

Compliance Report

The Company submitted the Integrated Corporate Governance Report (I-ACGR) to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on May 27, 2021. The I-ACGR is a reportorial requirement under SEC Memorandum Circular No. 15 series of 2017 to all PLCs to disclose the Company's compliance/non-compliance with the recommendations provided under the Corporate Governance Code for PLCs. With the "comply or explain" approach, voluntary compliance to recommended CG best practices is combined with mandatory disclosure.

Integrated Annual Corporate Governance Report (I-ACGR)

The Revised Corporate Governance Manual (RCGM) institutionalizes the principles of good corporate governance throughout the organization. It lays the foundation to the Company's compliance system and identifies the responsibilities of the Board of Directors and Management in relation to corporate governance. It also states the Company's policies on disclosure and transparency, and mandates the conduct of communication and training programs on corporate governance. The Manual further provides the rights of all shareholders and the protection of the interest of the minority shareholders.

The Company's RCGM, Board of Directors and different Board Committee Charters, corporate governance organizational structure are regularly reviewed to ensure compliance with regulatory issuances and to keep pace with the constant development of corporate governance best practices. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Corporation observes good governance. The Company also consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards.

Revised Corporate Governance Manual

Corporate Governance Policies

To reinforce the governance framework, the Company put in place and adopted policies on Board Diversity, Board Nomination and Election, Succession Planning and Remuneration, Material Related Party Transactions, Insider Trading, Whistleblowing, Stakeholders Health, Safety and Welfare, Information Security, Data Privacy, Supplier Accreditation, Directors, Officers, Stockholders and Related Interests (DOSRI), Disclosure, among others.

The above-mentioned corporate governance documents and policies may be accessed in the Company's website, in the Governance section.

Corporate Governance Policies

Stakeholders Welfare, Transparency, and Anti-corruption

Duty to Shareholders

The Company is committed to ensuring fair and equitable treatment of all shareholders, including the minority, and the protection of their rights that include, right to vote on all matters that require their consent or approval, right to inspect corporate books and records, right to information, right to dividends and appraisal right.

JGS is transparent and fair in the conduct of its annual and special Shareholders' meetings. To foster active shareholder participation, the Board sends the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least fifteen (15) business days before the meeting, which also complies with the Securities Regulation Code. The Shareholders are encouraged to personally attend such meetings. Shareholders who are unable to attend are apprised ahead of time of their right to appoint a proxy. Subject to the requirements of law, rules and regulations and the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the favor of the shareholder.

Duty to Other Stakeholders

The Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that encourages the Company's sustainable growth, while contributing to the advancement of the society where it operates. The Company employs value chain processes that take into consideration the Economic, Environmental, Social and Governance (EESG) issues and concerns.



Customers' Welfare

The Company adopts customer relations policies and procedures to protect customer's welfare. This includes providing and making available the customer relations contact information empowered to address and attend to customer questions and concerns.

Supplier & Contractor Selection

The Company follows the Supplier Accreditation Policy to ensure that the Company's suppliers and contractors are qualified to meet its commitments. Apart from the accreditation process, suppliers and contractors also undergo orientation on Company policies and ethical practices.

Employees

The Board also establishes policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and its governance including but not limited to:

- Health, Safety and Welfare
- Training and Development
- Rewards, Compensation and Benefits

Performance-enhancing mechanisms for employee participation

The Company complies with the standards and policies set by the Department of Labor and Employment. Likewise, the Company has Security and Safety Manuals that are implemented, reviewed and regularly updated to ensure the security, safety, health, and welfare of the employees in the workplace.

[See Leadership and People Development](#)

Anti-corruption programs and procedures

The ethical and behavioral standards that are expected of Directors, Officers and Employees are set out and embodied in the Company's Code of Conduct and Ethics, Anti-Corruption Programs, Company Policies and Offenses Subject to Disciplinary Action (OSDA), among others. The same are disseminated to all employees across the Company through training sessions to embed them in the Company culture. New employees are oriented regarding policies and procedures related to Business Conduct and Ethics. Further, all concerned employees of the Conglomerate are required to comply with the Self-Disclosure Activity on Conflict of Interest and Declaration of Gifts Received on an annual basis.

The Company also has an established suitable framework for whistleblowing and carries out its enforcement to allow employees and other stakeholders to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. Any employee, business partner and other stakeholders may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee (CICOM). Reports can be made in writing or by email using the following contact details:

Email: CICOM@jgsummit.com.ph

Mailing Address: CICOM JG Summit Holdings, Inc.

40/F Robinsons Equitable Tower ADB Avenue cor P. Poveda St.,
Ortigas Center, Pasig City Metro Manila, Philippines

All information received in connection with the reports or disclosures shall be strictly confidential and shall not be disclosed to any person without prior consent of CICOM.

The Company also launched “i-Speak”, an online whistleblowing portal available for access 24/7 by the public in the Company's website. Access to i-Speak is through this web link: **[i-Speak Report](#)**



The anti-corruption programs and procedures of the Company covers the following:

- Conflict of Interest
- Conduct of Business and Fair Dealings
- Receipt of Gifts from Third Parties
- Compliance with Laws and Regulations
- Respect for Trade Secrets/Use of Non-public Information
- Use of Company Funds, Assets and Information
- Employment and Labor Laws and Policies
- Disciplinary Action
- Whistleblowing
- Resolution of Conflicts

Enterprise Risk Management and Internal Controls

The Company recognizes the increasing importance of sound risk management practices to drive business growth and sustainability. The Company implemented systems and processes to facilitate proper risk identification, monitoring and control, which are key to effective corporate governance. Timely and accurate management and financial reporting systems, internal controls, and audits are also employed to protect and maximize stakeholders' value.

The Board oversees Management's adoption and implementation of a sound risk management framework for identifying, monitoring and managing key risk areas. The Board of Directors reviews Management reports with due diligence to enable the company to anticipate, minimize, control and manage risks or possible threats to its operational and financial viability.

Effective July 1, 2021, the Board has appointed Mr. Brian M. Go as Chief Finance and Risk Officer (CFRO) of JGSHI. Under the controls function, the CFRO is the steward of risk management specifically those that have financial impact and affect company value.

Enterprise Risk Management (ERM)

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.

Internal Controls

To further advocate the Company's commitment in the pursuit of good governance and achieving compliance with applicable laws and Company policies and procedures, the Company ensures to strengthen the Enterprise Governance, Risk Management and Compliance (GRC) Culture and maintain a strong system of internal controls focused on accountability and oversight of operations. With the leadership of the Company's Chief Finance and Risk Officer (CFRO), internal control is embedded in the operations of the company and in each Business Unit (BU) and Corporate Center Unit (CCU). To accomplish the established goals and objectives, the BUs and CCUs implement robust and efficient process controls to ensure:



- Compliance with policies, procedures, laws and regulations
- Economic and efficient use of resources
- Check and balance and proper segregation of duties
- Identification and remediation control weaknesses
- Reliability and integrity of information
- Proper safeguarding of company resources and protection of company assets through early detection and prevention of fraud

Accountability and Audit

The Board ensures that its Shareholders are provided with a balanced and comprehensive assessment of the Company's performance, position and prospects on a quarterly basis. Interim and other reports that could adversely affect its business are also made available in the Company website including its submissions and disclosures to the SEC and PSE.

Effective July 1, 2021, the Board has appointed Ms. Rya Aissa Agustin as the new Chief Audit Executive (CAE) upon the recommendation of the Audit Committee.

Internal Audit

The Internal Audit Group is focused on adhering to their purpose, mission and vision to be the trusted advisors of the Conglomerate's Board and Management and be world-class internal audit professionals who deliver independent, objective, quality and agile audit services at benchmark value, enabled by innovative audit systems and technologies.

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for JGS. The Internal audit assessments include evaluating whether:

- Risks relating to the achievement of JGSHI's strategic objectives are appropriately identified and managed.
- The actions of JGSHI officers, directors, employees, and contractors are in compliance with JGSHI's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact JGSHI.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Internal Audit Group provide the following services to the Company:

Assurance Services

Refers to the objective examination of evidence to provide an independent assessment of risk management, control or governance processes for the organization.

Consulting Services

Refers to the advisory or partnering activities, beyond JGSHI Internal Audit's assurance services, intended to directly aid line managers in meeting their goals. The nature and scope of the work to be performed under these engagements are agreed upon with the clients/proponents.

Investigative Services

Refers to an investigation which is a special purpose type of audit. Its primary purpose is to gather, develop, examine and/or evaluate evidence to determine if there has been an improper act committed by a person or entity and allegations of an improper act which carry with them the possibility of legal action, whether in the form of hearings, litigations, or criminal proceedings.

Other Matters

External Auditor and their fees

Name of Auditor	Audit and Audit-Related Fees	Year 2021
SyCip, Gorres, Velayo & Co.	Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	Php 4,200,000
	Total	Php 4,200,000

Dividends

The Board of Directors of JGS approved on May 13, 2021 the declaration of a regular cash dividend in the amount of Thirty Eight Centavos (P0.38) per common share from unrestricted retained earnings of JGS as of December 31, 2020 to all stockholders of record as of June 11, 2021 and paid on July 7, 2021.

Company Website

The Company updates the public with operating and financial results through timely disclosures filed with SEC and PSE. The company website is maintained to ensure investor-friendliness and the convenient access of information for all the shareholders and various stakeholders. The Company website contains comprehensive information about the Company's business portfolios, disclosures and reports, corporate governance reports, manual and policies, press releases and an archive thereof, vision, mission, core values, investor relations program, sustainability and corporate social responsibility activities, among others. The Company ensures that all information included in the Company website is accurate, relevant and up-to-date. These are available on the company's website: **www.jgsummit.com.ph**

Visit Company Website

Financial Statements





INDEPENDENT AUDITOR’S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 are prepared in all material respects, in accordance 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) as described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs, which are applicable to the Group’s Real Estate Segment, specifically under Robinsons Land Corporation, on the 2021 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.



Key Audit Matters

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

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

Real Estate Revenue Recognition

The Group’s revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the Group will collect the consideration from the buyer; (2) application of the input method as the measure of progress of project completion in determining the revenue to be recognized; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

In the China operations of the Real Estate Segment, revenue is recognized at the end of the project when the contract has been substantially completed and there has been acceptance by the buyer of the real estate inventory sold. Significant judgment is required to determine that the project is completed or substantially completed.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer’s initial payments (or buyer’s equity) in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of the COVID-19 pandemic, if such would continue to support the Group’s current threshold of buyers’ equity before commencing revenue recognition.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

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

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



The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage-of-completion (POC) method in amortizing sales commission consistent with the Group’s revenue recognition policy.

The Group’s real estate revenue and costs include revenue and cost recognition from the Real Estate Segment operations in China. In recording its revenues, it uses Completed Contract Method (CCM) in accordance with PFRS 15. Under this method, all revenue and income associated with the sale of the real estate inventories are recognized only after the completion of the project.

The disclosures related to the real estate revenue are included in Notes 3 and 26 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group’s revenue recognition process.

For the buyers’ equity, we evaluated management’s basis of the buyer’s equity by comparing this to the historical analysis of sales cancellations and back-outs of buyers with accumulated payments above the collection threshold. We also considered the impact of the COVID-19 pandemic to the level of cancellations during the year. We traced the analysis to supporting documents such as deed of cancellation.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the input method in determining real estate revenue and for determining cost of sales, we obtained an understanding of the Group’s processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to the supporting documents such as purchase order, billings and invoices of contractors and other documents evidencing receipt of materials and services from suppliers and contractors. We visited selected project sites and made relevant inquiries, including inquiries on how the COVID-19 pandemic affected the POC during the period, with project engineers. We performed test computation of the POC calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details such as capital fulfillment plan, capital expenditure requests and related executive committee approvals. We likewise performed inquiries with the project engineers for the revisions.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (i.e., net contract price) against the related contract to sell, and (c) the POC used in calculating the sales commission against the POC used in recognizing the related revenue from real estate sales.



We sent instructions to our EY network firm in China (EY Hua Ming Chengdu Office) to review the audit procedures performed by the statutory auditors of the Real Estate Segment operations in China for the purpose of the Group’s consolidated financial statements. These audit instructions cover the review of the statutory auditors’ scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We obtained information about the statutory auditors’ key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2021. We also reviewed the working papers of the statutory auditors of the Real Estate Segment operations in China, focusing on the procedures performed on the real estate revenue recognition. Based on the reports obtained and reviewed, the statutory auditors in China performed tests of the relevant controls on revenue process, verified the revenue and costs recognized, obtained and assessed relevant licenses including communications to buyers that real estate inventories are ready for acceptance, obtained signed notice of acceptance or equivalent documentation from the buyers, obtained and evaluated accomplishment reports, and validated that the revenue and costs are recognized in the correct period.

Recoverability of Goodwill and Intangible Assets

The Group is required to perform annual impairment tests on its goodwill and intangible assets with indefinite useful lives. As of December 31, 2021, the Group’s goodwill attributable to the acquisition of Crunchy Foods Sdn. Bhd. and Subsidiaries and other acquired entities amounted to ₱22.2 billion. The Group’s intangible assets with indefinite useful lives consist of trademarks and brands, and product formulation amounting to ₱1.4 billion and ₱0.4 billion, respectively. The annual impairment test is significant to our audit because (a) the balances of goodwill and intangible assets with indefinite useful lives are material to the consolidated financial statements; and (b) management’s assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic, specifically revenue growth rate, discount rate and the terminal growth rate that are applied to the cash flow forecasts.

The Group’s disclosures about goodwill and intangible assets with indefinite useful lives are included in Notes 3, 18 and 19 to the consolidated financial statements.

Audit response

We involved our internal specialists in evaluating the methodologies used and the management’s assumptions by comparing the key assumptions used such as revenue growth rate and the terminal growth rate against the historical performance of the cash generating unit (CGU), industry/market outlook and other relevant external data, taking into consideration the impact associated with the COVID-19 pandemic. We also assessed the reasonableness of the discount rate used by comparing these against entities with similar risk profiles, capital structures, industries, and market information. We also reviewed the Group’s disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible assets with indefinite useful lives.



Adequacy of Allowance for Credit Losses on Loans and Receivables from the Banking Segment

The Group’s application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables of its banking business is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group’s credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and payment holidays provided as a result of the coronavirus pandemic; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays), including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2021 for the Banking Segment amounted to ₱2.3 billion. Provision for credit losses of the Banking Segment in 2021 amounted to ₱1.3 billion.

The disclosures related to the allowance for credit losses on loans and receivables of the banking business are included in Notes 3 and 11 to the consolidated financial statements.

Audit response

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

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

Further, we compared the data used in the ECL models from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis and models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.



We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the consolidated financial statements. We involved our internal specialists in the performance of the above procedures.

Accounting for Investment in an Associate

The Group has an investment in Manila Electric Company (Meralco) that is accounted for under the equity method. For the year ended December 31, 2021, the Group’s share in the net income of Meralco amounted to ₱6.7 billion and accounts for 10.4% of the Group’s consolidated gross income.

The Group’s share in Meralco’s net income is significantly affected by Meralco’s revenues from the sale of electricity which arise from its service contracts with a large number of customers that are classified as either commercial, industrial or residential, located within Meralco’s franchise area. This matter is significant to our audit because the revenue recognized depends on (a) the complete capture of electric consumption based on the meter readings over the franchise area taken on various dates; (b) the propriety of rates computed and applied across customer classes including the application of adjustments promulgated by the Energy Regulatory Commission (ERC); and (c) the reliability of the IT systems involved in processing the billing transactions.

In addition, Meralco is involved in certain proceedings and claims for which it has recognized provisions for probable costs and/or expenses, which may be incurred, and/or has disclosed relevant information about such contingencies. This matter is significant to our audit because the determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

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

Audit response

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

We also examined the bases of management’s assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized and/or disclosed in the Group’s financial statements and involved our internal specialist when necessary. We discussed with management the status of the claims and/or assessments and obtained correspondences with the relevant authorities and opinions from the internal and external legal counsels. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence.

We obtained the financial information of Meralco for the year ended December 31, 2021 and recomputed the Group’s share in net income and other comprehensive income for the year ended December 31, 2021.



Impairment Testing of Property and Equipment and Right-of-use Assets

The Group tests for impairment its property and equipment and right-of-use assets where indicators of impairment exist. As of December 31, 2021, the Group has property and equipment and right-of-use assets relating to its airline business amounting to ₱74.3 billion and ₱30.3 billion, respectively. The disruption caused by the COVID-19 pandemic to the Group’s airline operations, which reported significant net loss in 2021, is considered by management as an impairment indicator of property and equipment and right-of-use assets. Accordingly, management performed impairment tests to determine whether the carrying amounts of property and equipment and right-of-use assets have exceeded their recoverable amounts.

Management’s impairment assessment process on property and equipment and right-of-use assets requires significant judgment and is based on assumptions, specifically discount rate and cashflow forecast, that are subject to higher level of estimation uncertainty especially given the current economic conditions as impacted by the COVID-19 pandemic.

We consider the impairment testing as a key audit matter given that the amounts of property and equipment and right-of-use assets are significant to the consolidated financial statements of the Group, the heightened level of estimation uncertainty on the future economic outlook and market forecast and the significant judgment involved.

The Group’s disclosures in relation to property and equipment and right-of-use assets are included in Notes 3, 16 and 42 to the consolidated financial statements.

Audit response

With the involvement of our internal specialist, we evaluated the key assumptions, such as forecasted revenues, operating costs and discount rates, that were used to estimate the discounted cash flows of the CGU to which management attributes the property and equipment and right-of-use assets. We evaluated these key assumptions based on our understanding of the Group’s business plans and by reference to historical information and relevant market data. In our sensitivity analyses, we considered past, current and anticipated changes in the business and economic environment. We tested the parameters used in the determination of the discount rate against market data.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor’s report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor’s report.

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



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

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

Management is responsible for the preparation of the consolidated financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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



The engagement partner on the audit resulting in this independent auditor’s report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.


Vicky Lee Salas
Partner
CPA Certificate No. 86838
Tax Identification No. 129-434-735
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
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SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854312, January 3, 2022, Makati City

March 30, 2022

INDEPENDENT AUDITOR’S REPORT

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.

Opinion

We have audited the accompanying consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 are prepared in all material respects, in accordance 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) as described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs, which are applicable to the Group’s Real Estate Segment, specifically under Robinsons Land Corporation, on the 2021 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Real Estate Revenue Recognition

The Group’s revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the Group will collect the consideration from the buyer; (2) application of the input method as the measure of progress of project completion in determining the revenue to be recognized; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

In the China operations of the Real Estate Segment, revenue is recognized at the end of the project when the contract has been substantially completed and there has been acceptance by the buyer of the real estate inventory sold. Significant judgment is required to determine that the project is completed or substantially completed.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer’s initial payments (or buyer’s equity) in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of the COVID-19 pandemic, if such would continue to support the Group’s current threshold of buyers’ equity before commencing revenue recognition.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

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

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

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The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage-of-completion (POC) method in amortizing sales commission consistent with the Group’s revenue recognition policy.

The Group’s real estate revenue and costs include revenue and cost recognition from the Real Estate Segment operations in China. In recording its revenues, it uses Completed Contract Method (CCM) in accordance with PFRS 15. Under this method, all revenue and income associated with the sale of the real estate inventories are recognized only after the completion of the project.

The disclosures related to the real estate revenue are included in Notes 3 and 26 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group’s revenue recognition process.

For the buyers’ equity, we evaluated management’s basis of the buyer’s equity by comparing this to the historical analysis of sales cancellations and back-outs of buyers with accumulated payments above the collection threshold. We also considered the impact of the COVID-19 pandemic to the level of cancellations during the year. We traced the analysis to supporting documents such as deed of cancellation.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the input method in determining real estate revenue and for determining cost of sales, we obtained an understanding of the Group’s processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to the supporting documents such as purchase order, billings and invoices of contractors and other documents evidencing receipt of materials and services from suppliers and contractors. We visited selected project sites and made relevant inquiries, including inquiries on how the COVID-19 pandemic affected the POC during the period, with project engineers. We performed test computation of the POC calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details such as capital fulfillment plan, capital expenditure requests and related executive committee approvals. We likewise performed inquiries with the project engineers for the revisions.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (i.e., net contract price) against the related contract to sell, and (c) the POC used in calculating the sales commission against the POC used in recognizing the related revenue from real estate sales

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We sent instructions to our EY network firm in China (EY Hua Ming Chengdu Office) to review the audit procedures performed by the statutory auditors of the Real Estate Segment operations in China for the purpose of the Group’s consolidated financial statements. These audit instructions cover the review of the statutory auditors’ scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We obtained information about the statutory auditors’ key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2021. We also reviewed the working papers of the statutory auditors of the Real Estate Segment operations in China, focusing on the procedures performed on the real estate revenue recognition. Based on the reports obtained and reviewed, the statutory auditors in China performed tests of the relevant controls on revenue process, verified the revenue and costs recognized, obtained and assessed relevant licenses including communications to buyers that real estate inventories are ready for acceptance, obtained signed notice of acceptance or equivalent documentation from the buyers, obtained and evaluated accomplishment reports, and validated that the revenue and costs are recognized in the correct period.

Recoverability of Goodwill and Intangible Assets

The Group is required to perform annual impairment tests on its goodwill and intangible assets with indefinite useful lives. As of December 31, 2021, the Group’s goodwill attributable to the acquisition of Crunchy Foods Sdn. Bhd. and Subsidiaries and other acquired entities amounted to ₱22.2 billion. The Group’s intangible assets with indefinite useful lives consist of trademarks and brands, and product formulation amounting to ₱1.4 billion and ₱0.4 billion, respectively. The annual impairment test is significant to our audit because (a) the balances of goodwill and intangible assets with indefinite useful lives are material to the consolidated financial statements; and (b) management’s assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic, specifically revenue growth rate, discount rate and the terminal growth rate that are applied to the cash flow forecasts.

The Group’s disclosures about goodwill and intangible assets with indefinite useful lives are included in Notes 3, 18 and 19 to the consolidated financial statements.

Audit response

We involved our internal specialists in evaluating the methodologies used and the management’s assumptions by comparing the key assumptions used such as revenue growth rate and the terminal growth rate against the historical performance of the cash generating unit (CGU), industry/market outlook and other relevant external data, taking into consideration the impact associated with the COVID-19 pandemic. We also assessed the reasonableness of the discount rate used by comparing these against entities with similar risk profiles, capital structures, industries, and market information. We also reviewed the Group’s disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible assets with indefinite useful lives.

Adequacy of Allowance for Credit Losses on Loans and Receivables from the Banking Segment

The Group’s application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables of its banking business is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group’s credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and payment holidays provided as a result of the coronavirus pandemic; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays), including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2021 for the Banking Segment amounted to ₱2.3 billion. Provision for credit losses of the Banking Segment in 2021 amounted to ₱1.3 billion.

The disclosures related to the allowance for credit losses on loans and receivables of the banking business are included in Notes 3 and 11 to the consolidated financial statements.

Audit response

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

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

Further, we compared the data used in the ECL models from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis and models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the consolidated financial statements. We involved our internal specialists in the performance of the above procedures.

Accounting for Investment in an Associate

The Group has an investment in Manila Electric Company (Meralco) that is accounted for under the equity method. For the year ended December 31, 2021, the Group’s share in the net income of Meralco amounted to ₱6.7 billion and accounts for 10.4% of the Group’s consolidated gross income.

The Group’s share in Meralco’s net income is significantly affected by Meralco’s revenues from the sale of electricity which arise from its service contracts with a large number of customers that are classified as either commercial, industrial or residential, located within Meralco’s franchise area. This matter is significant to our audit because the revenue recognized depends on (a) the complete capture of electric consumption based on the meter readings over the franchise area taken on various dates; (b) the propriety of rates computed and applied across customer classes including the application of adjustments promulgated by the Energy Regulatory Commission (ERC); and (c) the reliability of the IT systems involved in processing the billing transactions.

In addition, Meralco is involved in certain proceedings and claims for which it has recognized provisions for probable costs and/or expenses, which may be incurred, and/or has disclosed relevant information about such contingencies. This matter is significant to our audit because the determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

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

Audit response

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

We also examined the bases of management’s assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized and/or disclosed in the Group’s financial statements and involved our internal specialist when necessary. We discussed with management the status of the claims and/or assessments and obtained correspondences with the relevant authorities and opinions from the internal and external legal counsels. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence.

We obtained the financial information of Meralco for the year ended December 31, 2021 and recomputed the Group’s share in net income and other comprehensive income for the year ended December 31, 2021.

Impairment Testing of Property and Equipment and Right-of-use Assets

The Group tests for impairment its property and equipment and right-of-use assets where indicators of impairment exist. As of December 31, 2021, the Group has property and equipment and right-of-use assets relating to its airline business amounting to ₱74.3 billion and ₱30.3 billion, respectively. The disruption caused by the COVID-19 pandemic to the Group’s airline operations, which reported significant net loss in 2021, is considered by management as an impairment indicator of property and equipment and right-of-use assets. Accordingly, management performed impairment tests to determine whether the carrying amounts of property and equipment and right-of-use assets have exceeded their recoverable amounts.

Management’s impairment assessment process on property and equipment and right-of-use assets requires significant judgment and is based on assumptions, specifically discount rate and cashflow forecast, that are subject to higher level of estimation uncertainty especially given the current economic conditions as impacted by the COVID-19 pandemic.

We consider the impairment testing as a key audit matter given that the amounts of property and equipment and right-of-use assets are significant to the consolidated financial statements of the Group, the heightened level of estimation uncertainty on the future economic outlook and market forecast and the significant judgment involved.

The Group’s disclosures in relation to property and equipment and right-of-use assets are included in Notes 3, 16 and 42 to the consolidated financial statements.

Audit response

With the involvement of our internal specialist, we evaluated the key assumptions, such as forecasted revenues, operating costs and discount rates, that were used to estimate the discounted cash flows of the CGU to which management attributes the property and equipment and right-of-use assets. We evaluated these key assumptions based on our understanding of the Group’s business plans and by reference to historical information and relevant market data. In our sensitivity analyses, we considered past, current and anticipated changes in the business and economic environment. We tested the parameters used in the determination of the discount rate against market data.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor’s report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor’s report.

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

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

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

Management is responsible for the preparation of the consolidated financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas
Partner
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PTR No. 8854312, January 3, 2022, Makati City

March 30, 2022



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INDEPENDENT AUDITOR’S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated March 30, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group’s management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole, are prepared in all material respects, in accordance with Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas
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INDEPENDENT AUDITOR’S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 30, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group’s management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) as described in Note 2 to the consolidated financial statements, and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the SEC, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements. The components of these financial soundness indicators have been traced to the Group’s financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

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March 30, 2022

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

- 2 -

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱82,890,121,521	₱81,491,412,768
Financial assets at fair value through profit or loss (Note 9)	6,461,016,163	5,565,016,984
Financial assets at fair value through other comprehensive income (Note 10)	39,258,310,300	31,894,154,102
Receivables (Note 11)	72,223,652,647	68,368,485,048
Inventories (Note 12)	81,611,906,817	75,777,125,084
Biological assets (Note 17)	132,144,916	99,919,468
Assets held for sale (Note 14)	—	11,101,305,051
Other current assets (Note 13)	23,689,960,612	26,991,150,439
Total Current Assets	306,267,112,976	301,288,568,944
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Note 10)	44,506,905,999	32,847,478,716
Receivables (Note 11)	75,487,480,442	66,846,238,081
Investment securities at amortized cost (Note 10)	8,474,858,779	8,049,365,423
Investments in associates and joint ventures (Note 14)	146,034,119,456	139,332,835,472
Property, plant and equipment (Note 16)	249,548,670,957	260,415,739,705
Investment properties (Note 15)	117,761,485,499	104,675,085,905
Right-of-use assets (Note 42)	32,280,314,606	23,048,735,045
Goodwill (Note 19)	22,237,699,206	32,160,471,793
Intangible assets (Note 18)	4,352,695,726	14,154,901,195
Biological assets (Note 17)	166,105,594	134,331,929
Other noncurrent assets (Note 20)	15,627,551,560	16,654,770,116
Total Noncurrent Assets	716,477,887,824	698,319,953,380
	₱1,022,745,000,800	₱999,608,522,324
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 21 and 42)	₱181,687,563,607	₱172,620,587,036
Short-term debts (Note 23)	65,995,583,482	44,418,092,185
Current portion of long-term debts (Note 23)	19,501,714,468	34,413,387,739
Income tax payable	333,400,913	532,809,008
Other current liabilities (Note 22)	32,691,500,170	43,594,117,685
Total Current Liabilities	300,209,762,640	295,578,993,653
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 23)	200,830,478,415	237,928,498,602
Bonds payable (Note 23)	12,184,836,126	—
Deferred tax liabilities (Note 38)	4,548,347,515	8,661,143,952
Other noncurrent liabilities (Note 24)	61,340,593,544	49,329,529,759
Total Noncurrent Liabilities	278,904,255,600	295,919,172,313
Total Liabilities	579,114,018,240	591,498,165,966

	December 31	
	2021	2020
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 25)	₱52,775,553,415	₱52,832,571,475
Retained earnings (Note 25)	246,190,700,415	242,690,846,520
Equity reserve (Note 25)	40,341,545,330	30,870,428,825
Other comprehensive losses (Note 36)	(3,998,907,945)	(18,072,540,464)
	335,308,891,215	308,321,306,356
Non-controlling interests (Note 25)	108,322,091,345	99,789,050,002
Total Equity	443,630,982,560	408,110,356,358
	₱1,022,745,000,800	₱999,608,522,324

See accompanying Notes to Consolidated Financial Statements.

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

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	Years Ended December 31		
	2021	2020 (As Restated - Notes 2 and 44)	2019 (As Restated - Notes 2 and 44)
REVENUE (Note 26)			
Sale of goods and services:			
Foods	₱116,954,788,444	₱113,161,785,302	₱114,403,217,219
Real estate and hotels	35,561,985,340	27,518,406,639	33,491,747,783
Air transportation	15,740,756,855	22,617,967,165	84,806,810,363
Petrochemicals	40,323,467,713	21,275,283,602	29,053,982,086
Banking	9,285,942,362	9,174,583,626	8,121,662,955
Equity in net earnings of associates and joint ventures (Note 14)	9,685,312,139	7,584,634,408	13,337,668,925
Dividend income (Note 28)	2,139,858,648	2,011,120,839	1,348,711,916
Supplementary businesses	860,222,110	907,768,085	749,175,892
	230,552,333,611	204,251,549,666	285,312,977,139
COST OF SALES AND SERVICES			
Cost of sales (Note 30)	122,294,514,585	100,432,212,372	109,754,474,094
Cost of services (Note 30)	43,588,528,368	39,532,427,637	70,085,768,333
	165,883,042,953	139,964,640,009	179,840,242,427
GROSS INCOME	64,669,290,658	64,286,909,657	105,472,734,712
NET OPERATING EXPENSES			
General and administrative expenses (Note 31)	51,235,705,424	52,947,982,752	53,703,458,101
Provision for (reversal of) impairment losses and others (Note 34)	2,018,025,657	1,420,479,998	(2,144,968,452)
	53,253,731,081	54,368,462,750	51,558,489,649
OPERATING INCOME	11,415,559,577	9,918,446,907	53,914,245,063
OTHER INCOME (LOSSES)			
Financing costs and other charges (Note 35)	(9,111,084,606)	(8,913,379,991)	(9,942,735,096)
Finance income (Note 27)	1,094,584,901	1,213,910,835	2,054,451,319
Foreign exchange gains (losses)	(3,056,849,330)	2,566,753,557	899,389,898
Market valuation gains (losses) on financial assets at fair value through profit or loss - net (Note 9)	223,603,728	(307,614,214)	703,885,932
Market valuation losses on derivative financial instruments - net (Note 8)	(1,318,117,077)	(2,025,330,184)	(63,352,472)
Others (Notes 21 and 29)	568,113,153	(470,478,828)	(54,316,681)
INCOME (LOSS) BEFORE INCOME TAX	(184,189,654)	1,982,308,082	47,511,567,963
PROVISION FOR INCOME TAX (Note 38)	362,357,776	2,705,574,458	5,210,568,871
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	(546,547,430)	(723,266,376)	42,300,999,092
NET INCOME FROM DISCONTINUED OPERATIONS (Note 44)	11,280,571,602	1,120,472,735	364,512,757
NET INCOME	10,734,024,172	397,206,359	42,665,511,849
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 36)			
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustments	1,652,006,232	(1,910,864,049)	1,200,011,485
Net gains (losses) on financial assets at FVOCI (debt securities) (Note 10)	(1,743,564,389)	457,815,933	1,496,992,980
Net gains (losses) from cash flow hedges (Note 8)	51,509,875	(230,922,782)	175,171,778

(Forward)

	Years Ended December 31		
	2021	2020 (As Restated - Notes 2 and 44)	2019 (As Restated - Notes 2 and 44)
Share in the net unrealized gains (losses) on financial assets at FVOCI of associates (debt securities) (Note 14)	₱77,748,060	₱29,562,000	₱176,256,150
Items that will not be reclassified to profit or loss:			
Net gains (losses) on financial assets at FVOCI (equity securities) (Note 10)	12,022,272,326	8,599,375,242	(2,403,711,068)
Remeasurements of the net defined benefit liability (Note 37)	679,789,817	(65,080,677)	(588,565,201)
Share in the net unrealized gains (losses) on financial assets at FVOCI of associates (equity securities) (Note 14)	(43,264,137)	26,101,285	—
Share in remeasurements of the net defined benefit liability of associates (Note 14)	1,918,720,561	(1,083,403,985)	(1,170,380,505)
	14,615,218,345	5,822,582,967	(1,114,224,381)
TOTAL COMPREHENSIVE INCOME	₱25,349,242,517	₱6,219,789,326	₱41,551,287,468
NET INCOME (LOSS) ATTRIBUTABLE TO			
Equity holders of the Parent Company	₱5,108,229,771	(₱468,159,528)	₱31,285,246,332
Non-controlling interests (Note 25)	5,625,794,401	865,365,887	11,380,265,517
	₱10,734,024,172	₱397,206,359	₱42,665,511,849
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO			
Equity holders of the Parent Company	₱19,124,074,421	₱6,246,468,718	₱29,342,932,092
Non-controlling interests (Note 25)	6,225,168,096	(26,679,392)	12,208,355,376
	₱25,349,242,517	₱6,219,789,326	₱41,551,287,468
Earnings (Loss) Per Share Attributable to Equity Holders of the Parent Company (Note 39)			
Basic/diluted earnings (loss) per share	₱0.68	(₱0.06)	₱4.16

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2021, 2020 and 2019																	
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY																	
	Paid-up Capital (Note 25)				Retained Earnings (Note 25)				Other Comprehensive Income (Note 36)								NON-CONTROLLING INTERESTS (Note 25)
	Capital Stock	Additional Paid-in Capital	Stock Dividend Distributable	Total Paid-up Capital	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Retained Earnings	Equity Reserve (Note 25)	Cumulative Translation Adjustments (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Net Unrealized Losses on Cash Flow Hedge (Note 8)	Remeasurements of the Net Defined Benefit Liability (Note 37)	Total Other Comprehensive Income (Loss)				
Balance at January 1, 2021	₱7,560,983,658	₱45,148,987,817	₱122,600,000	₱52,832,571,475	₱124,406,517,121	₱118,284,329,399	₱242,690,846,520	₱30,870,428,825	(₱924,884,392)	(₱14,794,597,877)	(₱23,730,026)	(₱2,329,328,169)	(₱18,072,540,464)	₱308,321,306,356	₱99,789,050,002	₱408,110,356,358	
Total comprehensive income	—	—	—	—	5,108,229,771	—	5,108,229,771	—	877,705,266	10,755,237,381	23,730,026	2,359,171,977	14,015,844,650	19,124,074,421	6,225,168,096	25,349,242,517	
Cash dividends	—	—	—	—	(2,873,173,790)	—	(2,873,173,790)	—	—	—	—	—	—	(2,873,173,790)	(4,420,473,375)	(7,293,647,165)	
Sale of equity interest in an associate	—	—	—	—	(57,787,869)	—	(57,787,869)	—	—	—	—	57,787,869	—	—	—	—	
Sale of equity interest in a subsidiary (by a subsidiary)	—	—	—	—	—	—	—	10,830,531,189	—	—	—	—	—	—	—	—	
Acquisition of non-controlling interest by a subsidiary	—	—	—	—	(4,210,312)	—	(4,210,312)	—	—	—	—	—	—	—	(4,210,312)	(473,539,688)	
Issuance of shares by subsidiaries	—	—	—	—	—	—	—	159,533,787	—	—	—	—	—	—	159,533,787	3,021,843,474	
Stock dividends	2,000,000	120,600,000	(122,600,000)	—	—	—	—	—	—	—	—	—	—	—	—	—	
Increase in subsidiaries' treasury shares	—	(700,245)	—	(700,245)	—	—	—	(185,652,747)	—	—	—	—	—	—	(186,352,992)	(673,255,042)	
Stock issue costs of subsidiaries	—	(56,317,815)	—	(56,317,815)	(6,499,629)	—	(6,499,629)	—	—	—	—	—	—	—	(62,817,444)	(11,519,640)	
Sale of business by a subsidiary (Note 44)	—	—	—	—	1,333,295,724	—	1,333,295,724	(1,333,295,724)	—	—	—	—	—	—	(6,244,876,706)	(6,244,876,706)	
Acquisition of new subsidiary by a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	341,291,632	341,291,632	
Subsidiary's share-based payments (Note 45)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	174,824,362	174,824,362	
Balance at December 31, 2021	₱7,562,983,658	₱45,212,569,757	₱—	₱52,775,553,415	₱127,906,371,016	₱118,284,329,399	₱246,190,700,415	₱40,341,545,330	(₱47,179,126)	(₱4,039,360,496)	₱—	₱87,631,677	(₱3,998,907,945)	₱335,308,891,215	₱108,322,091,345	₱443,630,982,560	
Balance at January 1, 2020	₱7,202,841,657	₱23,553,025,157	₱—	₱30,755,866,814	₱149,688,466,157	₱118,284,329,399	₱267,972,795,556	₱30,870,148,859	₱135,082,929	(₱23,832,621,540)	₱121,882,506	(₱1,211,512,605)	(₱24,787,168,710)	₱304,811,642,519	₱103,835,500,348	₱408,647,142,867	
Total comprehensive income	—	—	—	—	(468,159,528)	—	(468,159,528)	—	(1,059,967,321)	9,038,023,663	(145,612,532)	(1,117,815,564)	6,714,628,246	6,246,468,718	(26,679,392)	6,219,789,326	
Cash dividends	—	—	—	—	(2,737,084,847)	—	(2,737,084,847)	—	—	—	—	—	—	(2,737,084,847)	(4,494,502,566)	(7,231,587,413)	
Stock dividends	358,142,001	21,595,962,660	122,600,000	22,076,704,661	(22,076,704,661)	—	(22,076,704,661)	—	—	—	—	—	—	—	—	—	
Increase in subsidiary's treasury shares	—	—	—	—	—	—	—	279,966	—	—	—	—	—	279,966	(45,040,628)	(44,760,662)	
Acquisition of non-controlling interest by a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	327,772,240	327,772,240	
Issuance of shares by a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	192,000,000	192,000,000	
Balance at December 31, 2020	₱7,560,983,658	₱45,148,987,817	₱122,600,000	₱52,832,571,475	₱124,406,517,121	₱118,284,329,399	₱242,690,846,520	₱30,870,428,825	(₱924,884,392)	(₱14,794,597,877)	(₱23,730,026)	(₱2,329,328,169)	(₱18,072,540,464)	₱308,321,306,356	₱99,789,050,002	₱408,110,356,358	
Balance at January 1, 2019	₱7,202,841,657	₱23,553,025,157	₱—	₱30,755,866,814	₱121,568,271,238	₱117,784,329,399	₱239,352,600,637	₱29,573,169,046	(₱538,392,593)	(₱22,647,670,192)	₱2,541,653	₱338,666,662	(₱22,844,854,470)	₱276,836,782,027	₱91,055,029,938	₱367,891,811,965	
Total comprehensive income	—	—	—	—	31,285,246,332	—	31,285,246,332	—	673,475,522	(1,184,951,348)	119,340,853	(1,550,179,267)	(1,942,314,240)	29,342,932,092	12,208,355,376	41,551,287,468	
Reversal of appropriation of retained earnings	—	—	—	—	24,500,000,000	(24,500,000,000)	—	—	—	—	—	—	—	—	—	—	
Appropriation of retained earnings	—	—	—	—	(25,000,000,000)	25,000,000,000	—	—	—	—	—	—	—	—	—	—	
Cash dividends	—	—	—	—	(2,665,051,413)	—	(2,665,051,413)	—	—	—	—	—	—	(2,665,051,413)	(5,768,961,389)	(8,434,012,802)	
Property dividends (subsidiary)	—	—	—	—	—	—	—	(18,260,801)	—	—	—	—	—	(18,260,801)	(20,477,594)	(38,738,395)	
Increase in subsidiary's treasury shares	—	—	—	—	—	—	—	(16,132,408)	—	—	—	—	—	(16,132,408)	(104,451,717)	(120,584,125)	
Incorporation of a subsidiary (by a subsidiary)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	159,250,000	159,250,000	
Sale of equity interest in a subsidiary (Note 44)	—	—	—	—	—	—	—	1,331,373,022	—	—	—	—	—	—	1,331,373,022	6,066,755,734	
Issuance of shares by a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	240,000,000	240,000,000	
Balance at December 31, 2019	₱7,202,841,657	₱23,553,025,157	₱—	₱30,755,866,814	₱149,688,466,157	₱118,284,329,399	₱267,972,795,556	₱30,870,148,859	₱135,082,929	(₱23,832,621,540)	₱121,882,506	(₱1,211,512,605)	(₱24,787,168,710)	₱304,811,642,519	₱103,835,500,348	₱408,647,142,867	

See accompanying Notes to Consolidated Financial Statements.

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

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	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax from continuing operations	(₱184,189,654)	₱ 1,982,308,082	₱ 47,511,567,963
Income before income tax from discontinued operations (Note 44)	11,599,742,265	1,278,949,112	526,258,396
Income before income tax	11,415,552,611	3,261,257,194	48,037,826,359
Adjustments for:			
Depreciation and amortization (Notes 15, 16, 18, 33, 42 and 44)	30,332,169,190	31,607,025,151	30,012,996,106
Interest expense (Notes 35 and 44)	9,593,703,923	9,498,175,745	10,735,461,364
Unrealized foreign exchange (gains) losses	3,045,695,579	(2,584,645,951)	(828,657,682)
Provision for (recovery from) impairment losses (Note 34)	1,908,857,830	1,420,479,998	(2,144,971,130)
Market valuation losses on derivative financial instruments - net (Note 8)	1,318,117,077	2,025,330,184	63,352,472
Gain on sale of financial assets at fair value through OCI (Notes 10 and 29)	(348,808,663)	(23,850,313)	(277,810,114)
Loss on extinguishment of debt (Note 23)	77,337,557	—	—
Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks (Note 17)	(2,550,156)	(37,039,948)	70,184,825
Market valuation losses (gains) on financial assets at fair value through profit or loss - net (Note 9)	(223,603,728)	307,614,214	(703,885,932)
Gain on disposal of asset held for sale (Note 14)	(261,944,949)	—	—
Finance income (Notes 27 and 44)	(1,111,625,185)	(1,232,992,615)	(2,096,212,143)
Loss (gain) on sale and retirement of property, plant and equipment (Note 16)	(1,214,494,973)	370,195,060	223,819,896
Inventory obsolescence and market decline (Note 34)	109,167,827	—	2,678
Dividend income (Note 28)	(2,139,858,648)	(2,011,120,839)	(1,348,711,916)
Equity in net earnings of associates and joint ventures (Note 14)	(9,685,312,139)	(7,616,221,319)	(13,357,511,170)
Gain on sale of business (Note 44)	(10,100,438,582)	—	—
Write-down of biological assets (Note 17)	—	550,573,074	238,990,324
Gain on sale of investment securities at amortized cost (Note 10)	—	(190,914,608)	(62,879,198)
Gain on remeasurement of investment in associate (Note 14)	—	(71,324,225)	—
Gain on sale and disposal of investments in associates and joint ventures (Note 14)	—	(34,465,240)	—
Gain on retirement and disposal of investment properties (Note 15)	—	—	(17,356,519)
Operating income before changes in working capital accounts	32,711,964,571	35,238,075,562	68,544,638,220
Changes in operating assets and liabilities:			
Decrease (increase) in			
Financial assets at fair value through profit or loss	(672,395,451)	(1,487,986,228)	(231,289,647)
Derivative assets	—	—	(49,787,891)
Receivables	(14,962,575,864)	(16,557,142,519)	(24,978,680,750)
Inventories	(6,604,816,148)	(6,606,036,520)	(4,573,432,766)
Biological assets	(149,317,080)	102,612,963	(266,553,047)
Other current assets	2,581,704,792	(3,622,276,914)	(6,011,704,518)
Increase (decrease) in			
Accounts payable and accrued expenses	9,070,638,830	15,087,004,249	12,832,086,217
Unearned revenue	39,179,373	(8,210,131,825)	771,081,559
Other current liabilities	(10,083,078,905)	13,334,767,937	909,221,590
Net cash generated from operations	11,931,304,118	27,278,886,705	46,945,578,967
Interest paid	(10,070,737,832)	(8,684,256,122)	(10,981,560,781)
Income taxes paid	(3,978,870,270)	(4,600,167,595)	(5,346,484,101)
Interest received	1,125,220,015	682,902,238	1,921,379,426
Net cash (used in) provided by operating activities	(993,083,969)	14,677,365,226	32,538,913,511

	Years Ended December 31		
	2020	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Financial assets at fair value through other comprehensive income (Note 10)	(₱25,384,597,804)	(₱29,694,236,608)	(₱28,047,982,472)
Property, plant and equipment (Note 16)	(32,282,201,440)	(27,046,779,261)	(62,087,888,513)
Investment properties (Note 15)	(13,453,825,400)	(10,302,106,286)	(10,060,530,771)
Investment securities at amortized cost	(912,516,473)	(860,922,314)	(196,260,131)
Intangible assets (Note 18)	(301,587,921)	(519,916,914)	(137,886,422)
Investments in associates and joint ventures (Note 14)	(655,599,541)	(412,556,393)	(1,544,789,775)
Subsidiaries, net of cash acquired (Notes 14 and 19)	(22,565,594,339)	(200,877,673)	—
Dividends received on investments in associates and joint ventures (Note 14)	4,985,370,666	7,227,674,931	6,866,259,987
Dividends received (Note 28)	2,793,840,024	2,011,120,839	1,348,711,916
Decrease (increase) in the amounts of other noncurrent assets	3,893,982,808	(3,259,614,783)	18,056,459,316
Refund of pre-delivery payments (Note 16)	5,911,374,086	1,231,661,595	—
Acquisition of equity interest in a subsidiary (by a subsidiary) (Note 2)	(477,750,000)	—	—
Proceeds from sale/maturity of:			
Financial assets at fair value through other comprehensive income (Note 10)	17,489,322,420	20,343,881,852	24,243,072,327
Business (Note 44)	22,292,159,390	—	—
Investment securities at amortized cost (Note 10)	487,023,117	4,359,732,740	1,498,635,579
Investment in associate and joint venture (Note 14)	—	373,377,600	—
Property, plant and equipment (Note 16)	11,975,974,647	7,382,224,579	4,453,351,444
Investment properties	65,815,075	—	50,004,269
Assets held for sale (Note 14)	9,090,600,000	—	—
Proceeds from sale of business without loss of control (Note 44)	—	—	7,204,512,000
Net cash used in investing activities	(17,048,210,685)	(29,367,336,096)	(38,354,331,246)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Short-term debts (Note 47)	108,323,336,278	114,373,521,775	85,967,968,788
Long-term debts (Note 47)	—	66,185,040,215	47,449,632,216
Proceeds from issuance of bonds payable, net of bond issue cost (Note 23)	11,782,473,335	—	—
Dividends paid to non-controlling interests (Note 25)	(4,420,473,375)	(4,494,502,566)	(5,768,961,389)
Increase (decrease) in other noncurrent liabilities	1,646,390,333	(5,924,680,459)	5,114,680,765
Settlements of:			
Short-term debts (Note 47)	(87,105,805,043)	(118,820,360,881)	(67,145,701,321)
Long-term debts (Notes 23 and 47)	(25,562,742,347)	(10,489,146,497)	(35,529,183,139)
Principal portion of lease liabilities (Note 42)	(7,160,310,932)	(6,729,663,842)	(6,738,059,926)
Dividends paid on:			
Common shares (Note 25)	(2,857,973,790)	(2,721,884,847)	(2,650,251,413)
Preferred shares (Note 25)	(15,200,000)	(15,200,000)	(14,800,000)
Cash received from non-controlling interest for newly incorporated subsidiary (Note 25)	—	327,772,240	399,250,000
Purchase of treasury shares by subsidiaries	(859,608,034)	(44,760,662)	(120,584,125)
Net cash received from NCI for issuance of shares by a subsidiary (Note 25)	3,150,653,253	192,000,000	—
Net proceeds from sale of equity interest in a subsidiary	22,519,263,729	—	—
Net cash provided by financing activities	19,440,003,407	31,838,134,476	20,963,990,456
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,398,708,753	17,148,163,606	15,148,572,721
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	81,491,412,768	64,343,249,162	49,194,676,441
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱82,890,121,521	₱81,491,412,768	₱64,343,249,162

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

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

Subsidiaries	Country of Incorporation	Functional Currency
Parent Company		
JG Summit Cayman Limited	Cayman Islands	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

Subsidiaries	Country of Incorporation	Functional Currency
URC Group		
Universal Robina (Cayman), Limited	Cayman Islands	US Dollar
URC Philippines, Limited	British Virgin Islands	-do-
URC Asean Brands Co. Ltd.	-do-	-do-
Hong Kong China Foods Co. Ltd.	-do-	-do-
URC International Co., Ltd.	-do-	-do-
URC China Commercial Co. Ltd.	China	Chinese Renminbi
Xiamen Tongan Pacific Food Co., Ltd.	-do-	-do-
Shanghai Peggy Foods Co., Ltd.	-do-	-do-
Guangzhou Peggy Foods Co., Ltd.	-do-	-do-
Jiangsu Acesfood Industrial Co.	-do-	-do-
Shantou SEZ Shanfu Foods Co., Ltd.	-do-	-do-
Shantou Peggy Co., Ltd.	-do-	-do-
URC Hong Kong Company Limited	-do-	Hong Kong Dollar
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	-do-	-do-
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Advanson International Pte. Ltd.	-do-	-do-
URC Equity Ventures Pte. Ltd.	-do-	-do-
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyats
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	-do-	-do-
URC Central Co. Ltd.	-do-	-do-
Ricellent Sdn. Bhd.	Malaysia	Malaysian Ringgit
URC Snack Foods (Malaysia) Sdn. Bhd.	-do-	-do-
Crunchy Foods Sdn. Bhd. (Malaysia)	-do-	-do-
Munchy Foods Industries Sdn. Bhd.	-do-	-do-
Munchworld Marketing Sdn. Bhd.	-do-	-do-
RLC Group		
Robinsons (Cayman) Limited	Cayman Islands	US Dollar
RLC Resources Ltd	British Virgin Islands	-do-
Land Century Holdings, Ltd.	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 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.

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

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

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

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

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

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

Basis of Consolidation

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

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership 2021	2020
Food				
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	8 th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	55.33	55.25
CFC Corporation	-do-	-do-	55.33	55.25
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	55.33	55.25
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	28.22**	28.17**
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	55.33	55.25
URC Beverage Ventures Inc. (formerly, Hunt-URC (HURC))	-do-	-do-	55.33	55.25
URC Philippines, Limited (URCPL)	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	55.33	55.25
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	55.33	55.25
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands, British West Indies	55.33	55.25
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	55.33	55.25
Najalin Agri-Ventures, Inc. (NAVI) (Note 16)	Philippines	CAC Compound, La Carlota City, Negros Occidental	53.02**	52.94**
Air Transportation				
CP Air Holdings, Inc. (CPAHI) and Subsidiaries	Philippines	2nd Floor, Doña Juanita Marquez Lim Building, Osmeña Boulevard, Cebu City	100.00	100.00
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	-do-	66.56	67.80
CEBGO, Inc. (CEBGO)	-do-	AO-08-09 Mezzanine Level, Passenger Terminal Building, Clark International Airport, Clark Freeport Zone, Pampanga	66.56	67.80
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	61.19	60.97
Robinson’s Inn, Inc.	-do-	-do-	61.19	60.97
RL Commercial REIT, Inc. (RCR) (formerly Robinsons Realty and Management Corporation)	-do-	-do-	38.85**	60.97
Robinsons (Cayman) Limited	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	61.19	60.97
Robinsons Properties Marketing and Management Corporation	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	61.19	60.97
Manhattan Buildings and Management Corp	-do-	-do-	61.19	60.97
Altus Angeles, Inc.	-do-	McArthur Highway, Balisage, Angeles City, Pampanga	31.20**	31.09**

(Forward)

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership	
			2021	2020
Go Hotels Davao, Inc.	-do-	Lanang, Davao City	31.20**	31.09**
RLC Resources Ltd	British Virgin Islands	British Virgin Islands	61.19	60.97
Land Century Holdings, Ltd.	China	Hong Kong	61.19	60.97
World Century Enterprise Ltd.	-do-	Hong Kong	61.19	60.97
First Capital Development, Ltd	-do-	Hong Kong	61.19	60.97
Chengdu Xin Yao Real Estate Development Co. Ltd.	-do-	China	61.19	60.97
Bacoor R and F Land Corporation (BRFLC)	Philippines	Philippines	42.83**	42.68
Bonifacio Property Ventures, Inc.	-do-	Philippines	61.19	60.97
Altus Mall Ventures, Inc.	-do-	Philippines	61.19	60.97
RLGB Land Corporation (RLGB)	-do-	Philippines	61.19	31.09**
Robinsons Logistix and Industrials, Inc. (RLII)	-do-	Philippines	61.19	—
RL Property Management, Inc. (RLPMI)	-do-	Philippines	61.19	—
RL Fund Management, Inc. (RLFMI)	-do-	Philippines	61.19	—
Malldash Corp.	-do-	Philippines	61.19	—
Altus Property Ventures, Inc. (APVI)	-do-	Brgy. 1 San Francisco, San Nicolas, Ilocos Norte	61.19	60.97
Petrochemicals				
JG Summit Petrochemical Corporation (JGSPC)	Philippines	Ground Floor, Cybergate Tower 1, EDSA corner, Pioneer Street, Mandaluyong City	100.00	100.00
Peak Fuel Corporation	-do-	10 th Floor Robinsons Cybergate Gamma, Bldg., Topaz and Ruby Roads, Ortigas Center, Pasig City	100.00	100.00
JG Summit Olefins Corporation (JGSOC)	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	100.00	100.00
JGSOC Philippines Limited	British Virgin Islands	British Virgin Islands	100.00	100.00
Banking				
Robinsons Bank Corporation (RBC) and a Subsidiary	-do-	17th floor, Galleria Corporate Center EDSA corner Ortigas Avenue, Quezon City	60.00	60.00
Legazpi Savings Bank, Inc. (LSB)	-do-	Rizal Street, Barangay Sagpon, Albay, Legazpi City	60.00	60.00
Supplementary Businesses				
Data Analytics Ventures, Inc. (DAVI)	-do-	42nd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City	45.20**	45.20**
JG Digital Equity Ventures, Inc. (JG DEV) and Subsidiary	-do-	29th Floor, Galleria Corporate Center, EDSA, Quezon City	100.00	100.00
JG Digital Capital Pte. Ltd. (JDCPL)	Singapore	168 Tagore Lane Singapore	100.00	100.00
JG Summit Capital Services Corp. (JGSCSC) 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
Unicon Insurance Brokers Corporation (UIBC)	Philippines	CFC Bldg., E. Rodriguez Avenue, Bagong Ilog, Pasig City	100.00	100.00

(Forward)

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership	
			2021	2020
JG Summit Infrastructure Holdings Corporation	-do-	43 rd Floor Robinsons Equitable Tower, ADB avenue, Corner Poveda Road, Pasig City	100.00	100.00
Merbau Corporation	-do-	Ground floor Cybergate Tower 1 Edsa cor Pioneer St. Mandaluyong City	100.00	100.00
Batangas Agro-Industrial Development Corporation (BAID) and Subsidiaries	-do-	5th Floor Citibank Center, Makati	100.00	100.00
Fruits of the East, Inc.	-do-	Citibank Center, Paseo de Roxas, Makati	100.00	100.00
Hometel Integrated Management Corporation	-do-	-do-	100.00	100.00
King Leader Philippines, Inc.	-do-	5th Floor Citibank Center, Makati	100.00	100.00
Tropical Aqua Resources	-do-	-do-	100.00	100.00
United Philippines Oil Trading, Inc.	-do-	-do-	100.00	100.00
Samar Commodities Trading and Industrial Corporation	-do-	-do-	100.00	100.00

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

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

Investment in RLGB

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

Investment in RLII

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

Investment in RLPMI

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

Investment in RLFMI

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

Incorporation of Malldash Corp

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

RL Commercial REIT

On April 15, 2021, the BOD and stockholders of the RCR approved the amendments to the Articles of Incorporation (AOI) of Robinsons Realty and Management Corporation that resulted in: (a) change in corporate name to RL Commercial REIT, Inc.; (b) change in primary purpose to engage in the business of REIT; (c) increase in authorized capital stock from One Hundred Million Pesos (₱100,000,000), divided into One Hundred Million (100,000,000) common shares with par value of One Peso (₱1.00) per share, to Thirty-Nine Billion Seven Hundred Ninety-Five Million Nine Hundred Eighty-Eight Thousand Seven Hundred Thirty-Two (39,795,988,732) shares with par value of One Peso (₱1.00) per share.

Further, a Comprehensive Deed of Assignment was executed between RCR and RLC on April 15, 2021 for the assignment, transfer, and conveyance by RLC of several properties (the Assigned Properties) to RCR in the form of buildings and condominium units with an aggregate gross area of Three Hundred Sixty-Five Thousand Three Hundred Twenty-Nine and Eighty-One Hundredths (365,329.81) square meters and with a total value of Fifty-Nine Billion Forty-Six Million Pesos (₱59,046,000,000) in exchange for the issuance of Nine Billion Nine Hundred Twenty-Three Million Nine Hundred Ninety-Seven Thousand One Hundred Eighty-Three (9,923,997,183) shares of the Assigned Properties at One Peso (₱1.00) per share with an aggregate par value of Nine Billion Nine Hundred Twenty-Three Million Nine Hundred Ninety-Seven Thousand One Hundred Eighty-Three Pesos (₱9,923,997,183), with the remaining amount of Forty-Nine Billion One Hundred Twenty-Two Million Two Thousand Eight

Hundred Seventeen Pesos (₱49,122,002,817) being treated as additional paid-in capital without issuance of additional shares (the Property-for-Share Swap).

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

Merger of JGSPC with JGSOC

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

Transfer of direct control over APVI

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

Incorporation of DAVI

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

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

The Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it:

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

Business Combinations

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

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

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

If the business combination is achieved in stages, the Group’s previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (the date when 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 in the consolidated statement of comprehensive income and is not subsequently reversed.

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and amendments effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

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

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

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

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Group adopted the amendment beginning April 1, 2021.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

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

The Group adopted the amendments beginning January 1, 2021.

- Adoption of PIC Q&A 2018-14 on Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was on November 11, 2020.

The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since it has previously adopted approach 3 in its accounting for sales cancellation which records the repossessed inventory at cost.

- Adoption of PIC Q&A 2018-12 on Accounting for Common Usage Service Area (CUSA)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry. This includes PIC Q&A No. 2018-12-H which discussed accounting for CUSA wherein it was concluded that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12-H for a period of three years or until December 31, 2020. The deferral will only be applicable for real estate transactions.

The Group previously availed of the reliefs provided by the SEC and have accounted for the related revenue net of costs and expenses. As at January 1, 2021, the Group adopted PIC Q&A 2018-12-H retrospectively. The initial adoption has no impact on the Group’s consolidated statement of financial position and consolidated statement of cash flows.

The impact of initial adoption in the consolidated statement of comprehensive income follows:

Consolidated statement of comprehensive income for the year ended December 31, 2020

	Amounts prepared under		
	PFRS 15	Previous PFRS	Increase
REVENUE			
Sale of goods and services			
Real estate and hotels	₱27,518,406,639	₱24,897,015,631	₱2,621,391,008
COST OF SALES AND SERVICES			
Cost of services	₱39,532,427,637	₱36,911,036,629	₱2,621,391,008

Consolidated statement of comprehensive income for the year ended December 31, 2019

	Amounts prepared under		
	PFRS 15	Previous PFRS	Increase
REVENUE			
Sale of goods and services			
Real estate and hotels	₱33,491,747,783	₱30,210,187,210	₱3,281,560,573
COST OF SALES AND SERVICES			
Cost of services	₱70,085,768,333	₱66,804,207,760	₱3,281,560,573

- Adoption of PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02) on Treatment of Uninstalled Materials in the Calculation of the POC

PIC Q&A 2020-02 was issued by the PIC on October 29, 2020. The latter aims to provide conclusion on the treatment of materials delivered on site but not yet installed in measuring performance obligation in accordance with PFRS 15, *Revenue from Contracts with Customers*, in the Real Estate industry.

The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since the prescribed accounting treatment for uninstalled materials is already taken into consideration in the Group’s current POC computation using input method.

Significant Accounting Policies

Fair Value Measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each reporting 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 the statement of comprehensive income.

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

Group companies

As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses are translated at the monthly weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation shall be recognized in profit or loss.

Cash and Cash Equivalents

Cash represents cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the dates of placement, and that are subject to an insignificant risk of changes in value.

Financial Instruments – Classification and Measurement

Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, 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);

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

Investment securities at amortized cost

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

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

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

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

Credit risk at initial recognition

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

Significant increase in credit risk

The assessment of whether there has been a SICR is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if,

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

ECL parameters and methodologies

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

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

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

Forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group applied the general approach for customer receivables from its Banking Segment. For the trade receivables of other segments, the standard’s simplified approach was applied where ECLs are calculated based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk of these receivables, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For the Real estate and hotels segment’s installment contract, 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 PD 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 SICR since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor’s (S&P), Moody’s and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Debt instruments measured at FVOCI

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

Write-off of Financial Assets

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

Offsetting Financial Instruments

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

Classification of Financial Instruments Between Debt and Equity

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

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

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

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

Inventories

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

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

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

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

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

- a. *Petrochemicals*
Cost is determined using the moving average costing method. Cost of finished goods and work-in-process includes direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced.
- b. *Branded consumer foods, agro-industrial and commodity food products*
Cost is determined using the weighted average costing method. Under the weighted average costing method, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. Cost of finished goods and work-in-process include direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

Subdivision land and condominium and residential units for sale

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

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

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

Factory supplies and spare parts

Cost is determined using the weighted average method.

Investments in Associates and Joint Ventures

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

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

The Group’s investments in its associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investments in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group’s

share in the net assets of the associates and joint ventures. The consolidated statement of comprehensive income reflects the share of the results of operations of the associates and joint ventures. Where there has been a change recognized in the investees’ other comprehensive income, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income. Profits and losses arising from transactions between the Group and the associate are eliminated to the extent of the interest in the associates and joint ventures.

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

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

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

Investment Properties

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

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

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

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

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

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

are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

ARO

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

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

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

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

Borrowing Costs

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

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

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

Biological Assets

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

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

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

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

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

Goodwill

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

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

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

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

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

Bank Licenses

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

Intangible Assets

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

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

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

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

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

Costs incurred to acquire computer software (which are not an integral part of its related hardware) and costs to bring it to its intended use are capitalized as intangible assets. Costs directly associated with

the development of identifiable computer software that generate expected future benefits to the Group are also recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

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

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

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

Impairment of Nonfinancial Assets

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

Except for goodwill and intangible assets with indefinite lives which are tested for impairment annually, the Group assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset’s (or cash-generating unit’s) fair value less costs to sell and its value-in-use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

Impairment losses 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 annually.

Investments in associates and joint ventures

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

Intangible assets with indefinite useful lives

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

Equity

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

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

Treasury Shares

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

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

Revenue Recognition

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

Sales of goods

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

Sale of sugar

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

Rendering of tolling services

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

Significant Accounting Policies Generally Applicable to Air Transportation

Revenue Recognition

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

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

Sale of air transportation services

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

Flight and booking services

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

Other ancillary revenue

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

Liability under Lifestyle Rewards Program

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

Significant Accounting Policies Generally Applicable to Real Estate and Hotels

Revenue Recognition

Revenue from Contract with Customers

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

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

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

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or 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.

Costs Recognition

Cost of Real Estate Sales

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion

allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

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

Contract Liabilities

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

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

Costs and General and Administrative Expense

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

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

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

Costs to obtain contract

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

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

Contract fulfillment assets

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

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

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

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

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

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

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

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

Significant Accounting Policies Generally Applicable to Banking

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

Interest income

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

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

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

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

Service fees and commission income

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

Trading and securities gain (loss)

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

Gain from sale of properties, investments and other assets

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

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

Rental income

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

Dividend income

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

Provisions

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

income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Contingencies

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

Pension Costs

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

Termination benefit

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

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

Employee leave entitlement

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

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of reporting date.

Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and

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

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

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

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

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

Leases

Group as a lessee

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

Right-of-use assets

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

The depreciation period for each class of ROU assets follow:

	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.

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

Short-term leases and leases of low-value assets

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

Sale and leaseback

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

Group as a lessor

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

Joint Operation

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

Earnings Per Share (EPS)

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

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

Dividends on Common Shares

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

Segment Reporting

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

Subsequent Events

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

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2022

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

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

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

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

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

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

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

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

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

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

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

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

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

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and