱10.0 billion term loan	2028	6.60%	**9,929,482**	–	Unsecured
₱9.9 billion term loan	2028	Floating (6.50%)	**9,778,004**	–	Unsecured
₱5.3 billion term loan	2028	Floating (6.50%)	**5,290,071**	–	Unsecured
₱9.8 billion term loan	2028	Floating (6.50%)	**9,741,037**	–	Unsecured
CAI					
Term loan	2023	4.80%	**67,545**	586,667	Unsecured
Commercial loans	Various dates through 2028	2.00%-5.00% (PH BVAL)	**11,995,269**	13,796,155	Secured
			134,920,884	100,541,937	
			228,947,109	224,240,341	
Less current portion			**36,155,608**	70,460,433	
			₱192,791,501	₱153,779,908	

The details of the Group’s long-term debt follow:

<u>Subsidiaries’ Foreign Currency Loans</u>

JGSHPL 4.375% Senior Unsecured Notes Due 2023

On January 24, 2013, JGSHPL issued US$750.0 million, 4.375% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company. On July 21, 2020, JGSHPL 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 ₱66.2 million.

In January 2023, JGSHPL settled the said bonds at maturity amounting to US$611.2 million or ₱33.4 billion, net of the total bonds cancelled with a face value of US$138.8 million

JGSHPL 4.125% Senior Unsecured Notes Due 2030

On July 2020, JGSHPL issued US$600.0 million, 4.125% senior unsecured notes due 2030. The notes are unconditionally and irrevocably guaranteed by the Parent Company. On July 2020, JGSHPL 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 ₱10.6 million.

CAI USD Commercial Loans 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 in 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.

As of September 30, 2023 and December 31, 2022, the terms of the remaining commercial loan facilities follow:

- Term of ten (10) years starting from the delivery date of each aircraft.
- Amortizing repayments made on a semi-annual and quarterly basis.
- Mixed interest rates with fixed annual interest rates ranges from 1.00% to 7.00% and variable rates based on Compounded USD SOFR 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, 2023 and December 31, 2022, the total outstanding balance of the US Dollar commercial loans amounted to ₱18,697.3 million (US$330.5 million) and ₱20,328.2 million (US$364.6 million), respectively. Interest expense amounted to ₱766.6 million and ₱315.2 million for the nine months ended September 30, 2023 and 2022, respectively.

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

In July 2023 and September 2023, the Group entered into Japanese commercial loans for two (2) Airbus A321NEO aircraft. The loan required quarterly installments with maturity not longer than 10 years at variable interest rate based on Compounded JPY TONA plus loan margin.

As of September 30, 2023 and December 31, 2022, the total outstanding balance of the Japanese yen commercial loans amounted to ₱11,558.0 million (¥30.3 billion) and ₱5,668.5 million (¥13.6 billion), respectively. Interest expense amounted to ₱21.9 million and ₱11.7 million for the nine months ended September 30, 2023 and 2022, respectively.

<u>Philippine Peso Loans</u>
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. The loan bears an interest based on the bank's 30-day prime rate. Interest for the nine months ended September 30, 2023 and 2022 amounted to ₱385.3 million and ₱210.7 million, respectively. The original maturity date of the loan was extended to August 8, 2023. The loan was fully settled in August 2023 and was refinanced with a 5-year term loan with the same bank.

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. The loan obtained bears a market interest rate plus a certain spread, payable quarterly. Interest for the nine months ended September 30, 2023 and 2022 amounted to ₱123.8 million and ₱82.6 million, respectively. The loan was fully settled in June 2023 and was refinanced with a 5-year term loan with the same bank.

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, 2023 and 2022 amounted to ₱125.3 million and ₱129.0 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, 2023 and 2022 amounted to ₱304.9 million and ₱108.5 million, respectively.

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 4.00% per annum and shall be payable quarterly in arrears. Interest for the nine months ended September 30, 2023 and 2022 amounted to ₱119.7 million.

Parent Company ₱5.0 Billion Term Loan with MBTC due in 2028
On June 8, 2023, the Parent Company borrowed ₱5.0 billion under Term Loan facility Agreement with MBTC. The loan obtained bears a market interest rate plus a certain spread, payable quarterly. Interest for the nine months ended September 30, 2023 amounted to ₱99.8 million. The loan was obtained to refinance the ₱5.0 Billion Term Loan with the same bank due in June 2023.

Parent Company ₱10.0 Billion Term Loan with BDO due in 2028
On August 8, 2023, the Parent Company borrowed ₱10.0 billion under Term Loan facility .The loan bears an interest based on the bank's 30-day prime rate. Interest for the nine months ended September 30, 2023 amounted to ₱93.5 million. The loan was obtained to refinance the ₱10.0 Billion Term Loan with the same bank due in August 2023.

<u>Subsidiaries' Philippine Peso Loans</u>
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). The three-year 'Series C Bonds' was fully settled in July 2023.

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 ₱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. The loan was fully settled in August 2023

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. Annual principal payment is two percent (2%) of the total loan amount or ₱140 million. On November 15, 2021, the interest rate was reduced to a fixed rate of 3.1000% per annum for the remaining term of the loan.

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. On November 26, 2021, the interest rate was reduced to a fixed rate of 4.0000% per annum for the remaining term of the loan.

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, RLC 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 Three-year "Series G Bonds" maturing on June 30, 2026 and Five-Year "Series H Bonds" maturing on June 30, 2028
On June 30, 2023, RLC issued its "Series G Bonds" amounting to ₱6.0 billion and "Series H 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) to fully repay maturing debt obligations; (ii) to partially fund the capital expenditure budget for project development for calendar years 2023 to 2025; and (iii) for general corporate purposes. 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 March 30, June 30, September 30 and December 30 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, 2022 and 2021. On November 11, 2021, the interest rate was reduced to a fixed rate of 4.00% per annum until repricing date. On repricing date or on November 13, 2025, the interest rate will revert to 4.95% per annum until maturity date.

RLC ₱4.9 Billion Term Loan due August 2028
On August 10, 2023, the Group borrowed unsecured ₱4.9 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid monthly in arrear. Interest rate is 6.50% per annum.

JGSOC Philippine Peso Term Loan
These are clean loans obtained in 2019, 2020 and 2023 to finance the JGSOC's expansion projects and are payable in lump sum after five years. Interest expense for the nine months ended September 30, 2023 and 2022 amounted to ₱1.7 billion and ₱1.1 billion, respectively.

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, 2023 and December 31, 2022, CAI's total outstanding Philippine Peso commercial loans amounted to ₱11,995.3 million and ₱13,796.2 million. Interest expense for the nine months ended September 30, 2023 and 2022 amounted to ₱602.0 million and ₱423.6 million, 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, 2023 and December 31, 2022, the total outstanding Philippine Peso term loan amounted to ₱67.5 million and ₱586.7 million, respectively. Interest expense for the nine months ended September 30, 2023 and 2022 amounted to ₱10.3 million and ₱78.4 million, respectively.

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 2024, ₱7.0 billion due 2024, ₱4.0 billion due 2025, ₱5.0 billion due 2028 and ₱10.0 billion due 2028, 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$600.0 million Senior Unsecured Notes 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 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, 2023 and December 31, 2022, 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 September 30, 2023 and December 31, 2022, CAI obtained a waiver from the bank in relation to debt service coverage ratio requirement. Accordingly, the outstanding balance as at September 30, 2023 and December 31, 2022 is classified as current in the consolidated statements of financial position.

For RLC's ₱1.4 billion Retail Bonds due 2025, ₱7.0 billion term loan due 2024, ₱6.0 billion term loan due 2025, ₱4.5 billion term loan due 2027 and ₱4.9 billion term loan due 2028 , RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statement as of September 30, 2023 and December 31, 2022. These loans were not guaranteed by the Parent Company. RLC has complied with the debt covenant as of September 30, 2023.

For RLC's 5-year "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 September 30, 2023 and December 31, 2022. RLC has complied with the debt covenant as of September 30, 2023.

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 September 30, 2023 and December 31, 2022. RLC has complied with the debt covenant as of September 30, 2023.

For RLC's 3-year "Series G Bonds" due 2026 and 5-Year "Series H Bonds" due 2028, RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statements as of September 30, 2023. RLC has complied with the debt covenant as of September 30, 2023.

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, 2023 and December 31, 2022.

The Group has complied with all of its debt covenants as of September 30, 2023 and December 31, 2022.

<u>Bonds Payable</u>
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 conversion option entitles the CB holders to convert its outstanding bonds for CAI'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. No conversion options were exercised as of September 30, 2023 and December 31, 2022.

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, 2023 and 2022, amounted to ₱552.2 million and ₱529.0 million, respectively.

The fair value at initial recognition and carrying amount as at September 30, 2023 and December 31, 2022 of the host financial liability component of the CBs are presented below:

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	In US Dollar	**In Philippine Peso**	In US Dollar	In Philippine Peso
Beginning balance	**US$240,755**	**₱13,423,323**	US$238,923	₱12,184,836
Unrealized foreign exchange loss	–	**198,980**	–	1,138,580
Bond amortization	**1,451**	**80,530**	1,832	99,907
Ending balance	**US$242,206**	**₱13,702,833**	US$240,755	₱13,423,323

The bifurcated embedded derivatives have an initial fair value of ₱412.8 million and is presented as 'Derivative financial liabilities at fair value through profit or loss' 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. However, as of September 30, 2023, the embedded derivative from conversion option is currently "out of the money". Thus, the balance has been reduced to zero.

The changes in fair value in 2023 and 2022 of the derivative liabilities at FVPL follows:

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	In US Dollar	**In Philippine Peso**	In US Dollar	In Philippine Peso
Beginning balance	**US$15,188**	**₱846,836**	US$33,941	₱1,730,961
Market valuation losses (gains) (Note 8)	**(15,188)**	**(846,836)**	(18,753)	(884,125)
Ending balance	**US$–**	**₱–**	US$15,188	₱846,836

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, 2023 (Unaudited)	December 31, 2022 (Audited)
Stock price	**₱34.00**	₱38.30
Risk free rate	**4.63%**	3.93%
Conversion price	**₱38.00**	₱38.00
Term	**5.9 years**	5.9 years
Volatility	**43.05%**	51.83%

19. Other Noncurrent Liabilities

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deposit from lessees - net of current portion	**₱5,459,931**	₱4,290,108
ARO	**5,193,288**	9,663,604
HMV	**3,678,881**	2,721,092
Pension liabilities	**2,424,623**	2,149,178
Member redemption liabilities	**977,656**	965,148
Travel fund payable - net of current portion (Note 16)	**362,395**	260,283
Contract liabilities - net of current portion (Note 17)	**6,920**	5,548
Others	**1,083,736**	1,335,437
	₱19,187,430	₱21,390,398

Deposits from Lessees

Deposits from lessees (including the current portion shown in Note 17) represent cash received from tenants representing three to six months' rent which shall be refunded to tenants at the end of the lease term. These are initially recorded at fair value, which is obtained by discounting its future cash flows using the applicable rates of similar types of instruments.

ARO

CAI is contractually required under various lease contracts to 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. These costs are accrued based on estimates made by CAI's engineers, which include estimates of future aircraft utilization and certain redelivery costs at the end of the lease period.

The rollforward analysis of the Group's ARO follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	**₱9,663,604**	₱7,084,719
Provision for ARO	**2,472,091**	5,285,475
Applications and other movements	**(6,942,407)**	(2,706,590)
Balance at end of year	**₱5,193,288**	₱9,663,604

For the nine months ended September 30, 2023 and 2022, ARO expenses included as part of 'Cost of sales' in the Statements of Comprehensive Income amounted to ₱2.5 billion and ₱4.3 billion, respectively.

HMV

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 advise. 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.

The rollforward analysis of the CAI's HMV follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	**₱2,721,092**	₱1,082,628
Provision for HMV	**1,193,228**	1,481,581
Applications and other movements	**(235,439)**	156,883
Balance at end of year	**₱3,678,881**	₱2,721,092

For the nine months ended September 30, 2023 and 2022, HMV expenses included as part of 'Cost of sales' in the Statements of Comprehensive Income amounted to ₱1.2 billion and ₱1.1 billion, respectively.

Member Redemption Lialities

This account pertains to the outstanding points issued to Go Reward members until redeemed to its Go Rewards partner merchant stores. Go Rewards is the the integrated loyalty program of the Group owned and managed by DAVI.

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 CAI'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 (2) years and can be used as payment for future bookings.

However, as subsequently amended, effective April 1, 2022, in line with CEB's recovery efforts and continuous updating of Customer Flexible Options, all created travel fund starting the said date shall be valid for six (6) months from the date of creation or conversion to travel fund.

Subsequently, the Group has abolished the expiration date of its travel fund, and has extended the validity of its travel vouchers to 18 months, giving passengers a chance to enjoy better and improved customer service, effective starting August 1, 2023.

The current portion of travel fund payable amounted to nil and ₱1.0 billion as of September 30, 2023 and December 31, 2022, respectively, and is presented under 'Accounts payable and other accrued liabilities' account in the consolidated statements of financial position (see Note 16). The noncurrent portion of travel fund payable amounted to ₱362.3 million and ₱260.3 million as of September 30, 2023 and December 31, 2022, respectively.

Others
Others include retention payable and advances from marketing fund. Retention payable represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work.

20. Equity

Details of the Parent Company's authorized capital stock as of September 30, 2023 and December 31, 2022 follow:

	Par Value	Shares	Amount
Common shares	₱1.00	12,850,800	₱12,850,800
Preferred voting shares	0.01	204,000,000	2,040,000
		216,850,800	₱14,890,800

As of September 30, 2023 and December 31, 2022, the paid-up capital of the Group consists of the following:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Capital stock:		
Common shares - ₱1 par value	**₱7,520,984**	₱7,520,984
Preferred voting shares - ₱0.01 par value	**42,000**	42,000
	7,562,984	7,562,984
Additional paid-in capital	**45,175,341**	45,186,067
Total paid-up capital	**₱52,738,325**	₱52,749,051

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.

Record of Registration of Securities with the SEC
Summarized below is the Parent Company's track record of registration of securities under the Securities Regulation Code.

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
June 30, 1993	Registration of authorized capital stock	–	₱1.00	₱–	12,850,800,000 common shares and 2,000,000,000 preferred non-voting shares	–
June 30, 1993	Initial publicoffering (IPO)	1,428,175 common shares	1.00	4.40	–	1,428,175 common shares

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
June 30, 1994	Conversion of convertible bonds into common shares	428,175common 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, 2023 (Unaudited)	December 31, 2022 (Audited)
(a)	Gross debt		
	Short-term debts (Note 18)	**₱61,797,353**	₱91,917,480
	Current portion of long-term debts (Note 18)	**36,155,608**	70,460,433
	Long-term debts - net of current portion (Note 18)	**192,791,501**	153,779,908
	Bonds payable (Note 18)	**13,702,833**	13,423,323
	Derivative liabilities (Notes 8 and 17)	**–**	846,836
		₱304,447,295	₱330,427,980
(b)	Capital	**₱435,961,709**	₱427,364,683
(c)	Debt-to-capital ratio (a/b)	**0.70:1**	0.77:1

The Group's policy is to ensure that the debt-to-capital ratio would not exceed the 2.0:1.0 level.

Restricted Retained Earnings

As of September 30, 2023 and December 31, 2022, the Group has a total retained earnings of ₱256.2 billion and ₱243.8 billion, respectively. Out of this, ₱118.3 billion were restricted as of September 30, 2023 and December 31, 2022. The determination of retained earnings available for dividend declaration is assessed at the Parent Company level.

The details of the Group's restricted retained earnings follow:

Parent Company

As of September 30, 2023, 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 (b) settlement of Parent Company loan obligations; and (c) general corporate purposes.

The details of the loan obligations follow:

	Subsidiary	Amount	Settlement
Loan obligations:			
4.125% senior unsecured notes	JGSH Philippines, Limited	US$600.0 million	10 years maturing in 2030
Term Loans	Parent Company	₱30.8 billion	Maturing in 2024 to 2028
Term Loans	JGSPC	₱27.5 billion	Maturing in 2024 and 2025
Term Loans	JGSOC	₱37.5 billion	Maturing in 2024,2025 and 2028

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 less than 0.5:1.0; and (b) the Group's debt-to-equity ratio of not greater than 2.0:1.0. A portion of the Parent Company's retained earnings is restricted to maintain these financial ratios.

A corresponding amount of appropriated retained earnings will be reversed to unappropriated retained earnings once the foregoing loan obligations are settled.

RLC
On December 5, 2022, the BOD approved the appropriation of ₱20.0 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 on various dates from 2023 to 2026.

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 ₱87.7 billion and ₱85.2 billion as of September 30, 2023 and December 31, 2022, 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.
- Subject to the approval of the SEC of the amendment of Article Seventh of the Articles of Incorporation of the Parent Company, two hundred million (200,000,000) preferred voting shares to be issued and paid out of the unrestricted retained earnings of the Parent Company as of December 31, 2019 to all stockholders holding preferred voting shares.

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

Stock dividend distributable pertains to preferred voting shares to be issued to the preferred shareholders once the SEC approval has been obtained on the reclassification of preferred non-voting shares to preferred voting shares. On December 3, 2020, the Parent Company applied with the SEC for the reclassification of preferred non-voting shares to preferred voting shares. On June 29, 2021, the SEC approved the reclassification of the preferred non-voting shares to preferred voting shares.

Equity Reserve

URC

- In August 2012, URC acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represented the remaining 23.00% interest in URCICL. As a result of the acquisition, URC holds 100.00% interest in URCICL. URC charged equity reserve from the acquisition amounting to about ₱3.7 billion presented under 'Equity reserve' in the consolidated statements of financial position.

- In December 2014, URC entered into a share purchase agreement with Nissin Foods (Asia) Pte. Ltd. to sell 14.0% of its equity interest in NURC for a total consideration of ₱506.7 million. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The excess of the consideration received over the carrying amount of the equity transferred to NCI amounting to ₱481.1 million is presented under 'Equity reserve' in the consolidated statements of financial position.

- 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 share buy-back transaction last August 2023, the Parent Company's ownership over URC changed from 55.90% to 55.91% as of September 30, 2023.

- In February 2022, URC Foods (Singapore) Pte. Ltd. acquired 23,805 common shares of PPICL from Hong Kong Peggy Foods Company Limited for ₱214.9 million. The acquisition of shares represented 100.00% interest in PPICL. The Group charged equity reserve from the acquisition amounting to about ₱13.2 million presented under 'Equity reserve' in the consolidated statements of financial position.

RLC

- 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 62.66% as of December 31, 2022 to 65.31% as of September 30, 2023.

- On March 8, 2022, RLC entered into a Deed of Sale with RCR for the sale of Robinsons Cybergate Bacolod, excluding the land where the building is situated, for ₱734 million, exclusive of value-added-tax.

  On April 20, 2022, a Deed of Assignment was executed between RLC and RCR for the assignment, transfer, and conveyance by RLC of Robinsons Cyberscape Gamma, excluding the land where the building is situated, with a value of ₱5.9 billion, in exchange for the issuance of 778 million shares in RCR.

These resulted in increase in RLC's interest in RCR from 63.49% to 66.14%. The impact on the Group's Equity Reserves amounted to ₱1.1 billion.

21. Employee Benefits

Pension Plans

The Group has funded, noncontributory, defined benefit pension plans covering substantially all of their regular employees, except for JGSOC 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 ₱426 million into the pension fund in 2023.

22. Income Taxes

Republic Act (RA) No. 9337

Current tax regulations provide that the RCIT rate shall be 30.0% and interest expense allowed as a deductible expense is reduced by 33.0% of interest income subjected to final tax.

The NIRC of 1997 also provides for rules on the imposition of a 2.0% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Company commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT.

CREATE Act

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021. This aimed to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 of the CREATE Act introduced reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette on 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, RCIT rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 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 20.00%.
- MCIT rate reduced from 2.00% to 1.00% 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 30.00% to 25.00%.
- 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 20.00% 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 domestic market enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 5 years enhanced deductions (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 5.00% GIT or are currently enjoying 5.00% GIT – allowed to avail of the 5.00% GIT for 10 years.

Based on the provisions of Revenue Regulations No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory RCIT and MCIT rates for taxable year 2020 are 27.50% and 1.50%, respectively. The reduced amounts were reflected in the Group's 2020 annual income tax returns filed in 2021. However, for financial reporting purposes, the changes were only recognized in the 2021 financial statements.

<u>Entertainment, Amusement and Recreation (EAR) Expenses</u>
Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1.0% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses.

Under Section 11 of R. A. No. 7151 (CAI's Congressional Franchise) and under Section 15 of R. A. No. 9517 (Cebgo, Inc.'s Congressional Franchise), known as the "ipso facto clause" and the "equality clause", respectively, the CAI and Cebgo, Inc. are allowed to benefit from the tax privileges being enjoyed by competing airlines. CAI's and Cebgo, Inc.'s major competitor, by virtue of PD No. 1590, is enjoying tax exemptions which are likewise being claimed by the CAI and Cebgo, Inc., if applicable, including but not limited to the following:

a) To depreciate its assets to the extent of not more than twice as fast the normal rate of depreciation; and
b) To carry over as a deduction from taxable income any net loss (NOLCO) incurred in any year up to five years following the year of such loss.

In addition, pursuant to Section 4 (bbbb) of R.A. No. 11494 (Bayanihan to Recover as One Act) and as implemented under Revenue Regulations (RR) No. 25-2020, the NOLCO of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

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:

	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Income (loss) from continuing operations attributable to equity holders of the Parent Company	**₱14,634,278**	(₱1,700,487)
Income from discontinued operations attributable to equity holders of the Parent Company	**740,981**	841,506
Income (loss) attributable to holders of common shares of the Parent Company	**₱15,375,259**	(₱858,981)
Weighted average number of common shares	**7,520,984**	7,520,984
Basic/diluted earnings (loss) per share		
Continuing operations	**₱1.95**	(₱0.22)
Discontinued operations	**0.09**	0.11
	₱2.04	(₱0.11)

There were no potential dilutive common shares in 2023 and 2022.

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 signed various financial guarantee agreements with third parties for the short-term and long-term loans availed by its subsidiaries as discussed in Note 18 to the consolidated financial statements. No fees are charged for these guarantee agreements. Being the centralized treasury department within the Group, the Parent Company usually receives advances from subsidiaries and in turn, makes advances to other subsidiaries.

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.

<u>Approval requirements and limits on the amount and extent of related party transactions</u>
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 (10.00%) 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 and PEZA 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 certain 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**

<u>Contingencies</u>
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**

Merger of RBC with Bank of Philippine Islands (BPI)
On September 30, 2022, the Board of Directors (BOD) of RBC approved the plan of merger of RBC and BPI, with BPI as the surviving entity. The merger is seen as a strategic move that will unlock various synergies across businesses, expand customer bases, and enhance the overall banking experience of the Bank's customers with the combined network.

On January 17, 2023, stockholders representing at least two-thirds of the outstanding shares of BPI approved the merger between BPI and RBC.

On January 27, 2023, the Articles of Merger and the Plan of Merger were executed by BPI and RBC. The Supplement to the Agreement for the Merger of BPI and RBC was likewise executed on the same date by and among BPI, RBC and RBC Shareholders - RRHI and JGSCSC, which states that upon the effectivity of the Merger and receipt of all necessary corporate and regulatory approvals, RBC Shareholders will collectively hold approximately 6.0% of the resulting outstanding capital stock of BPI.

On September 14, 2023, a copy of the decision of the Philippine Competition Commission (PCC) which resolved to clear the proposed merger transaction was received. On October 20, 2023, in accordance with the requirements of the Securities and Exchange Comimission, a Supplement to the Plan of Merger was executed by BPI and RBC, providing the number of shares to be issued in favor of the RBC's Shareholders. BPI will issue a total of 314,003,992 common shares in relation to the merger. The parties have yet to secure regulatory approvals for the merger from the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission.

As a result, the related assets and liabilities of RBC as of September 30, 2023 and December 31, 2022 are presented as Asset Held for Sale and Liabilities Held for Sale, respectively, in the consolidated statements of financial position while the results of operations are presented as Net Income After Tax from Discontinued Operations in the consolidated statements of comprehensive income. In accordance with merger agreement, the assets of RBC held for sale exlude all its shares in Unicon Insurance Brokers Corporation, a 40%-owned associate of RBC, and such number of shares held by RBC in excess of 19% of GoTyme's total issued and outstanding capital stocks as of the closing date.

Management assessed that the carrying amount of Assets Held for Sale is lower than its fair value less costs to sell; thus, the amount recognized as Asset Held for Sale in the statements of financial position is equal to the carrying amounts as of September 30, 2023 and December 31, 2022.

The results of operations of RBC in the consolidated statements of comprehensive income for the nine months ended September 30, 2023 and 2022 are presented below:

	Quarters Ended		**Nine Months Ended**	
	2023	2022	**2023**	2022
Revenue				
Sale of services	**₱3,226,222**	₱2,719,991	**₱9,592,599**	₱7,690,715
Equity in net losses of associates and joint ventures	**195,856**	(50,703)	**–**	(95,135)
Dividend income	**2,229**	2,229	**6,687**	6,687
Rental income	**3,311**	3,310	**9,801**	11,821
	3,427,618	2,674,827	**9,609,087**	7,614,088
Cost of Sales and Services	**1,488,266**	670,396	**4,095,421**	1,598,800
Gross Income	**1,939,352**	2,004,431	**5,513,666**	6,015,288

	Quarters Ended		Nine Months Ended	
	2023	2022	**2023**	2022
Net Operating Expenses				
General and administrative expenses	**1,338,342**	1,325,959	**4,105,022**	3,887,945
Provision for impairment losses and others	**172,320**	274,747	**438,351**	622,752
	1,510,662	1,600,706	**4,543,373**	4,510,697
Operating Income	**428,690**	403,725	**970,293**	1,504,591
Other Income				
Foreign exchange gains	**95,529**	39,982	**253,399**	122,582
Others	**49,102**	41,310	**245,482**	73,415
Income Before Income Tax	**573,321**	485,017	**1,469,174**	1,700,588
Provision for Benefit from Income Tax	**98,731**	86,705	**234,206**	298,078
Net Income from Discontinued Operations	**₱474,590**	₱398,312	**₱1,234,968**	₱1,402,510

	Quarters Ended		Nine Months Ended	
	2023	2022	2023	2022
Attributable to Parent Company	**₱284,754**	₱238,987	**₱740,981**	₱841,506
Attributable to non-controlling interest	**189,836**	159,325	**493,987**	561,004
	₱474,590	₱398,312	**₱1,234,968**	₱1,402,510

The assets and liabilities of RBC classified as held for sale as of September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Cash and cash equivalents	**₱10,386,194**	₱6,638,014
Financial assets at fair value through profit or loss	**512**	519
Financial assets at fair value through OCI	**6,413,682**	6,729,170
Receivables	**106,996,948**	112,866,817
Investment securities at amortized cost	**34,196,834**	33,816,718
Investment in associates and joint ventures	**–**	342,153
Property, plant and equipment	**518,713**	569,720
Investment properties	**1,477,703**	1,203,085
Right-of-use assets	**473,777**	632,541
Goodwill	**244,327**	244,327
Intangible assets	**1,419,041**	1,365,390
Other assets	**2,345,045**	1,973,949
	₱164,472,776	₱166,382,403
Liabilities		
Accounts payable and accrued expenses*	**₱128,419,087**	₱123,776,941
Income tax payable	**21,805**	105
Lease liabilities	**568,729**	739,417
Other liabilities**	**15,638,762**	22,099,698
	144,648,383	146,616,161
Net Assets	**₱19,824,393**	₱19,766,242

** This amount includes the current portion of deposits liabilities as of September 30, 2023 and December 31, 2022 amounting to ₱115,350 and ₱113,796, respectively.*

*** This amount includes the noncurrent portion of deposit liabilities as of September 30 2023 and December 31, 2022 amounting to ₱8,072 and ₱12,061, respectively.*

The related cash flows arising from banking business activities for the nine months ended September 30, 2023 and for the year ended December 31, 2022.

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Net cash provided by (used in) operating activities	**₱6,056,457**	(₱21,694,909)
Net cash provided by (used in) investing activities	**49,941**	(2,650,462)
Net cash provided by (used in) financing activities	**(711,839)**	12,658,178
Effect of foreign exchange changes	**(11,858)**	5,748
	(₱5,382,701)	(₱11,681,445)

28. **Other Matters**

New Consortium formed to transform NAIA into a word-class airport
On April 27, 2023, the Manila International Airport Consortium (MIAC), a partnership among six leading Filipino conglomerates and US-based Global Infrastructure Partners (GIP) submitted an unsolicited proposal to the Philippine Government for the upgrading of Manila's Ninoy Aquino International Airport (NAIA). Valued at over ₱100 billion, the proposal includes a significant upfront payment to Government and committed investments in new facilities and technology to transform NAIA into a world-class airport.

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, 2023	December 31, 2022
Liquidity:			
Current ratio	Current assets* / Current liabilities* **Excludes Assets held for sale and Liabilities directly associated with assets held for sale*	1.11	0.98
Solvency:			
Debt-to-equity ratio/ Gearing ratio	Total financial debt** / Total equity ***Short-term loans + Long-term loans+ Bonds Payable +Derivative Liabilities*	0.70	0.77
Net debt-to-equity ratio	Total financial debt less total cash*** / Total equity **** including financial assets at FVTPL and FVOCI*	0.57	0.56
Asset-to-equity ratio	Total assets / Total equity	2.47	2.51

Ratio	Formula	Nine months ended September 30	
		2023	**2022**
Profitability:			
Operating income margin	Operating income (EBIT) / Total revenues	0.14	0.06
Leverage:			
Interest rate coverage ratio	Operating income plus depreciation and amortization (EBITDA) / Financing costs and other charges	5.04	4.31