

Individually immaterial investees

LIPAD

On February 18, 2019, the Parent Company invested in Luzon International Premiere Airport Development Corporation (LIPAD). The shares acquired represented 33% of LIPAD’s total outstanding common shares. LIPAD is a corporation organized and incorporated in the Philippines to engage in the operation and maintenance of airports, whether operating as a domestic or international airport or both, including day-to-day administration, functioning, management, manning, upkeep, and repair of all facilities necessary for the use or required for the safe and proper operation of airports. In December 2020, the Parent Company made additional investment amounting to ₱115.5 million equivalent to 115.5 million shares. In September 2021, the Company made additional investment amounting to ₱132.0 million equivalent to 132.0 million shares.

CLIPi

As of December 31, 2020 and 2019, the Group has deposit for future stock subscription in CLIPi amounting to ₱10.0 million. These represents 20.0% of CLIPi’s proposed increase in authorized capital stock.

G2M

On September 16, 2020, the Parent Company entered into an assignment of agreement with JG Digital Capital Pte. Ltd (JGDCPL) to assign all its rights and obligations in the investment.

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

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

PAAT

Investment in PAAT pertains to CAI’s 60.00% investment in shares of the joint venture. However, the joint venture agreement between the CAI and CAE International Holdings Limited (CAE) states that CAI is entitled to 50.00% share on the net income/loss of PAAT. As such, the CAI recognizes equivalent 50.00% share in net income and net assets of the joint venture.

As of December 31, 2021 and 2020, CAI’s investment in PAAT amounted to ₱187.4 million and ₱218.8 million, respectively.

DURBI

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

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

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

PSFL

On June 30, 2017, Griffin’s Food Limited (Griffin’s) purchased 50.1% of the shares in Proper Snack Foods Ltd (a Nelson, New Zealand-based business with the 49.9% shareholder being an individual) for a total consideration of approximately NZ\$8.0 million, or ₱282.1 million. PSFL manufactures and distributes crisps.

Calbee-URC Malaysia

On August 23, 2017, URC Malaysia entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee-URC Malaysia Sdn Bhd (CURM), a corporation registered with the Companies Commission of Malaysia organized to manufacture savory snack products. Total consideration amounted to MYR2.7 million (₱34.3 million).

Shang Robinsons Properties, Inc

On November 13, 2017, RLC’s BOD approved the agreement with Shang Properties, Inc. (SPI) to form a joint venture corporation (JVC).

On May 23, 2018, Shang Robinsons Properties, Inc., the JVC, was incorporated. Both RLC and SPI each own 50% of the outstanding shares in the JVC. The office address of the JVC is at Lower Ground Floor, Cyber Sigma Building, Lawton Avenue, Fort Bonifacio Taguig.

RLC and SPI, through the JVC, shall build and develop a property situated at McKinley Parkway corner 5th Avenue and 21st Drive at Bonifacio Global City, Taguig, Metro Manila. The project is intended to be a mixed-use development and may include residential condominium units, serviced apartments and commercial retail outlets. The JVC also plans to pursue other development projects.

RHK Land Corporation

On February 5, 2018, RLC’s BOD approved the agreement with Hong Kong Land Group (HKLG) represented by Hong Kong Land International Holdings, Ltd. and its subsidiary Ideal Realm Limited to form a joint venture corporation (JVC).

On June 14, 2018, RHK Land Corporation, the JVC, was incorporated. RLC and HKLG owns 60% and 40%, respectively, of the outstanding shares in the JVC. The principal office of the JVC is at 12F Robinsons Cyberscape Alpha, Sapphire and Garnet Roads, Ortigas Center, Pasig City.

RLC and HKLG, through the JVC, shall engage in the acquisition, development, sale and leasing of real property. The JVC shall initially undertake the purchase of a property situated in Block 4 of Bridgetowne East, Pasig City, develop the property into a residential enclave and likewise carry out the marketing and sales of the residential units. The JVC also plans to pursue other development projects.

On October 2018, RLC entered into a Shareholder Loan Agreement with the JVC. Repayment date falls on the fifth anniversary of the effective date.

Robinsons DoubleDragon Corporation (RDDC)

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

RLC DMCI Property Ventures, Inc.

In October 2018, the Parent Company entered into a Joint Venture Agreement with DMCI Project Developers, Inc. (DMCI PDI) to develop, construct, manage, and sell a residential condominium situated in Las Piñas City. Both parties agreed to incorporate a joint venture corporation where each party will hold a 50% ownership.

On March 18, 2019, RLC DMCI Property Ventures, Inc. (RLC DMCI) was incorporated as the joint venture company (JVC) between RLC and DMCI PDI. The proposed project is intended to be a multi-tower residential condominium and may include commercial spaces.

DHL Summit Solutions, Inc. (DSSI)

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

Zyllem Pte. Ltd.

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

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

Aviation Partnership (Philippines) Corporation (A-Plus) and SIA Engineering (Philippines) Corporation (SIAEP)

CAI’s investment in APPC and SIAEP were established for the purpose of providing line, light and heavy maintenance services to foreign and local airlines, utilizing the facilities and services at airports in the country, as well as aircraft maintenance and repair organizations.

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

On October 26, 2020, CAI signed a Share Sale and Purchase Agreement (SPA) with SIA Engineering Company Limited (SIAEC) for the acquisition of SIAEC’s entire 51% shareholding in A-Plus. The consideration paid was US\$5,607,378 and consists of a one-time payment in cash. The consideration was arrived at after arm’s length negotiations on a willing-buyer, willing-seller basis and took into account, inter alia, the net asset value and financial performance of A-Plus.

On November 3, 2020, CAI and SIAEC signed the Deed of Absolute Sale of Shares for this transaction making A-Plus a wholly owned subsidiary of CAI.

On October 26, 2020, CAI also entered into an SPA with SIAEC to divest CAI’s 35% shareholding in SIAEP which resulted in a gain on disposal of ₱34.5 million. This divestment is in line with CAI’s strategy to streamline its fleet management and rationalize its aircraft base maintenance, repair and overhaul offerings to optimize its operational efficiency and further strengthen its core competencies. The consideration received was US\$7,740,000 via a one-time cash receipt. The consideration was arrived at after arm’s length negotiations on a willing-buyer, willing-seller basis and took into account, inter alia, the net asset value and financial performance of SIAEP. On November 3, 2020, CAI and SIAEC signed the Deed of Absolute Sale of Shares for this transaction, thus, CAI no longer has any equity interest in SIAEP.

GoTyme Bank Corporation

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

On August 24, 2021 RBC’s equity investment of ₱250.00 million representing 20% ownership of the digital bank which was named GoTyme Bank Corporation (GoTyme) was approved by the BSP. After securing Certificate of Authority to Register from the Monetary Board, the SEC approved the Certificate of Incorporation of GoTyme on December 28, 2021.

Aggregate information of associates and joint ventures that are not individually material follows:

	2021		2020	
	Associates	Joint Venture	Associates	Joint Venture
Group’s share of:				
Profit (loss) for the year	(₱71,897,453)	(₱142,020,053)	₱38,771,914	₱92,425,640
Other comprehensive income for the year	34,311,225	(829,958)	–	–
Total comprehensive income for the year	(₱37,586,228)	(₱142,850,011)	₱38,771,914	₱92,425,640
Group’s share of dividends for the year	₱858,000	₱–	₱1,000,000	₱–
Group’s carrying amount of the investment	₱1,591,340,544	₱2,446,075,532	₱898,261,334	₱2,978,042,521

Investment in Subsidiaries

Financial information of subsidiaries that have material non-controlling interest is provided below:

- Portion of equity interest held by non-controlling interest

Name of Subsidiary	Country of Incorporation and Operation	December 31, 2021	December 31, 2020
Universal Robina Corporation (URC)	Philippines	44.67	44.75
Robinsons Land Corporation (RLC)	Philippines	38.81	39.03
Cebu Air, Inc. (CAI)	Philippines	33.44	32.20
Robinsons Bank Corporation (RBC)	Philippines	40.00	40.00

- Accumulated balances of material non-controlling interest:

Name of Subsidiary	2021	2020
URC	₱49,223,254,071	₱46,809,364,089
RLC	53,256,706,275	40,628,491,243
CAI	3,547,418,178	7,291,166,799
RBC	7,385,219,207	7,330,245,744

- Profit allocated to material non-controlling interest:

Name of Subsidiary	2021	2020
URC	₱11,357,840,269	₱5,686,835,451
RLC	3,581,897,568	2,049,886,134
CAI	(8,224,937,882)	(7,145,696,887)
RBC	496,813,569	373,834,767

The summarized financial information of subsidiaries with material non-controlling interest are provided below. This information is based on amounts before inter-company eliminations.

- Summarized statement of financial position as at December 31, 2021:

	URC	RLC	CAI	RBC
Current assets	₱67,334,803,230	₱76,576,928,084	₱26,326,925,128	₱174,711,418,012
Noncurrent assets	85,322,016,682	151,373,010,938	111,926,836,197	5,084,285,681
Current liabilities	39,028,100,222	48,312,930,753	35,406,169,941	160,305,042,168
Noncurrent liabilities	3,860,985,858	49,287,044,246	92,237,846,171	1,027,613,507

- Summarized statement of financial position as at December 31, 2020:

	URC	RLC	CAI	RBC
Current assets	₱65,562,838,524	₱78,953,290,052	₱12,138,683,588	₱146,676,027,057
Noncurrent assets	110,632,091,743	136,247,435,005	116,319,897,988	4,539,360,153
Current liabilities	53,667,829,890	52,974,616,397	33,790,839,089	131,975,249,476
Noncurrent liabilities	24,742,938,443	59,508,077,025	71,976,865,872	914,523,375

- Summarized statements of comprehensive income for 2021:

	URC	RLC	CAI	RBC
Revenue	₱116,954,788,444	₱36,539,417,580	₱15,740,756,856	₱8,312,410,745
Profit (loss) for the year from continuing operations	12,965,308,196	8,500,642,323	(24,898,602,887)	1,216,105,043
Total comprehensive income	26,014,812,504	8,659,224,059	(24,723,489,005)	111,504,762
Dividends paid to non-controlling interests	3,688,507,837	731,965,538	–	–

- Summarized statements of comprehensive income for 2020:

	URC	RLC	CAI	RBC
Revenue	₱133,140,081,384	₱25,404,826,534	₱22,617,967,165	₱8,401,849,879
Profit (loss) for the year from continuing operations	11,624,602,710	5,259,364,231	(22,236,441,976)	934,586,917
Total comprehensive income	9,882,497,384	4,923,206,500	(22,165,338,382)	1,265,139,991
Dividends paid to non-controlling interests	3,449,909,754	1,023,801,914	–	–

- Summarized statements of comprehensive income for 2019:

	URC	RLC	CAI	RBC
Revenue	₱134,174,527,579	₱30,583,835,565	₱84,806,810,363	₱8,121,662,955
Profit for the year from continuing operations	10,114,683,777	8,692,609,758	9,122,952,680	719,426,508
Total comprehensive income	11,004,041,325	8,763,698,639	9,125,843,406	1,712,920,576
Dividends paid to non-controlling interests	3,395,036,779	1,019,391,907	1,354,532,703	–

- Summarized statements of cash flows for 2021:

	URC	RLC	CAI	RBC
Operating	₱13,466,484,460	₱13,092,058,668	(₱6,257,070,999)	₱24,145,654,169
Investing	(11,629,566,691)	(20,646,128,162)	10,428,221,098	(8,330,479,125)
Financing	(3,744,625,910)	12,199,584,494	9,056,691,866	(7,829,305,386)
Effect of exchange rate changes	–	–	590,110,620	49,786,866
Net cash flows	(₱1,907,708,141)	₱4,645,515,000	₱13,817,952,585	₱8,035,656,524

- Summarized statements of cash flows for 2020:

	URC	RLC	CAI	RBC
Operating	₱18,936,381,384	₱12,676,825,680	(₱13,216,604,168)	₱14,241,687,736
Investing	(11,352,455,654)	(12,303,802,822)	3,508,206,021	(722,941,692)
Financing	(9,202,794,126)	6,570,797,403	(3,940,966,965)	(2,306,284,717)
Effect of exchange rate changes	–	–	(221,963,106)	87,417,783
Net cash flows	₱9,733,587,258	₱6,943,820,261	(₱13,871,328,218)	₱11,299,879,110

- Summarized statements of cash flows for 2019:

	URC	RLC	CAI	RBC
Operating	₱15,610,917,681	₱18,130,230,953	₱29,244,053,595	(₱9,356,844,870)
Investing	(1,753,099,045)	(15,658,603,768)	(20,812,478,783)	1,867,570,934
Financing	(6,396,659,690)	2,044,970,511	(6,601,315,417)	4,164,929,253
Effect of exchange rate changes	–	–	(527,534,227)	9,141,111
Net cash flows	₱7,461,158,946	₱4,516,597,696	₱1,302,725,168	(₱3,315,203,572)

15. Investment Properties

Movements in this account follow:

	2021			
	Land and Land Improvements	Buildings and Improvements	Construction In-Progress	Total
Cost				
Balance at beginning of year	₱33,952,364,096	₱98,612,692,755	₱12,871,420,252	₱145,436,477,103
Additions	1,063,610,548	2,036,027,808	10,354,187,044	13,453,825,400
Disposals/transfers and other adjustments	566,382,276	5,156,629,001	(1,527,652,552)	4,195,358,725
Balance at end of year	35,582,356,920	105,805,349,564	21,697,954,744	163,085,661,228
Accumulated Depreciation and Amortization				
Balance at beginning of year	212,441,497	40,522,223,759	–	40,734,665,256
Depreciation and amortization	27,011,136	4,493,388,468	–	4,520,399,604
Disposals/transfers and other adjustments	–	54,850,069	–	54,850,069
Balance at end of year	239,452,633	45,070,462,296	–	45,309,914,929
Allowance for Impairment Losses				
Balance at beginning of year	25,205,389	1,520,545	–	26,725,934
Provision for impairment losses	(6,535)	101,695	–	95,160
Disposals/transfers and other adjustments	(11,306,787)	(1,253,507)	–	(12,560,294)
Balance at end of year	13,892,067	368,733	–	14,260,800
	₱35,329,012,220	₱60,734,518,535	₱21,697,954,744	₱117,761,485,499

	2020			
	Land and Land Improvements	Buildings and Improvements	Construction In-Progress	Total
Cost				
Balance at beginning of year	₱33,211,109,147	₱95,036,367,934	₱7,012,269,569	₱135,259,746,650
Additions	1,641,867,500	1,515,051,620	7,145,187,166	10,302,106,286
Disposals/transfers and other adjustments	(900,612,551)	2,061,273,201	(1,286,036,483)	(125,375,833)
Balance at end of year	33,952,364,096	98,612,692,755	12,871,420,252	145,436,477,103
Accumulated Depreciation and Amortization				
Balance at beginning of year	184,401,753	36,047,768,445	–	36,232,170,198
Depreciation and amortization	28,039,744	4,308,960,652	–	4,337,000,396
Disposals/transfers and other adjustments	–	165,494,670	–	165,494,670
Balance at end of year	212,441,497	40,522,223,767	–	40,734,665,264
Allowance for Impairment Losses				
Balance at beginning of year	25,930,193	1,400,223	–	27,330,416
Provision for impairment losses	8,679	144,448	–	153,127
Reversal of impairment losses	(733,483)	(24,126)	–	(757,609)
Balance at end of year	25,205,389	1,520,545	–	26,725,934
	₱33,714,717,210	₱58,088,948,443	₱12,871,420,252	₱104,675,085,905

Investment properties consist mainly of land held for appreciation, shopping malls or commercial centers, office buildings and warehouses that are held to earn rentals. Also included under this account are the properties acquired by the Group’s banking segment through foreclosures. Most of the Group’s properties are in prime locations across the Philippines.

Construction in progress amounting to ₱18.2 billion and ₱12.9 billion as of December 31, 2021 and 2020, respectively, represents the cost of ongoing construction and development of malls and office buildings for lease.

Borrowing costs capitalized amounted to ₱0.76 billion and ₱0.43 billion in 2021 and 2020, respectively. These amounts were included in the consolidated statements of cash flows under additions to investment properties. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2021 and 2020 were 4.59% and 4.54%, respectively.

Consolidated rent income from investment properties included under ‘Real estate and hotels revenue’ in the consolidated statements of comprehensive income amounted to ₱11.1 billion, ₱10.6 billion and ₱15.4 billion in 2021, 2020 and 2019, respectively.

Property operations and maintenance costs included under ‘Cost of services’ arising from investment properties amounted to ₱701.0 million, ₱492.0 million and ₱680.0 million for the years ended December 31, 2021, 2020 and 2019, respectively.

There are no investment properties as of December 31, 2021 and 2020 that are pledged as security to liabilities. The Group has no restrictions on the realizability of its investment properties.

The total contractual commitments arising from awarded contracts for the acquisition, development and construction of investment properties amounted to ₱17,428 million and ₱15,155 million, as of December 31, 2021 and 2020, respectively.

Gain on sale or retirement and disposal of investment properties amounted to nil, ₱17.4 million and nil for the years ended December 31, 2021, 2020 and 2019, respectively.

Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on investment properties follows:

	2021	2020	2019
Depreciation and amortization expense included under:			
Cost of services (Note 33)	₱4,472,397,346	₱4,295,854,563	₱4,023,366,050
General and administrative expenses (Note 33)	48,002,258	41,145,833	33,902,383
	₱4,520,399,604	₱4,337,000,396	₱4,057,268,433

Collaterals

As of December 31, 2021 and 2020, the Group has no investment properties that are pledged as collateral.

16. Property, Plant and Equipment

The composition of and movements in this account follow:

	December 31, 2021							
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost								
Balance at beginning of year	₱9,566,537,042	₱34,651,992,151	₱141,559,147,857	₱14,395,796,182	₱103,594,306,722	₱87,232,626,516	₱4,915,650,424	₱395,916,056,894
Additions	2,882,381,568	3,065,547,359	8,733,705,508	1,110,703,361	543,936,245	15,644,048,812	301,878,587	32,282,201,440
Additions from acquisition of subsidiaries	157,270,576	685,144,291	2,847,961,888	169,491,000	–	8,978,069	–	3,868,845,824
Divestment of business	(1,617,151,577)	(4,099,446,242)	(10,457,586,250)	(734,302,119)	–	(3,296,678,447)	–	(20,205,164,635)
Transfers, disposals and other adjustments	(180,489,699)	(302,916,960)	28,241,229,151	(173,325,962)	(17,872,065,986)	(43,553,151,581)	7,132,671,610	(26,708,049,427)
Balance at end of year	10,808,547,910	34,000,320,599	170,924,458,154	14,768,362,462	86,266,176,981	56,035,823,369	12,350,200,621	385,153,890,096
Accumulated Depreciation and Amortization								
Balance at beginning of year	1,877,079,448	16,640,451,460	75,346,485,197	11,843,405,682	29,760,620,218	–	–	135,468,042,005
Depreciation and amortization	212,489,880	1,768,250,464	7,541,450,765	1,126,235,095	7,374,618,073	–	–	18,023,044,277
Additions from acquisition of subsidiaries	–	154,184,417	1,545,514,228	122,226,991	–	–	–	1,821,925,636
Divestment of business	(41,823,247)	(1,835,921,536)	(6,811,758,947)	(611,726,104)	–	–	–	(9,301,229,834)
Disposals, transfers and other adjustments	(27,171,327)	(158,288,313)	(1,082,340,135)	(128,740,591)	(9,474,929,034)	–	–	(10,871,469,400)
Balance at end of year	2,020,574,754	16,568,676,492	76,539,351,108	12,351,401,073	27,660,309,257	–	–	135,140,312,684
Allowance for Impairment Losses								
Balance at beginning of year	11,385,054	1,194,537	19,416,265	279,328	–	–	–	32,275,184
Provision for (reversal of) impairment losses (Note 34)	–	42,652,343	389,978,928	–	–	–	–	432,631,271
Balance at end of year	11,385,054	43,846,880	409,395,193	279,328	–	–	–	464,906,455
Net Book Value at End of Year	₱8,776,588,102	₱17,387,797,227	₱93,975,711,853	₱2,416,682,061	₱58,605,867,724	₱56,035,823,369	₱12,350,200,621	₱249,548,670,957

	December 31, 2020							
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost								
Balance at beginning of year	₱7,880,937,530	₱36,161,110,685	₱132,350,689,804	₱12,599,686,600	₱118,200,275,859	₱73,207,836,386	₱5,053,650,131	₱385,454,186,995
Additions	53,638,164	1,223,980,637	7,291,843,198	788,088,965	3,531,787,491	14,063,691,815	93,748,991	27,046,779,261
Acquisition of assets that qualified as a business	1,757,652,552	158,230,318	2,587,630,231	—	—	—	—	4,503,513,101
Transfers, disposals and other adjustments	(125,691,204)	(2,891,329,489)	(671,015,376)	1,008,020,617	(18,137,756,628)	(38,901,685)	(231,748,698)	(21,088,422,463)
Balance at end of year	9,566,537,042	34,651,992,151	141,559,147,857	14,395,796,182	103,594,306,722	87,232,626,516	4,915,650,424	395,916,056,894
Accumulated Depreciation and Amortization								
Balance at beginning of year	1,672,654,959	15,415,406,938	68,717,381,262	9,892,037,131	30,481,614,557	—	—	126,179,094,847
Depreciation and amortization	218,383,239	1,431,573,502	7,619,683,084	1,102,519,307	9,110,848,227	—	—	19,483,007,359
Disposals, transfers and other adjustments	(13,958,750)	(206,528,980)	(990,579,149)	848,849,244	(9,831,842,566)	—	—	(10,194,060,201)
Balance at end of year	1,877,079,448	16,640,451,460	75,346,485,197	11,843,405,682	29,760,620,218	—	—	135,468,042,005
Allowance for Impairment Losses								
Balance at beginning of year	11,385,054	1,194,537	19,416,265	279,328	—	—	—	32,275,184
Provision for (reversal of) impairment losses (Note 34)	—	—	—	—	—	—	—	—
Disposals, transfers and other adjustments	—	—	—	—	—	—	—	—
Balance at end of year	11,385,054	1,194,537	19,416,265	279,328	—	—	—	32,275,184
Net Book Value at End of Year	₱7,678,072,540	₱18,010,346,154	₱66,193,246,395	₱2,552,111,172	₱73,833,686,504	₱87,232,626,516	₱4,915,650,424	₱260,415,739,705

Acquisition of CACI Sugar Mill, Roxol Bioethanol Plant and NAVI Shares

URC entered into an agreement with Roxas Holdings Inc. (RHI), together with its wholly-owned subsidiaries, Central Azucarera de la Carlota, Inc. (CACI) and Roxol Bioenergy Corporation (Roxol) for the acquisition of sugar mill, bio-ethanol plant and shares held by RHI in NAVI.

On September 30, 2020, URC and RHI proceeded to close the sale transaction, with the signing and delivery of the definitive sales agreements as well as performance of all conditions necessary for the closing of the transaction. The Group recognized property, plant and equipment amounting to ₱4.4 billion from the purchase transaction.

Sale of Tolong Millsite

In January 2021, URC executed a Memorandum of Agreement and Deed of Absolute Sale with a third party for the sale of its Tolong millsite, with a selling price of ₱1.2 billion. Gain on disposal attributable to the sale amounted to ₱18.9 million, which was recognized under ‘Other Operating Income (Expenses)’ in the consolidated statement of comprehensive income (Note 29).

Reversal of impairment loss

In 2019, following the review of the Petrochemical business, the outlook for the industry and Petrochemical’s operating plan, the Group recognized a reversal of impairment loss amounting to ₱2.3 billion. The expansion of its Naphtha Cracker Plant in 2020 generated economies of scale that decreased the Group’s olefins costs, which led to higher polymer margins. In 2021, the Petrochemical’s polymer plant with expanded polypropylene (PP) production capacity started commercial operations.

Construction in-progress

CAI

Construction in-progress represents the cost of aircraft and engine modifications in progress and buildings and improvements and other ground property under construction. Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use. As of December 31, 2021 and 2020, the Group’s pre-delivery payments capitalized as construction in-progress amounted to ₱14.7 billion and ₱16.3 billion, respectively.

URC

Construction-in-progress amounting to ₱7.6 billion and ₱10.7 billion as of December 31, 2021 and 2020, respectively, represents costs of ongoing expansion and constructions of plants.

JGSOC

Construction-in-progress amounting to ₱1.3 billion and ₱19.9 billion as of December 31, 2021 and 2020, respectively, represents the construction costs of the Naphtha Cracker Plant. The plant is intended for the production primarily of polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.

JGSPC

Construction-in-progress amounting to ₱36.3 billion and ₱37.2 billion as of December 31, 2021 and 2020, respectively, represents the expansion and rehabilitation of polypropylene and polyethylene plant.

Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on property, plant and equipment follows:

	2021	2020	2019
General and administrative expenses (Note 33)	₱8,651,457,832	₱10,224,596,609	₱10,267,006,135
Cost of sales (Note 33)	7,822,566,296	7,603,987,001	7,053,345,008
Cost of services (Note 33)	723,784,809	829,042,388	886,915,076
Discontinued operations (Note 44)	825,235,340	825,381,361	824,923,267
	₱18,023,044,277	₱19,483,007,359	₱19,032,189,486

Property, Plant and Equipment Pledged as Collateral

Passenger aircraft held as securing assets under various loans

CAI entered into various Export Credit Agency (ECA) loans and commercial loan facilities to finance the purchase of its aircraft and engines. As of December 31, 2021 and 2020, the Group’s passenger aircraft and engines held as securing assets under various loans are as follows:

	2021	2020
	Commercial Loans	Commercial Loans
ATR 72-600	12	12
A321 CEO	7	7
A321 NEO	6	6
A320 CEO	5	17
A330 CEO	2	2
	32	44

Under the terms of the commercial loan facilities (Note 23), upon the event of default, the outstanding amount of loan (including accrued interest) will be payable by the SPEs. Under the terms of commercial loan facilities from local banks, upon event of default, the outstanding amount of loan will be payable, including interest accrued by CAI. Failure to pay the obligation will allow the respective lenders to foreclose the securing assets.

As of December 31, 2021 and 2020, the carrying amounts of the securing assets (included under the ‘Property and equipment’ account) amounted to ₱49.8 billion and ₱64.5 billion, respectively.

Forward Sale Agreement

On December 18, 2018, CAI signed a forward sale agreement with Sunrise Asset Management, a subsidiary of Allegiant Travel Company (collectively known as “Allegiant”) covering three (3) A320 aircraft. The aircraft were delivered on various dates within 2019 and CAI recognized ₱352.1 million loss on sale in the consolidated statement of comprehensive income in 2019.

In 2019, CAI entered into an engine sale agreement with RRP Engine Leasing Limited for two (2) Rolls–Royce Trent 772B engines, delivered in August and September, which resulted in a gain of ₱126.4 million.

In September and October 2020, CAI sold eight (8) CFM56 engines as part of a sale and leaseback transaction with SMBC Aero Engine Lease B.V. The lease portion is an arrangement of short- and long-term leases between 18 months to eight (8) years, respectively. The sale portion resulted in a gain of ₱152.9 million.

In November 2020, CAI sold five (5) A320 aircraft as part of a sale and leaseback transaction with EOS Aviation 6 (Ireland) Limited. The lease portion is an arrangement of leases ranging between three (3) to four (4) years. The sale portion resulted in a loss of ₱412.9 million.

In December 2021, CAI entered into a sale and leaseback agreement with Avolon Leasing Ireland 3 Limited, Vmo Aircraft Leasing 32 (Ireland) Limited and Vmo Aircraft Leasing 33 (Ireland) Limited for seven (7) A320 aircraft. The lease portion consists of leases between three (3) to five (5) years. The sale portion resulted in a gain of ₱1,388.7 million and is included “Gain (loss) on sale of aircraft” under ‘Other Operating Income (Expenses)’ in the consolidated statement of comprehensive income (Note 29).

Proceeds from sale of property and equipment for the years ended December 31, 2021 and 2020 amounted to ₱10,705.9 million and ₱7,336.3 million, respectively.

Operating Fleet

As of December 31, 2021 and 2020, the Group’s operating fleet follow:

	2021	2020
Leased aircrafts: (Note 42)		
Airbus A320 CEO	18	22
Airbus A321 CEO	7	7
Airbus A330 CEO	4	6
Airbus A330 NEO	2	–
Airbus A321 NEO	9	7
Airbus A320 NEO	6	5
ATR 72-600	2	1
Owned aircrafts: (Note 23)		
ATR 72-600	12	12
ATR 72-500	8	8
Airbus A320 CEO	4	4
Airbus A330 CEO	2	2
	74	74

Included in construction in-progress is the cost of airframe and engine construction in-progress and buildings and improvements and other ground property under construction. Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use. As of December 31, 2021 and 2020, CAI’s capitalized pre-delivery payments as construction in-progress amounted to ₱14.7 billion and ₱16.3 billion, respectively. For the years ended December 31, 2021 and 2020, CAI received pre-delivery payment refunds for delivered aircrafts from Airbus which amounted to ₱5.9 billion and ₱1.2 billion, respectively.

As of December 31, 2021 and 2020, CAI has six (6) and fifteen (15) aircraft parked for storage at Asia Pacific Aircraft Storage in Alice Springs, Australia as part of its cost-cutting measures amid the COVID-19 pandemic.

Gain (loss) on sale or retirement of property, plant and equipment amounted to ₱2.2 billion, (₱3.7 billion) and (₱2.2 billion) in 2021, 2020 and 2019, respectively.

As of December 31, 2021 and 2020, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to ₱7.3 billion and ₱6.5 billion, respectively.

17. Biological Assets

Total biological assets shown in the consolidated statements of financial position follow:

	2021	2020
Current portion	₱132,144,916	₱99,919,468
Noncurrent portion	166,105,594	134,331,929
	₱298,250,510	₱234,251,397

These biological assets consist of:

	2021	2020
Swine		
Commercial	₱62,326,102	₱74,123,306
Breeder	74,194,347	42,920,185
Poultry		
Commercial	69,818,814	25,796,162
Breeder	91,911,247	91,411,744
	₱298,250,510	₱234,251,397

The rollforward analysis of this account follows:

	2021	2020
Balance at beginning of year	₱234,251,397	₱957,563,597
Additions	549,756,538	1,756,709,312
Disposals	(488,307,581)	(1,966,488,386)
Write-down	–	(550,573,074)
Gains arising from changes in fair value less estimated costs to sell	2,550,156	37,039,948
	₱298,250,510	₱234,251,397

As of December 31, 2021 and 2020, the Group has about 11,469 and 21,142 heads of swine, respectively, and about 944,600 and 589,315 heads of poultry, respectively.

18. Intangible Assets

The composition and movements in this account follow:

	2021						
	Technology Licenses	Branch licenses and others	Software Costs	Trademarks and Brands	Product Formulation	Customer Relationship	Total
Cost							
Balance at beginning of year	₱552,331,752	₱1,766,632,510	₱1,676,561,508	₱9,564,461,252	₱425,000,000	₱2,201,281,165	₱16,186,268,187
Additions	–	552,372	290,075,607	10,959,942	–	–	301,587,921
Additions due to business combination	–	1,497,003	–	1,306,573,016	–	–	1,308,070,019
Disposals/reclassification/others	–	540,001	(57,178,788)	(9,286,328,918)	–	(2,201,281,165)	(11,544,248,870)
Balance at end of year	552,331,752	1,769,221,886	1,909,458,327	1,595,665,292	425,000,000	–	6,251,677,257
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	552,331,752	–	881,720,305	201,524,581	–	395,790,354	2,031,366,992
Amortization	–	–	318,805,549	–	–	–	318,805,549
Disposals/reclassifications	–	–	(55,400,656)	–	–	(395,790,354)	(451,191,010)
Balance at end of year	552,331,752	–	1,145,125,198	201,524,581	–	–	1,898,981,531
Net Book Value at End of Year	₱–	₱1,769,221,886	₱764,333,129	₱1,394,140,711	₱425,000,000	₱–	₱4,352,695,726

	2020						
	Technology Licenses	Branch licenses and others	Software Costs	Trademarks and Brands	Product Formulation	Customer Relationship	Total
Cost							
Balance at beginning of year	P552,331,752	P1,765,822,935	P1,151,330,104	P9,564,461,252	P425,000,000	P2,201,281,165	P15,660,227,208
Additions	–	809,575	519,107,339	–	–	–	519,916,914
Disposals/reclassification/others	–	–	6,124,065	–	–	–	6,124,065
Balance at end of year	552,331,752	1,766,632,510	1,676,561,508	9,564,461,252	425,000,000	2,201,281,165	16,186,268,187
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	552,331,752	–	671,865,818	201,524,581	–	336,114,658	1,761,836,809
Amortization	–	–	190,672,483	–	–	69,251,299	259,923,782
Disposals/reclassifications	–	–	19,182,004	–	–	(9,575,603)	9,606,401
Balance at end of year	552,331,752	–	881,720,305	201,524,581	–	395,790,354	2,031,366,992
Net Book Value at End of Year	P–	P1,766,632,510	P794,841,203	P9,362,936,671	P425,000,000	P1,805,490,811	P14,154,901,195

Technology Licenses

Technology licenses represent the cost of JGSPC’s technology and licensing agreements which cover the construction, manufacture, use and sale of PE and PP lines. JGSPC’s technology licenses were fully impaired in 2006.

Branch Licenses and Others

Branch licenses pertain to RBC which amounted to ₱0.8 billion in 2021 and 2020. Others include intangible assets which arose from the acquisition of Cebgo, Inc. These assets represent CAI’s costs to establish brand and market opportunities under the strategic alliance with Cebgo, Inc. amounting to ₱852.2 million.

Branch licenses have been allocated to the branch banking group as the cash-generating units (CGU) for impairment testing.

The recoverable amount of the CGU has been determined based on value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Key assumptions used in the value in use calculation are pre-tax discount rate and growth rate, which are at 12.08% and 5.06%, respectively in 2021, and 12.51% and 4.90%, respectively in 2020. Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the CGUs to exceed their recoverable amount.

Trademarks, Product Formulation, Brands and Customer Relationships

Trademarks and product formulation were acquired from General Milling Corporation in 2008. Total intangible assets acquired from the acquisition of CSPL and Griffin’s in 2016 and 2014, respectively, were composed of brands of ₱9.3 billion, customer relationships of ₱2.2 billion and software costs of ₱56.3 million.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2021 and 2020. In 2020, the recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations.

Value-in-use calculations used cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 8.57% to 12.58% and from 9.03% to 14.52% for the years ended December 31, 2021 and 2020, respectively. The following assumptions were also used in computing value-in-use:

Growth rate estimates - growth rates include long-term and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rates used in computing the projected future cash flows ranged from 3.90% to 6.10% and from 2.00% to 6.60% as of December 31, 2021 and 2020, respectively.

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

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying values of goodwill and intangible assets arising from the Group’s acquisitions to materially exceed their recoverable amounts.

19. Goodwill

Movements in the Group’s goodwill account follow:

	2021	2020
Cost		
Balance at beginning	₱32,431,403,675	₱32,276,536,238
Acquisition of subsidiaries	20,372,536,452	–
Disposals	(30,295,309,039)	–
Additions due to business combination	–	154,867,437
Balance at end of year	22,508,631,088	32,431,403,675
Accumulated Impairment Losses		
Balance at beginning	270,931,882	270,931,882
Balance at end of year	270,931,882	270,931,882
Net Book Value at End of Year	₱22,237,699,206	₱32,160,471,793

The Group’s goodwill pertains to: (a) the acquisition of LSB in December 2012, (b) the acquisition of Advanson in December 2007, (c) the acquisition of Acesfood in May 2007, (d) the excess of the acquisition cost over the fair values of the net assets acquired by Hongkong China Foods Co., Ltd. (HCFCL) and URC Asean Brands Co., Ltd. (UABCL) in 2000, (e) the acquisition of Southern Negros Development Corporation (SONEDCO) in 1998, (f) the acquisition of Cebgo, Inc. (formerly Tiger Airways Philippines (TAP)) and Griffin’s Good Limited (Griffin’s) in 2014, (g) acquisition of Balayan Sugar Mill and Consolidated Snacks Pty Ltd. (CSPL) in 2016 and (h) acquisition of Crunchy Foods Sdn. Bhd. in December 2021.

Goodwill is not amortized and is non-deductible for tax purposes.

Acquisition of Crunchy Foods Sdn. Bhd.

On December 15, 2021, the Group acquired from Crunchy Limited 100% of the shares of Crunchy Foods Sdn. Bhd. (CFSD), a non-listed company based in Malaysia. CFSD fully owns Munchy Food Industries Sdn Bhd (MFI) and its subsidiary Munchworld Marketing Sdn Bhd (MWM) (collectively, the Munchy’s Group). They operate under the trade name Munchy’s, which is one of the major biscuit brands in Malaysia. The Group acquired CFSD to gain market leadership in Malaysia in the biscuit segment, which is consistent with the Group’s overall purpose. The Munchy’s Group is also expected to create synergies with URC Malaysia.

Purchase Consideration

The purchase consideration was determined to be RM2.07 billion (₱24.6 billion), which was paid in cash by URC Malaysia to Crunchy Limited in exchange for 683,964,000 ordinary shares (100% of the equity) of CFSD.

- 132 -

Assets Acquired and Liabilities Assumed

As of December 31, 2021, the purchase price allocation relating to the Group's acquisition of Munchy's Group has been prepared on a preliminary basis, using available information as of acquisition date. The provisional fair values of the net assets acquired as of date of acquisition are based on net book values of identifiable assets and liabilities including certain adjustments since the Group does not yet have complete information about their acquisition-date fair values. The Group is currently finalizing the purchase price allocation, which could result to adjustments to the values of the assets and liabilities listed below (except cash), due to changes in information about facts and circumstances about them that existed as of acquisition date but which are not yet known to the Group. The purchase price allocation will include independent valuation of these assets and liabilities, as well as the identification of other assets or liabilities that have not yet been known to Group but which already existed as of acquisition date. The difference between the total consideration and net assets amounting to ₱19.9 billion was initially allocated to goodwill. The preliminary allocation is subject to revision to reflect the final determination of fair values. The preliminary accounting will be completed based on further valuations and studies carried out within 12 months from acquisition date.

The provisional fair values of the identifiable assets and liabilities of Munchy's at the date of acquisition follow:

Purchase consideration transferred	₱24,586,990,326
Fair value of identifiable assets	
Cash and cash equivalents	1,733,890,589
Receivables	762,764,213
Inventories	519,197,774
Property, plant and equipment (Note 13)	1,863,711,802
Right-of-use assets	1,635,322
Brands	1,306,573,017
Intangible assets	1,455,163
Other current assets	94,893,542
Total Assets	6,284,121,422
Fair value of identifiable liabilities	
Accounts payable and other accrued liabilities	1,206,202,247
Deferred tax liabilities	400,250,806
Lease liability	1,658,574
Total Liabilities	1,608,111,627
Total fair value of identifiable net assets	4,676,009,795
Goodwill	₱19,910,980,531

The goodwill of ₱19.9 billion comprise the value of expected synergies arising from the acquisition. Goodwill and these intangible assets are allocated entirely to the operations of the Munchy's brands. None of the goodwill is expected to be deductible for income tax purposes.

Net cash outflow on acquisition is as follows:

Cash consideration	₱24,586,990,326
Less: Cash acquired with the subsidiary	(1,733,890,589)
Less: Payable as of December 31, 2021	(287,505,398)
Net cash outflow	₱22,565,594,339

If the business combination had taken place at the beginning of the year, net sales and net income from the continuing operations of the Group would have been ₱121.9 billion and ₱13.3 billion, respectively.

- 133 -

Acquisition of Cebgo

Goodwill arising from the acquisition of Cebgo is attributable to the following:

Achievement of Economies of Scale

Using CAI's network of suppliers and other partners to improve cost and efficiency of Cebgo, thus, improving Cebgo's overall profit, given its existing market share.

Defensive Strategy

Acquiring a competitor enables CAI to manage overcapacity in certain geographical areas/markets.

CAI also identified intangible assets amounting to ₱852.7 million representing costs to establish brand and market opportunities under the strategic alliance with Tiger Airways Holding Limited.

Acquisition of A-Plus

On October 26, 2020, CEBGO signed an SPA with SIAEC for the acquisition of SIAEC's entire 51% shareholding in A-Plus. The consideration paid was US\$5,607,378 and consists of a one-time payment in cash. The consideration was arrived at after arm's length negotiations on a willing-buyer, willing-seller basis and took into account, inter alia, the net asset value and financial performance of A-Plus.

On November 3, 2020, CEBGO and SIAEC signed the Deed of Absolute Sale of Shares for this transaction making A-Plus a wholly owned subsidiary of CEBGO.

The fair value of CEBGO's 49% interest in A-Plus immediately prior to acquisition amounted to ₱269.5 million. The Group recognized ₱71.3 million gain from re-measurement of its investment in A-Plus at fair value immediately prior to acquisition. This is included under 'Other Income' in the consolidated statements of comprehensive income.

The fair value of A-Plus' identifiable assets and liabilities as at the date of acquisition were:

	Fair value recognized on acquisition
Cash	₱69,622,242
Trade receivables	321,488,712
Property and equipment	117,370,579
Right-of-use asset	2,778,033
Other assets	130,563,165
Total assets	641,822,731
Trade payables	113,381,635
Retirement liability	107,441,205
Lease liability	2,902,849
Other liabilities	32,993,547
Total liabilities	256,719,236
Total identifiable net assets at fair value	385,103,495
Less: Fair value of previously held interest	269,471,017
Acquisition cost	270,499,915
	539,970,932
Goodwill from acquisition	₱154,867,437

Net cash outflow on acquisition is as follows:

Cash consideration	₱270,499,915
Less: Cash acquired with the subsidiary	69,622,242
Net cash outflow	₱200,877,673

20. Other Noncurrent Assets

This account consists of:

	2021	2020
Deferred tax assets (Note 38)	₱5,142,289,083	₱3,788,710,580
Advances to lot owners - net of current portion	3,097,764,012	3,745,307,951
Security and miscellaneous deposits	2,336,294,366	1,620,941,533
Advances to suppliers - net of current portion	2,238,793,030	4,591,539,488
Utility deposits	702,432,276	662,909,455
Others	2,109,978,793	2,245,361,109
	₱15,627,551,560	₱16,654,770,116

Advances to Suppliers

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

As of December 31, 2021 and 2020, advances made for the purchase of various aircraft parts, service maintenance and restoration costs of the aircraft which are expected to be consumed beyond one year from the reporting date amounted to nil and ₱2.5 billion, respectively.

Advances to Lot Owners

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

Security Deposits

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

Utility Deposits

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

Others

As of December 31, 2021, others include refundable prepaid rent, deferred input VAT, and repossessed chattels amounting to ₱100.0 million, ₱727.8 million and ₱188.3 million, respectively.

As of December 31, 2020, others include deferred input VAT, prepaid rent, and repossessed chattels amounting to ₱768.6 million, ₱100.0 million and ₱233.0 million, respectively.

21. Accounts Payable and Accrued Expenses

This account consists of:

	2021	2020
Deposit liabilities	₱115,822,971,855	₱111,455,936,892
Trade payables	32,369,730,765	31,184,638,473
Accrued expenses	17,514,281,161	19,892,157,852
Travel fund payable (Note 24)	2,802,831,614	103,168,471
Bills payable	2,618,523,803	–
Airport and other related fees payable	2,432,100,685	2,284,416,132
Output VAT	2,421,601,605	2,166,425,938
Withholding taxes payable	447,018,858	436,729,895
Due to related parties (Note 40)	169,068,971	143,059,245
Refunds payable	117,200,174	1,430,451,596
Dividends payable	20,060,887	45,060,888
Other payables	4,952,173,229	3,478,541,654
	₱181,687,563,607	₱172,620,587,036

Deposit Liabilities

Deposit liabilities represent the savings, demand and time deposit liabilities of RBC and LSB, and bear annual fixed interest rates ranging from nil to 5.75% in 2021 and 2020.

As of December 31, 2021 and 2020, the liquidity and statutory reserves of RBC and LSB amounted to ₱14.8 billion and ₱10.5 billion, respectively.

Details of interest expense on deposit liabilities, which are included in the ‘Cost of services’ in profit or loss in the consolidated statements of comprehensive income follow (see Note 30):

	2021	2020	2019
Savings	₱299,689,400	₱632,859,634	₱1,717,487,944
Time	450,844,106	469,426,389	492,682,489
LTNCD	270,337,898	270,901,436	267,893,614
Demand	4,613,048	2,053,285	4,334,999
	₱1,025,484,452	₱1,375,240,744	₱2,482,399,046

Long-Term Negotiable Certificates of Deposit (LTNCD)

On May 4, 2017, the BSP approved RBC’s issuance of the ₱3.00 billion LTNCD, with a right to increase the aggregate issue up to ₱5.0 billion in the event of over subscription. On June 16, 2017, RBC listed its LTNCD issuance amounting to ₱4.18 billion through the Philippine Dealing and Exchange Corporation. The minimum investment was ₱50,000 with increments of ₱10,000 thereafter. The peso-denominated issue will mature on December 16, 2022 with nominal interest rate of 4.125% and EIR of 4.29%, payable every quarter. On July 6, 2018, the Parent Company issued additional LTNCD amounting to ₱1.78 billion with nominal interest rate of 4.875% and EIR of 5.15% payable every quarter which will mature on January 6, 2024. The proceeds were used to diversify the Parent Company’s maturity profile and funding sources and general corporate purposes.

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

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

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

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

Trade Payables

Trade payables are noninterest-bearing and are normally settled on 30- to 60-day terms. Trade payables arise mostly from purchases of inventories, which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations. Trade payables also include importation charges related to raw materials purchases, as well as occasional acquisitions of production equipment and spare parts. Obligations arising from purchase of inventories necessary for the daily operations and maintenance of aircraft which include aviation fuel, expendables and consumables, equipment and in-flight supplies, and unpaid billings from suppliers and contractors related to construction activities, are also charged to this account.

Accrued Expenses

This account consists of accruals for the following:

	2021	2020
Landing and take-off, navigational charges, and other aircraft-related expenses	₱3,910,026,945	₱2,814,477,238
Advertising and promotions	2,954,904,893	4,836,157,772
Accrued interest payable	2,434,415,499	2,913,215,469
Contracted services	1,661,806,836	1,615,783,498
Compensation and benefits	1,570,168,856	2,478,225,412
Rental expense	1,516,565,560	1,300,544,602
Taxes and licenses	718,853,461	666,260,868
Utilities	601,055,288	708,914,561
Freight and handling costs	380,246,124	480,495,182
Insurance	126,575,637	110,537,452
Royalties	43,364,367	39,350,901
Other accrued expenses	1,596,297,695	1,928,194,897
	₱17,514,281,161	₱19,892,157,852

Other accrued expenses include accruals for travel and transportation, commission, communication, repairs and maintenance, restructuring provision and other professional and legal fees.

In 2019, URC recorded a restructuring provision related to downsizing of farm operations and consolidation of plant operations. The key objectives of the restructuring are: (a) to focus on the profitable and growing animal nutrition and health business, (b) to maximize the value-added chain concentrating on the processed meat business and (c) to improve long-term cost efficiencies for both farm and plant operations. The restructuring provision consists of write-down of biological assets (Note 17), property, plant and equipment (Note 16) and accrual of employee redundancy costs amounting ₱239.0 million, ₱453.7 million and ₱137.1 million, respectively. The related expense is recognized under ‘Other income (loss)’ in the consolidated statement of income (see Note 29). As of December 31, 2021, ₱39.5 million remains of the accrual for employee redundancy costs.

Airport and Other Related Fees Payable

Airport and other related fees payable are amounts payable to the Philippine Tourism Authority and Air Transportation Office Mactan-Cebu International Airport and Manila International Airport Authority arising from aviation security, terminal fees and travel taxes.

Refunds Payable

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

Other Payables

As of December 31, 2021 and 2020, other payables consist of management bonus and other non-trade payables.

22. Other Current Liabilities

This account consists of:

	2021	2020
Contract liabilities (Note 24)	₱16,314,489,808	₱28,053,511,701
Current portion of lease liabilities (Note 42)	5,716,633,360	7,318,423,995
Unearned transportation revenue	4,568,640,575	3,671,467,766
Deposit from lessees (Notes 24 and 42)	3,047,062,089	2,984,978,548
Customer’s deposits	803,990,010	540,371,531
Advances from agents and others	508,356,771	779,423,721
Derivative liabilities (Note 8)	1,732,327,557	245,940,423
	₱32,691,500,170	₱43,594,117,685

Contract Liabilities

Contract liabilities (including noncurrent portion shown in Note 24) consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred based on percentage of completion. The movement in the contract liability is mainly due to reservation of sales and advance payment of buyers less real estate sales recognized upon reaching the equity threshold from increase in percentage of completion. The contract liabilities account includes deposits from real estate buyers that have not met the revenue recognition threshold of 10.00% and these amounted to ₱913 million and ₱1.3 billion as of December 31, 2021 and 2020.

Unearned Transportation Revenue

Passenger ticket and cargo waybill sales are initially recorded under ‘Unearned transportation revenue’ in the consolidated statements of financial position, until these are recognized under ‘Air transportation revenue’ in profit or loss in the consolidated statements of comprehensive income, when the transportation service is rendered by the Group (or once tickets are flown). In 2021, unearned transportation revenue consists of unearned passenger revenue and deferred ancillary revenue amounting to ₱4.1 billion and ₱0.5 billion, respectively. In 2020, unearned transportation revenue consists of unearned passenger revenue and deferred ancillary revenue amounting to ₱3.5 billion and ₱0.2 billion, respectively.

Advances from Agents and Others

Advances from agents and others represent cash bonds required from major sales and ticket offices or agents. This account also includes commitment fees received for the sale and purchase agreement of aircraft.

23. Short-term Debts, Long-term Debts and Bonds Payable

Short-term Debts

Short-term debts consist of:

	2021	2020
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 1.30% to 1.50% in 2021 and from 0.78% to 3.20% in 2020	₱10,037,933,791	₱8,924,046,867
Philippine Peso - with interest rates of 2.00% to 2.40% in 2021 and 2.80% to 4.00% in 2020	55,957,649,691	35,494,045,318
	₱65,995,583,482	₱44,418,092,185

As of December 31, 2021 and 2020, short-term debt of certain subsidiaries denominated in foreign currency and peso include trust receipts payable amounting to ₱37.9 billion and ₱23.5 billion, respectively. The trust receipts payable are secured by the trusteeed inventories for the same amount (see Note 12).

In 2021, 2020 and 2019, the Group incurred interest expense on short-term notes amounting to ₱0.9 billion, ₱0.9 billion and ₱1.4 billion, respectively (see Note 35).

Long-term Debts

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

	Maturities	Interest Rates	2021	2020	Condition
Parent Company:					
Term Loans					
₱5.0 billion term loan	2022	4.65%	₱4,997,159,539	₱4,991,809,222	Unsecured
₱5.0 billion term loan	2024	4.93%	4,840,000,588	4,886,317,635	Unsecured
₱10.0 billion term loan	2023	Floating (2.4%)	9,976,957,544	9,961,716,782	Unsecured
₱5.0 billion term loan	2023	Floating (1.64842%)	4,988,345,997	4,980,677,601	Unsecured
₱5.0 billion term loan	2024	4.9010%	–	4,971,766,633	Unsecured
₱7.0 billion term loan	2024	Floating (1.89%)	6,970,865,518	6,960,676,503	Unsecured
₱4.0 billion term loan	2025	4.75%	3,978,261,369	3,972,701,331	Unsecured
Fixed Rate Retail Bonds:					
₱30.0 billion fixed rate retail bonds					
₱5.3 billion bonds	2021	5.24%	–	5,311,740,108	Unsecured
₱0.2 billion bonds	2024	5.30%	–	175,723,971	Unsecured
			35,751,590,555	46,213,129,786	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US\$750.0 million guaranteed notes	2023	4.375%	31,117,589,393	29,272,287,827	Guaranteed
US\$600.0 million guaranteed notes	2030	4.125%	30,465,049,175	28,675,204,373	Guaranteed
CAI					
USD commercial loan from foreign banks	2030	1.00% to 8.00%; (US\$ Libor)	20,427,514,938	25,333,277,532	Secured
JPY commercial loan	2029	Less than 1% JPY LIBOR	6,681,792,919	7,727,531,810	Secured
URC					
NZ\$395.0 million term loan	2023	NZ 3.15% (BKBM+1.10%)	–	13,498,653,900	Guaranteed
AU\$484.2 million term loan	2021	AU 3.04% (BBSY BID+1.25%)	–	17,838,897,236	Guaranteed
			88,691,946,425	122,345,852,678	
Philippine Peso:					
RLC					
₱12.7 billion loan facility	2023	3.683%	12,679,687,112	12,627,273,856	Unsecured
₱10.6 billion loan facility	2022	4.80%	10,633,033,406	10,616,830,211	Unsecured
₱7.0 billion loan facility	2024	4.75%	6,567,681,317	6,702,513,502	Unsecured
₱6.5 billion loan facility	2021	3.83%	–	6,496,248,135	Unsecured
₱6.0 billion loan facility	2025	4.75%	5,967,920,565	5,959,274,275	Unsecured
₱5.0 billion loan facility	2023	3.89%	4,944,258,596	4,950,688,567	Unsecured
₱4.5 billion loan facility	2027	4.95%	4,467,081,905	4,469,924,269	Unsecured
₱1.4 billion loan facility	2025	4.93%	1,359,782,135	1,358,436,534	Unsecured
₱0.4 billion loan facility	2025	3.8%	423,419,108	422,589,434	Unsecured
JGSPC					
₱14.5 billion term loan	2024	Floating (1.88% to 1.98%)	14,508,000,000	14,508,000,000	Unsecured
₱5.0 billion term loan	2024	5.00%	5,000,000,000	5,000,000,000	Unsecured
₱4.0 billion term loan	2025	4.72%	4,000,000,000	4,000,000,000	Unsecured
₱4.0 billion term loan	2025	Floating (2.65%)	4,000,000,000	4,000,000,000	Unsecured
JGSOC					
₱1.2 billion term loan	2024	6.64%	1,210,000,000	1,210,000,000	Unsecured
₱1.3 billion term loan	2024	6.62%	1,282,000,000	1,282,000,000	Unsecured
CAI					
Term loan	2023	4.80%	2,555,555,556	3,888,888,891	Unsecured
Commercial loans	Various dates through 2028	2%-5% (PH BVAL)	16,290,236,203	16,290,236,203	Secured
			95,888,655,903	103,782,903,877	
			220,332,192,883	272,341,886,341	
Less current portion			19,501,714,468	34,413,387,739	
			₱200,830,478,415	₱237,928,498,602	

The foreign exchange rate used to revalue the foreign currency borrowings was ₱50.999 to US\$1 and ₱48.023 to US\$1 as of December 31, 2021 and 2020, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱186.0 million and ₱122.3 million as of December 31, 2021 and 2020, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱255.8 million and ₱393.4 million as of December 31, 2021 and 2020, respectively.

Repayments of the long-term debt (gross of debt issuance costs) follow:

	2021	2020
Due in:		
2022 and 2021	₱19,501,714,468	₱34,413,387,739
Thereafter	200,830,478,415	237,928,498,602
	₱220,332,192,883	₱272,341,886,341

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

Subsidiaries’ Foreign Currency Loans

JGSPL 4.375% Senior Unsecured Notes Due 2023

On January 24, 2013, JGSHP L issued US\$750.0 million, 4.375% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company. On July 21, 2020, JGSPL redeemed notes with a face value of \$32.0 million for a total consideration of \$34.0 million. The redemption resulted in a loss on bond reacquisition amounting ₱66.2 million (Note 29).

JGSPL 4.125% Senior Unsecured Notes Due 2030

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

CAI USD Commercial Loans from Foreign Banks

From 2007 to 2019, CAI entered into commercial loan facilities to partially finance the purchase of 19 Airbus A320 aircraft, seven (7) Airbus A321 CEO aircraft, five (5) aircraft engines, and one (1) Airbus A321 NEO aircraft. The security trustees of these commercial loan facilities established SPEs, namely: PTALL, PTHALL, SAALL, SBALL, SCALL, SDALL, TOADAC and RALL, which purchased the aircraft from CAI pursuant to (a) five to ten-year finance lease arrangement for the Airbus A320, A321 CEO, and A321 NEO aircraft; and (b) six-year finance lease arrangement for the engines. CAI has the option to purchase the aircraft and the engines for a nominal amount at the end of such leases. The lease rentals made by CAI to these SPEs correspond to the loan payments made by the SPEs to the commercial facility lenders.

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

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

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

As of December 31, 2021 and 2020, the terms of the remaining commercial loan facilities follow:

- Term of six to ten years starting from the delivery date of each aircraft.
- Combination of annuity style and equal principal repayments made on a semi-annual and quarterly basis.
- Mixed interest rates with fixed annual interest rates ranges from 3.00% to 5.00% and variable rates based on US dollar LIBOR plus margin.

- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

As of December 31, 2021 and 2020, the total outstanding balance of the US dollar commercial loans amounted to ₱20.4 billion (US\$400.5 million) and ₱25.3 billion (US\$527.5 million), respectively. Interest expense amounted to ₱0.6 billion, ₱0.8 billion and ₱1.3 billion in 2021, 2020 and 2019, respectively.

CAI JPY Commercial Loans

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

As of December 31, 2021 and 2020, the total outstanding balance of the Japanese yen commercial loans amounted to ₱6.7 billion (¥15.1 billion) and ₱7.7 billion (¥17.0 billion), respectively. Interest expense amounted to ₱18.4 million, ₱22.1 million and ₱174.1 million in 2021, 2020 and 2019, respectively.

URC NZ Finance Company Limited NZD395 Million Term Loan due 2023

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

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

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

Parent Company’s Philippine Peso Loans

Parent Company ₱30.0 Billion Fixed Rate Retail Bonds

On February 28, 2014, the Parent Company issued a ₱30.0 billion fixed rate retail bonds. The bond was issued in three series: (1) Five-year bond amounting to ₱24.5 billion fixed at 5.23% due 2019; (2) Seven-year bond amounting to ₱5.3 billion fixed at 5.24% due 2021; and (3) Ten-year bond amounting to ₱176.3 million fixed at 5.30% due 2024. Interest is calculated on a 30/360-day count basis and is payable semi-annually starting August 27, 2014 and the 27th day of February and August of each year thereafter. Net proceeds from the bond issuance were used to partially finance its acquisition of Meralco shares and for general corporate purposes. In February 2019, the Parent Company fully settled its five-year bond amounting to ₱24.5 billion. On January 18, 2021, the BOD of the Parent Company approved the exercise of the option for early redemption of the Parent Company’s ₱176.3 million fixed rate 5.3% bonds due on 2024 at the early redemption price of ₱101.50. On March 2, 2021, the Parent Company exercised its option for early redemption and recognized loss on extinguishment of debt amounting to ₱3.2 million (Note 29).

Parent Company ₱5.0 Billion Term Loan with BPI due in July 2022

On July 6, 2017, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with BPI with a fixed rate at 4.65% per annum and shall be payable quarterly in arrears. Interest for 2021 and 2020 amounted to ₱232.5 million and ₱233.1 million, respectively.

Parent Company ₱5.0 Billion Term Loan with MBTC due in July 2024

On July 13, 2017, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC with a fixed rate at 4.93% per annum and shall be payable quarterly in arrears. In July 2021, 2020 and 2019, the Company partially prepaid the loan amounting to ₱50.0 million per annum. Interest for 2021 and 2020 amounted to ₱240.2 million and ₱243.3 million, respectively.

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

On June 8, 2018, the Company borrowed ₱10.0 billion under Term Loan Facility Agreement with BDO. Interest for 2021 and 2020 amounted to ₱264.9 million and ₱435.1 million, respectively. The loan bears an interest based on the bank’s 30-day prime rate.

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

On June 14, 2018, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC. Interest for 2021 and 2020 amounted to ₱84.0 million and ₱139.7 million, respectively. The loan obtained bears a market interest rate plus a certain spread, payable quarterly.

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

On August 23, 2019, the Parent Company borrowed ₱7.0 billion under Term Loan Facility Agreement with BPI. Interest for 2021 and 2020 amounted to ₱157.8 million and ₱206.2 million, respectively. The loan obtained bears a market interest rate plus a certain spread, payable quarterly.

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

On August 23, 2019, the Parent Company borrowed ₱5.0 billion under Term Loan Facility Agreement with PNB with a fixed rate at 4.901% per annum and shall be payable quarterly in arrears. Interest for 2021 and 2020 amounted to ₱157.8 million and ₱245.7 million, respectively. In August 2021, the Parent Company pre-terminated its term loan with PNB and recognized loss on extinguishment of debt amounting to ₱74.1 million (Note 29).

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

On June 26, 2020, the Parent Company borrowed ₱4.0 billion under Term Loan Facility Agreement with BDO with a fixed rate at 4.75% per annum and shall be payable quarterly in arrears. Interest for 2021 and 2020 amounted to ₱189.9 million and ₱95.8 million, respectively.

Subsidiaries’ Philippine Peso Loans

RLC ₱10.6 Billion Term Loan due in February 2022

On February 23, 2015, RLC issued ₱10.6 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.80% per annum.

RLC ₱1.4 Billion Term Loan due in February 2025

On February 23, 2015, RLC issued ₱1.4 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.93% per annum.

RLC ₱6.5 Billion Term Loan due in July 2021

On July 8, 2016, RLC borrowed ₱6.5 billion under Term Loan Facility Agreements with BDO Unibank, Inc. The loan was released on July 8, 2016 amounting to ₱3.0 billion and on September 27, 2016 amounting to ₱3.5 billion with interest rate at 3.83% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed. The loan was settled in 2021.

RLC ₱5.0 Billion Term Loan due in August 2023

On August 10, 2016, RLC borrowed ₱5.0 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The ₱5.0 billion loan was released on August 10, 2016 with interest rate at 3.89% per annum and shall be payable quarterly, computed on the basis of a 360-day year and on the actual number of days elapsed.

RLC ₱7.0 Billion Term Loan due in March 2024

On March 15, 2017, RLC borrowed ₱7.0 billion million under Term Loan Facility Agreements with Metropolitan Bank & Trust Company. The loan was released on March 15, 2017 amounting to ₱7.0 billion with interest rate at 4.75% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed. Annual principal payment is two percent (2%) of the total loan amount or ₱140 million.

RLC ₱4.5 Billion Term Loan due February 2027

On February 10, 2017, RLC borrowed ₱4.5 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The loan was released on February 10, 2017 amounting to ₱4.5 billion with interest rate at 4.95% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

Partial payment for this loan amounting to ₱5.0 million was made on February 13, 2021 and 2020.

RLC ₱6.0 Billion Term Loan due June 2025

On June 30, 2020, RLC borrowed ₱6.0 billion under Term Loan Facility Agreements with BDO Unibank, Inc. The loan was released on June 30, 2020 which bears interest rate at 4.75% computed per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

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

On July 17, 2020, RLC issued its “Series C Bonds” amounting to ₱12,763.1 million and “Series D Bonds” amounting to ₱427.2 million constituting direct, unconditional, unsecured and unsubordinated peso-denominated obligations of RLC and shall at all times rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu with all other present and future unsubordinated and unsecured obligations of RLC, other than obligations preferred by law. The net proceeds of the issue shall be used by the RLC to: (i) partially fund the capital expenditure budget of RLC for calendar years 2020 and 2021; (ii) repay short-term loans maturing in the second half of calendar year; and (iii) fund general corporate purposes including, but not limited to, working capital. The bonds have been rated PRS Aaa by Philippine Rating Services Corporation (PhilRatings).

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

CAI Philippine Peso Commercial Loans

From 2016 to 2017, CAI entered into Philippine peso commercial loan facilities to partially finance the acquisition of eight (8) ATR 72-600 and two (2) Airbus A330 aircraft.

In 2018, CAI entered into Philippine peso commercial loan facilities to partially finance the acquisition of four (4) ATR 72-600 aircraft and refinance four (4) Airbus A320 aircraft.

As of December 31, 2021 and 2020, the terms of the commercial loan facilities follow:

- Term of seven (7) to ten (10) years starting from the delivery dates of each aircraft.
- Twenty-eight (28) to forty (40) equal consecutive principal repayments made on a quarterly basis.
- Interests on loans are variable rates based on Philippines Bloomberg Valuation (PH BVAL).
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

As of December 31, 2021 and 2020, the total outstanding Philippine Peso commercial loans amounted to ₱16.3 billion. Interest expense incurred from these loans amounted to ₱559.9 million, ₱627.7 million and ₱1.1 billion in 2021, 2020 and 2019, respectively.

The commercial loans are secured by the related aircraft. CAI is required to comply with affirmative and negative covenants until termination of loans. As of December 31, 2021 and 2020, the Group is not in breach of any loan covenants.

CAI Philippine Peso Term Loan

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

As of December 31, 2021 and 2020, the total outstanding Philippine Peso term loan amounted to ₱2.6 million and ₱3.9 billion, respectively. Interest expense incurred from this loan amounted to ₱156.3 million and ₱179.8 million in 2021 and 2020, respectively. CAI is required to maintain certain financial ratios until termination of loans. As of December 31, 2021, CAI obtained a waiver from the bank in relation to debt service coverage ratio requirement. Accordingly, the related loan is classified as non-current as at December 31, 2021. As of December 31, 2020, CAI is not in breach of any loan covenants.

JGSPC Philippine Peso Term Loan

These are clean loans obtained in 2019 and 2020 to finance the JGSPC’s expansion projects and are payable in lump sum after five years.

JGSOC Philippine Peso Term Loan

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

In 2021, 2020 and 2019, total interest expense on long-term debt amounted to ₱7.1 billion, ₱7.0 billion and ₱8.5 billion, respectively (see Note 35).

In 2021, 2020 and 2019, the Group recognized amortization of bond issue costs amounting to ₱95.9 million, ₱93.4 million and ₱80.7 million, respectively (see Note 35).

Debt Covenants

Certain loan agreements contain provisions which, among others, require the maintenance of specified financial ratios at certain levels and impose negative covenants which, among others, prohibit a merger or consolidation with other entities, dissolution, liquidation or winding-up, except with any of its subsidiaries; and prohibit the purchase or redemption of any issued shares or reduction of registered and paid-up capital or distribution of assets resulting in capital base impairment.

For the Parent Company’s ₱9.0 Billion, ₱5.0 Billion, ₱10.0 Billion, ₱5.0 Billion, ₱5.0 Billion and ₱4.0 Billion Term Loan Facilities, the Group is required to maintain a financial ratio of Group’s total borrowings to Group’s shareholders' equity not exceeding 2.0:1.0.

For the Parent Company’s ₱30.0 Billion Fixed Rate Retail Bonds, the Group is required to maintain the following financial ratios:

- the Group’s current ratio of not less than 0.5:1.0;
- the Group’s debt-to-equity ratio of not greater than 2.0:1.0

The commercial loans of CAI are secured by the related aircraft. The Group is required to comply with affirmative and negative covenants until termination of loans. As of December 31, 2021 and 2020, the Group is not in breach of any loan covenants.

For CAI’s unsecured, Philippine peso-denominated short-term loan, CAI is required to maintain certain financial ratio until termination of loans. As of December 31, 2021, the Group is not in breach of any loan covenants.

For the RLC’s ₱10.6 Billion bonds due in February 2022, ₱1.4 Billion bonds due in February 2025, ₱6.5 Billion Term Loan due in July 2021, ₱5.0 Billion Term Loan due in August 2023, ₱4.5 Billion Term Loan due in February 2027, ₱7.0 Billion Term Loan due in March 2024 and ₱6.0 Billion Term Loan due in June 2025. RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statement as of and for the year end December 31 and consolidated interim financial statements as of March 31. These loans were not guaranteed by the Parent Company. RLC has complied with the debt covenant as of December 31, 2021 and 2020.

For RLC’s 3-year bonds, 5-year bonds and “Series C Bonds”, RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statements as of its calendar year end December 31 and consolidated interim financial statements as at June 30. RLC has complied with the debt covenant as of December 31, 2021 and 2020.

For JGSPC’s term loans, JGSPC is required to maintain a net debt-to-equity ratio of not more than 2.5:1.0, as measured at the end of each calendar year-end. JGSPC has complied with the debt covenant as of December 31, 2021 and 2020.

For JGSOC’s term loans, JGSOC is required to maintain a net debt-to-equity ratio of not more than 2.5:1.0, as measured at the end of each calendar year-end. JGSOC has complied with the debt covenant as of December 31, 2021 and 2020.

In 2021, JGSPC secured the approval of its term loan creditors for its merger with JGSOC.

For JGSPL’s US\$750.0 million Senior Unsecured Notes due in 2023, the Parent Company as the guarantor shall procure:

- Consolidated Current Assets to Consolidated Current Liabilities is not at any time less than 0.5:1.0; and

- Consolidated Total Borrowings to Consolidated Stockholders' Equity does not at any time exceed 2:1.

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

For the NZ and AU Term loans, the Group is required to maintain consolidated debt-to-equity ratio of not greater than 2.5 to 1.0.

The Group has complied with all of its debt covenants as of December 31, 2021 and 2020.

Bonds Payable

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

The conversion option entitles the CB holders to convert its outstanding bonds for CAI’s common shares at any time within the conversion period which shall begin 40 days after the issue date of the CB and shall end 20 business days before the maturity date. The price at which the common shares will be issued upon conversion will initially be at ₱38.00 per share, as translated to U.S. Dollars at the fixed exchange rate of USD\$1.00 = ₱48.45 and subject to any adjustments from time to time in accordance with the adjustment provisions. No conversion options were exercised as of December 31, 2021.

The fair value at initial recognition and the carrying amounts of the financial liability component, calculated based on the fair value of the principal less any directly attributable transaction costs, at December 31, 2021 are presented below:

	In US Dollar	In Philippine Peso
Value of the bonds issued	US\$250,000,000	₱11,955,500,000
Bond issue cost	(3,571,242)	(173,026,665)
Net proceeds	246,428,758	₱11,782,473,335
Less: Fair value of embedded derivative liability at initial recognition (Note 8)	(8,632,924)	(412,843,691)
Debt component of bonds	237,795,834	11,369,629,644
Unrealized foreign exchange loss	–	759,069,399
Bond amortization	1,127,206	56,137,083
Carrying value of bonds payable	US\$238,923,040	₱12,184,836,126

The changes in fair value of embedded derivative on bonds payable in 2021 follows:

	In US Dollar	In Philippine Peso
Fair value at initial recognition	US\$8,632,924	₱412,843,691
Market valuation losses	25,308,149	1,318,117,078
Carrying value of embedded derivative liability	US\$33,941,073	₱1,730,960,769

In subsequent periods, the debt component of bonds will be carried at amortized cost using the EIR method. Interest expense recognized from the convertible bonds amounted to ₱415.7 million.

The conversion option, which represents the bifurcated amount from the fair value of the convertible bonds has an initial fair value of ₱412.8 million. The embedded derivative in the convertible bonds (hybrid instrument) is subsequently remeasured at fair value. Any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

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

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

	May 10, 2021	December 31, 2021
Stock price	₱38.00	₱42.15
Risk free rate	0.38%	1.29%
Conversion price	₱38.00	₱38.00
Expected option life	5.9 years	5.9 years
Volatility	45.36%	47.27%

24. Other Noncurrent Liabilities

This account consists of:

	2021	2020
Lease liabilities (Note 42)	₱29,772,830,961	₱17,845,927,374
Deposit liabilities - net of current portion	11,752,180,637	10,868,476,313
ARO	7,084,719,291	6,763,391,698
Deposit from lessees - net of current portion (Note 42)	3,875,725,761	3,295,388,823
Contract liabilities - net of current portion (Note 22)	2,082,416,516	905,153,868
Pension liabilities (Note 37)	1,939,056,517	2,848,108,836
Travel fund payable	1,850,992,630	3,535,932,241
Deferred revenue on rewards program	655,367,983	1,384,913,161
Others	2,327,303,248	1,882,237,445
	₱61,340,593,544	₱49,329,529,759

Deposit Liabilities

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

ARO

CAI is contractually required under various lease contracts to restore certain leased aircraft to its original condition at its own cost or to bear a proportionate cost of restoration at the end of the contract period. These costs are accrued based on estimates made by CAI’s engineers, which include estimates of future aircraft utilization and certain redelivery costs at the end of the lease period. (see Note 3).

URC also has obligations to restore the leased manufacturing sites, warehouses and offices at the end of the respective lease terms. These provisions are calculated as the present value of the estimated expenditures required to remove any leasehold improvements. These costs are currently capitalized as part of the cost of the plant and equipment and are amortized over the shorter of the lease term and the useful life of assets.

The rollforward analysis of the Group’s ARO follows:

	2021	2020
Balance at beginning of year	₱6,763,391,698	₱6,233,060,774
Provision for ARO	3,566,104,161	3,066,020,475
Applications	(3,244,776,568)	(2,535,689,551)
Balance at end of year	₱7,084,719,291	₱6,763,391,698

In 2021, 2020 and 2019, ARO expenses included as part of repairs and maintenance under ‘Cost of sales’ amounted to ₱3.6 billion, ₱3.1 billion and ₱2.0 billion, respectively (Note 30).

Travel Fund Payable

In light of the significant increase in flight cancellations due to the COVID-19 outbreak and consequent to the grounding of the Group’s commercial operations, customers were given options for their cancelled flights which included, among others, conversion to a full travel fund which is a virtual wallet equivalent to the amount paid for an existing booking. A travel fund is valid for two years and can be used as payment for future bookings. In 2020, travel fund payable is presented under ‘Other noncurrent liabilities’ account in the consolidated statements of financial position based on management estimates, derived from the Group's experience and passengers' expected usage in light of the current travel restrictions. In 2019, travel fund payable is presented under “Accounts payable and other accrued liabilities” account in the consolidated statements of financial position as the validity of said fund was only for six (6) months.

Travel fund payable amounted to ₱4.7 billion and ₱3.5 billion as of December 31, 2021 and 2020, respectively.

Deposits from Lessees

Deposits from lessees (including the current portion shown in Note 22) represent cash received from tenants representing three to six months’ rent which shall be refunded to tenants at the end of the lease term. These are initially recorded at fair value, which is obtained by discounting its future cash flows using the applicable rates of similar types of instruments. The accretion expense on these deposits recorded as part of cost of rental services on the discount amounted to ₱46.0 million, ₱82.0 million and ₱76.0 million in 2021, 2020 and 2019, respectively (Note 30).

The unearned rental income (included under ‘Deposit from lessees’) amounted to ₱722.0 million and ₱579.0 million as of December 31, 2021 and 2020, respectively. The rental income on amortization of unearned rental income amounted to ₱46.0 million, ₱80.0 million and ₱83.0 million in 2021, 2020 and 2019, respectively.

Deferred Revenue on Rewards Program

This account pertains to estimated liability under the Getgo lifestyle rewards program. Last July 26, 2021, the Group’s Getgo program was replaced by Go Rewards. With this change, the remaining unredeemed ring-fenced points were all converted to Cebu Pacific Travel Fund, a virtual wallet that can be used as a form of payment for booking new flights and purchasing add-ons.

The rollforward analyses of deferred revenue follow:

	2021	2020
Balance at beginning of year	₱1,384,913,161	₱1,234,903,085
Add: Estimated liability on issued points	332,507,812	322,860,171
Subtotal	1,717,420,973	1,557,763,256
Less: Estimated liability on redeemed points	1,062,052,990	15,490,919
Estimated liability on expired points	–	157,359,176
Balance at end of year	₱655,367,983	₱1,384,913,161

Accrued Rent

Accrued rent expense represents the portion of the lease as a consequence of recognizing expense on a straight-line basis. These pertain to various lease of land entered by the Group where the malls are located.

Others

Others include retention payable and heavy maintenance visits.

Retention payable

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

Heavy maintenance visits

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

25. **Equity**

Details of the Parent Company’s authorized capital stock as of December 31, 2021 and 2020 follow:

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

The paid-up capital of the Group consists of the following:

	2021	2020
Capital stock:		
Common shares - ₱1 par value	₱7,520,983,658	₱7,520,983,658
Preferred voting shares - ₱0.01 par value	42,000,000	40,000,000
	7,562,983,658	7,560,983,658
Additional paid-in capital	45,212,569,757	45,148,987,817
Stock dividend distributable on preferred shares	–	122,600,000
Total paid-up capital	₱52,775,553,415	₱52,832,571,475

Preferred Voting Shares

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

- a. Entitled to vote on all matters involving the affairs of the Parent Company requiring the approval of the stockholders. Each share shall have the same voting rights as a common share.
- b. The shares shall be non-redeemable.
- c. Entitled to dividends at the rate of 1/100 of common shares, such dividends shall be payable out of the surplus profits of the Parent Company so long as such shares are outstanding.
- d. In the event of liquidation, dissolution, receivership or winding up of affairs of the Parent Company, holders shall be entitled to be paid in full at par, or ratably, in so far as the assets of the Parent Company will permit, for each share held before any distribution is made to holders of the common shares.

Record of Registration of Securities with the SEC

Summarized below is the Parent Company’s track record of registration of securities under the Securities Regulation Code.

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
June 30, 1993	Registration of authorized capital stock	–	₱1.00	₱–	12,850,800,000 common shares and 2,000,000,000 preferred non-voting shares	–
June 30, 1993	Initial public offering (IPO)	1,428,175,000 common shares	1.00	4.40	–	1,428,175,000 common shares
June 30, 1994	Conversion of convertible bonds into common shares	428,175,000 common shares	1.00	13.75	–	3,725,457 common shares
July 3, 1998	Stock rights offering (1:2)	2,060,921,728 common shares	1.00	2.00	–	2,060,921,728 common shares

The table below provides information regarding the number of stockholders of the Parent Company as of December 31, 2021, 2020 and 2019:

	2021	2020	2019
Common shares	994	1,003	1,002
Preferred voting shares	1	1	1

Capital Management

The primary objective of the Group’s capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided by total capital. The Group includes within gross debt all interest-bearing loans and borrowings and derivative liabilities, while capital represents total equity.

The Group’s computation of debt-to-capital ratio follows:

	2021	2020
(a) Gross debt		
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
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	–
Derivative liabilities (Note 8)	1,732,327,557	245,940,423
	₱300,244,940,048	₱317,005,918,949
(b) Capital	₱443,630,982,560	₱408,110,356,358
(c) Debt-to-capital ratio (a/b)	0.68:1	0.78:1

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

Regulatory Qualifying Capital

RBC

In 2013, the determination of the Parent Company’s compliance with regulatory requirements and ratios is based on the amount of the Parent Company’s ‘unimpaired capital’ (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

The regulatory Gross Qualifying Capital of the Parent Company consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated note, revaluation reserves and general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to equity investments in unconsolidated subsidiary banks and other financial allied undertakings, but excluding investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis) and equity investments in subsidiary non-financial allied undertakings.

Risk-weighted assets are determined by assigning defined risk weights to statement of financial position exposures and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

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

Risk weight	Exposure/Asset type*
0%	Cash on hand; claims collateralized by securities issued by the non-government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20%	COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation

Risk weight	Exposure/Asset type*
50%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75%	Direct loans of defined Small Medium Enterprise and microfinance loans portfolio; nonperforming housing loans fully secured by first mortgage
100%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred tax)
150%	All NPLs (except nonperforming housing loans fully secured by first mortgage) and all nonperforming debt securities

* Not all inclusive

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

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

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP’s existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2016. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Circular sets out a minimum REST limit of 6.00% CET1 capital ratio and 10.00% risk-based capital adequacy ratio, on a solo and consolidated basis, under a prescribed write-off rate of 25.00% on the Group’s real estate exposure. These limits shall be complied with at all times.

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

The CAR of RBC as reported to the BSP as of December 31, 2021 and 2020 follows:

	2021	2020
CET 1 Capital	₱15,193	₱15,470
Additional Tier 1 Capital	—	—
Tier 1 Capital	15,193	15,470
Tier 2 Capital	805	862
Total Qualifying Capital	₱15,998	₱16,332

	2021	2020
Credit Risk-weighted Assets (RWA)	₱101,282	₱86,169
Market RWA	382	416
Operational RWA	9,600	7,897
Total RWA	₱111,264	₱94,482
Common Equity Tier 1 Ratio 1	13.65%	16.37%
Additional Tier 1 Ratio	0.00%	0.00%
Tier 1 Capital Ratio	13.65%	16.37%
Tier 2 Capital Ratio	0.73%	0.92%
Risk-based CAR	14.38%	17.29%

As of December 31, 2021 and 2020, RBC was in compliance with the required CAR.

Retained Earnings

As of December 31, 2021 and 2020, the Group has a total retained earnings of ₱246.2 billion and ₱242.7 billion, respectively. Out of this, ₱118.3 billion were restricted as of December 31, 2021 and 2020. The determination of retained earnings available for dividend declaration is assessed at the Parent Company level.

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

Parent Company

As of December 31, 2021, the ₱101.2 billion restricted retained earnings of the Parent Company are earmarked for the following: (a) settlement of a certain subsidiary’s loan obligations guaranteed by the Parent Company (Note 23); (b) settlement of Parent Company loan obligations; (c) capital investment related to digital venture businesses; and (d) general corporate purposes.

The details of the loan obligations follow:

	Subsidiary	Amount	Settlement
Loan obligations:			
4.375% senior unsecured notes	JGSH Philippines, Limited	US\$750.0 million	10 years maturing in 2023
4.125% senior unsecured notes	JGSH Philippines, Limited	US\$600.0 million	10 years maturing in 2030
Term Loans	Parent Company	₱35.9 billion	Maturing in 2022 to 2024
Term Loans	JGSPC	₱27.5 billion	Maturing in 2024 and 2025
Term Loans	JGSOC	₱2.4 billion	Maturing in 2024

As part of its debt covenant, the Parent Company has to maintain certain financial ratios such as: (a) the Group’s current ratio of not less than 1.0:1.0; and (b) the Group’s debt-to-equity ratio of not greater than 2.0:1.0. A portion of the Parent Company’s retained earnings is restricted to maintain these financial ratios.

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

On December 18, 2019, the BOD approved the appropriation of retained earnings amounting to ₱25.0 billion and the reversal of the appropriation made in prior years amounting to ₱24.5 billion.

URC

On December 16, 2020, URC’s BOD approved the reversal of the appropriation of retained earnings in the aggregate amount of ₱2.0 billion, which was approved by the BOD in its resolutions adopted on September 8, 2015 and September 7, 2016.

RLC

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

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

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

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

On December 9, 2019, RLC’s BOD approved the reversal of the retained earnings it appropriated in 2018 amounting to ₱27.0 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, RLC’s BOD also approved the appropriation of ₱27.0 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of RLC for various projects. These projects and acquisitions are expected to be completed in various dates from 2020 to 2024.

CAI

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

As of December 31, 2021, 2020 and 2019, CAI’s appropriated retained earnings amounted to nil, ₱12.0 billion and ₱26.0 billion, respectively.

RBC

In compliance with existing BSP regulations, 10.00% of the net profits realized by RBC from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.00% of RBC’s regulatory capital.

As of December 31, 2021, the RBC’s BOD approved to appropriate reserves for trust reserves amounting to (₱15.5) million.

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

Accumulated equity in net earnings of the subsidiaries and associates

A portion of the Group’s retained earnings corresponding to the net earnings of the subsidiaries and accumulated equity in net earnings of the associates and joint ventures amounting to ₱99.0 billion, ₱102.6 billion and ₱113.8 billion as of December 31, 2021, 2020 and 2019, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

Cash Dividends

Parent Company

Details of the Parent Company’s dividend declarations on its common stock follow:

	2021	2020	2019
Date of declaration	May 13, 2021	May 30, 2020	May 30, 2019
Dividend per share	₱0.38	₱0.38	₱0.37
Total dividends	₱2.9 billion	₱2.7 billion	₱2.7 billion
Date of record	June 11, 2021	June 11, 2020	June 20, 2019
Date of payment	July 7, 2021	July 8, 2020	July 16, 2019

Details of the Parent Company’s dividend declarations on its preferred stock follow:

	2021	2020	2019
Date of declaration	May 13, 2021	May 30, 2020	May 30, 2019
Dividend per share	₱0.0038	₱0.0038	₱0.0037
Total dividends	₱15.2 million	₱15.2 million	₱14.8 million
Date of record	June 11, 2021	June 11, 2020	June 20, 2019
Date of payment	July 7, 2021	July 8, 2020	July 16, 2019

The following tables summarize the dividends declared by significant subsidiaries of the Parent Company:

URC

Details of URC’s dividend declarations follow:

	2021	2020	2019
Date of declaration	April 29, 2021	March 10, 2020	February 28, 2019
Dividend per share - regular	₱1.50	₱1.50	₱1.50
Total dividends - regular	₱3.3 billion	₱3.3 billion	₱3.3 billion
Date of record	May 20, 2021	March 24, 2020	March 14, 2019
Date of payment	June 15, 2021	April 21, 2020	March 28, 2019
Dividend per share - special	₱1.80	₱1.65	₱1.65
Total dividends - special	₱4.0 billion	₱3.6 billion	₱3.6 billion
Date of record	August 19, 2021	June 1, 2020	July 1, 2019
	September 15, 2021		
Date of payment	2021	June 26, 2020	July 26, 2019

RLC

Details of RLC’s dividend declarations follow:

	2021	2020	2019
Date of declaration	May 6, 2021	May 13, 2020	May 29, 2019
Dividend per share	₱0.25	₱0.25	₱0.50
Total dividends	₱1.3 billion	₱1.3 billion	₱2.6 billion
Date of record	May 26, 2021	June 10, 2020	June 18, 2019
Date of payment	June 21, 2021	July 7, 2020	July 12, 2019
Dividend per share	–	₱0.25	–
Total dividends	–	₱1.3 billion	–
Date of record	–	October 1, 2020	–
Date of payment	–	October 27, 2020	–

CAI

Details of CAI’s dividend declarations follow:

	2021	2020	2019
Date of declaration	–	–	May 20, 2019
Dividend per share - regular	–	–	₱2.00
Total dividends - regular	–	–	₱1,201.8 million
Dividend per share - special	–	–	₱5.00
Total dividends - special	–	–	₱3,004.6 million
Date of record	–	–	June 14, 2019
Date of payment	–	–	July 10, 2019

Stock Dividends

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

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

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

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

Equity Reserve

In December 2019, Intersnack bought 40% of URC’s equity interest in the Oceania business for a total consideration of ₱7.7 billion (see Note 44). As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%. The excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱1.3 billion is presented under ‘Equity reserve’ in the consolidated statements of financial position. See Note 8 for disclosure on the call option.

In October 2021, URC sold its remaining 60.0% equity interest in Oceania business to Intersnack (see Note 44). As a result, the Group derecognized the assets and liabilities related to its Oceania business. The Group is of the view that the Equity Reserve can be reclassified to Retained Earnings to present more useful information about its equity. The Group evaluated the nature of the Equity Reserve, and if there are specific requirements on its derecognition. Management also considered nature of equity and the applicability of the requirements of PFRS and definitions, recognition criteria and measurement concepts in the Framework.

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

On August 20, 2021, RLC sold its investment in RCR by way of public offering at a selling price of ₱6.45 per share, with a total selling price amounting to ₱22.6 billion, net of transaction costs amounting to ₱737.3 million. As a result of the sale, the equity interest of RLC over RCR changed from 100% to 63.49%. RLC assessed that the change in its ownership interest over RCR as a result of the public offering did not result in a loss of control. Thus, RLC accounted for the decrease in ownership interest in RCR as an equity transaction. No gain or loss was recognized upon consolidation, and the difference in the proceeds from sale of shares to public and the amount recorded as NCI amounting to ₱10.8 billion was recorded as ‘Equity Reserve’ in the consolidated statements of financial position.

On September 27, 2016, URC reissued 22.7 million common shares previously held as treasury shares by way of block sale at a selling price of ₱193.45 per share, with a total selling price amounting to ₱4.4 billion, net of transaction costs amounting to ₱27.2 million. As a result of the sale, the equity interest of the Parent Company over URC changed from 55.83% to 55.25%. The excess of the total consideration received over the carrying value of the interest transferred to the non-controlling interest is included under ‘Equity reserve’ in the consolidated statements of financial position.

In December 2014, URC entered into a share purchase agreement with Nissin to sell 14.0% of its equity interest in NURC. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The gain from the sale amounting to ₱239.8 million is included under ‘Equity reserve’ in the consolidated statements of financial position.

Non-controlling Interests

Below is the rollforward of non-controlling interests:

	2021	2020	2019
Beginning balance	₱99,789,050,002	₱103,835,500,348	₱91,055,029,938
Total comprehensive income:			
Net income attributable to non-controlling interests	5,625,794,401	865,365,887	11,380,265,517
Other comprehensive income attributable to non-controlling interests:			
Net unrealized gains (losses) on financial assets at FVOCI (Note 10)	(442,045,521)	74,830,797	454,489,410
Cumulative translation adjustments	774,300,966	(850,896,728)	526,535,963
Remeasurements due to defined benefit liability (Note 37)	239,338,401	(30,669,098)	(208,766,439)
Gain (loss) on cashflow hedge	27,779,849	(85,310,250)	55,830,925
	6,225,168,096	(26,679,392)	12,208,355,376
Sale of equity interest in a subsidiary (by a subsidiary)	10,593,578,230	—	6,066,755,734
Derecognition of non-controlling interest due to sale of business by a subsidiary	(6,244,876,706)	—	—
Cash dividends paid to non-controlling interests	(4,420,473,375)	(4,494,502,566)	(5,768,961,389)
Issuance of shares by subsidiaries	3,021,843,474	—	—
Decrease in subsidiaries' treasury shares	(673,255,042)	(45,040,628)	(104,451,717)
Acquisition of non-controlling interest by a subsidiary	(473,539,688)	327,772,240	—
Acquisition of new subsidiary by a subsidiary	341,291,632	—	—
Subsidiary's share-based payments	174,824,362	—	—
Stock issue costs of subsidiaries	(11,519,640)	—	—
Deposit for future subscription of shares by non-controlling interest in a subsidiary / Issuance of shares by subsidiaries	—	192,000,000	240,000,000
Incorporation of a subsidiary	—	—	159,250,000
Property dividends to non-controlling interest	—	—	(20,477,594)
	₱108,322,091,345	₱99,789,050,002	₱103,835,500,348

26. Revenue

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenues from contracts with customers and revenues not covered under PFRS 15 for the years ended December 31, 2021, 2020 and 2019:

	December 31, 2021			
	Goods and services transferred at a point in time	Services transferred over time	Revenues outside the scope of PFRS 15	Total
Sale of goods and services:				
Foods	₱116,954,788,444	₱—	₱—	₱116,954,788,444
Real estate and hotels	15,020,628,180	5,202,951,110	15,338,406,050	35,561,985,340
Air transportation	15,740,756,855	—	—	15,740,756,855
Petrochemicals	40,323,467,713	—	—	40,323,467,713
Banking	619,362,748	—	8,666,579,614	9,285,942,362
Equity in net earnings of associates and joint ventures	—	—	9,685,312,139	9,685,312,139
Dividend income	—	—	2,139,858,648	2,139,858,648
Supplementary businesses	734,074,617	—	126,147,493	860,222,110
	₱189,393,078,557	₱5,202,951,110	₱35,956,303,944	₱230,552,333,611

	December 31, 2020			
	Goods and services transferred at a point in time	Services transferred over time	Revenues outside the scope of PFRS 15	Total
Sale of goods and services:				
Foods	₱113,161,785,302	₱—	₱—	₱113,161,785,302
Real estate and hotels	4,056,225,430	11,717,577,404	11,744,603,805	27,518,406,639
Air transportation	22,617,967,165	—	—	22,617,967,165
Petrochemicals	21,275,283,602	—	—	21,275,283,602
Banking	398,347,991	—	8,776,235,635	9,174,583,626
Equity in net earnings of associates and joint ventures	—	—	7,584,634,408	7,584,634,408
Dividend income	—	—	2,011,120,839	2,011,120,839
Supplementary businesses	807,717,391	—	100,050,694	907,768,085
	₱162,317,326,881	₱11,717,577,404	₱30,216,645,381	₱204,251,549,666

	December 31, 2019			
	Goods and services transferred at a point in time	Services transferred over time	Revenues outside the scope of PFRS 15	Total
Sale of goods and services:				
Foods	₱114,403,217,219	₱—	₱—	₱114,403,217,219
Air transportation	84,806,810,363	—	—	84,806,810,363
Petrochemicals	29,053,982,086	—	—	29,053,982,086
Real estate and hotels	8,186,926,449	8,708,003,578	16,596,817,756	33,491,747,783
Banking	462,302,868	—	7,659,360,087	8,121,662,955
Equity in net earnings of associates and joint ventures	—	—	13,337,668,925	13,337,668,925
Dividend income	—	—	1,348,711,916	1,348,711,916
Supplementary businesses	674,872,506	—	74,303,386	749,175,892
	₱237,588,111,491	₱8,708,003,578	₱39,016,862,070	₱285,312,977,139

Banking revenue consists of:

	2021	2020	2019
Interest income (Note 27)	₱8,312,410,745	₱7,837,009,759	₱7,198,761,011
Trading and securities gains (Notes 8 and 10)	354,168,869	939,225,876	460,599,076
Service fees and commission income	619,362,748	398,347,991	462,302,868
	₱9,285,942,362	₱9,174,583,626	₱8,121,662,955

27. Interest Income

This account consists of:

	2021	2020	2019
Interest income from:			
Finance receivables and sales contract receivable (Note 11)	₱6,825,742,389	₱6,610,648,733	₱6,062,440,608
Financial assets at FVOCI (Note 10)	1,198,380,246	1,100,406,085	1,027,397,426
Cash and cash equivalents (Note 7)	824,745,280	975,844,004	1,584,712,240
Investment securities at amortized cost (Note 10)	305,200,711	356,597,283	477,790,098
Financial assets at FVPL (Note 9)	252,927,020	7,424,489	100,871,958
	₱9,406,995,646	₱9,050,920,594	₱9,253,212,330

Interest income are included in the following accounts in the consolidated statements of comprehensive income as follows:

	2021	2020	2019
Banking revenue (Note 26)	₱8,312,410,745	₱7,837,009,759	₱7,198,761,011
Finance income	1,094,584,901	1,213,910,835	2,054,451,319
	₱9,406,995,646	₱9,050,920,594	₱9,253,212,330

28. Dividend Income

As a holding company, the Parent Company receives dividends from its strategic investments in companies that are neither consolidated nor equity-accounted in the group accounts. This account includes dividends received from PLDT amounting to ₱2.0 billion, ₱1.9 billion and ₱1.2 billion in 2021, 2020 and 2019, respectively. Investment in PLDT is presented under financial assets at FVOCI.

29. Other Operating Income (Expenses)

This account consists of:

	2021	2020	2019
Gain (loss) on sale of aircraft (Note 16)	₱1,388,678,985	(₱259,994,278)	(₱225,675,379)
Gain on sale of investments (Notes 14 and 19)	186,838,760	105,789,465	—
Gain on insurance claims	138,049,029	807,409,620	—
Loss on debt extinguishment (Note 23)	(77,337,557)	—	—
Realized gain on sale of financial assets at FVOCI (Note 10)	8,569,740	23,850,313	277,810,114
Loss on loan modification (Note 11)	—	(273,536,633)	—
Loss on bond reacquisition	—	(66,203,187)	—
Others (Notes 16 and 21)	(1,076,685,804)	(807,794,128)	(106,451,416)
	₱568,113,153	(₱470,478,828)	(₱54,316,681)

Gain on Insurance Claims

On various dates in 2021, CAI received ₱138.0 million pertaining to insurance proceeds claimed for several loss events involving three (3) ATRs, one (1) A320 and one (1) A330 which occurred in 2019 and 2018. In September 2020, CAI received ₱807.4 million pertaining to insurance proceeds claimed for damages sustained by an A320 aircraft during a runway excursion incident at Iloilo International Airport last October 2017.

Others also include restructuring provisions and gain (loss) on sale of PPE and investment properties.

30. Cost of Sales and Services

This account consists of:

	2021	2020	2019
Raw materials used	₱91,897,856,192	₱68,314,475,232	₱75,299,401,792
Direct labor	4,996,839,027	4,547,980,494	4,396,556,726
Overhead cost	29,541,006,911	25,494,699,198	30,862,616,812
Total manufacturing cost	126,435,702,130	98,357,154,924	110,558,575,330
Work-in-process	71,442,072	83,085,251	(507,109,584)
Cost of goods manufactured	126,507,144,202	98,440,240,175	110,051,465,746
Finished goods	(4,212,629,617)	1,991,972,197	(296,991,652)
Cost of sales	122,294,514,585	100,432,212,372	109,754,474,094
Cost of services	43,588,528,368	39,532,427,637	70,085,768,333
Cost of sales and services	₱165,883,042,953	₱139,964,640,009	₱179,840,242,427

Overhead cost consists of:

	2021	2020	2019
Utilities and fuel	₱11,727,372,166	₱8,422,811,089	₱13,164,435,761
Depreciation and amortization (Note 33)	7,939,138,863	7,856,207,886	7,052,897,232
Repairs and maintenance	3,573,380,419	3,292,972,892	3,421,410,408
Personnel (Note 32)	3,124,138,323	2,845,424,035	2,843,219,195
Taxes, licenses and fees	1,342,235,898	1,333,183,923	1,686,350,926
Security and other contracted services	821,524,859	757,673,080	782,251,382
Insurance	407,607,641	252,558,022	287,042,116
Handling and delivery charges	178,340,860	209,775,448	245,906,851
Rental (Note 42)	153,760,529	229,418,098	182,491,516
Research and development	90,452,181	44,386,508	87,191,359
Others	183,055,172	250,288,217	1,109,420,066
	₱29,541,006,911	₱25,494,699,198	₱30,862,616,812

Cost of services is composed of:

	2021	2020	2019
Real estate	₱21,198,200,185	₱14,503,445,997	₱15,304,923,805
Air transportation	19,065,731,725	21,277,642,920	49,518,018,515
Banking	1,731,571,481	2,236,992,833	3,173,237,752
Hotel operations	1,374,542,038	1,347,774,077	2,089,588,261
Information technology and services	218,482,939	166,571,810	—
	₱43,588,528,368	₱39,532,427,637	₱70,085,768,333

Further breakdown of the ‘Cost of services’ account showing the nature of expenses follow:

	2021	2020	2019
Cost of real estate sales (Note 12)	₱13,344,164,863	₱6,161,235,541	₱4,235,325,163
Maintenance costs	9,091,596,203	7,862,894,868	7,144,174,829
Depreciation and amortization (Note 33)	5,382,528,800	5,095,940,795	4,966,545,415
Fuel and oil	5,074,851,774	6,203,299,066	24,591,651,508
CUSA charges	2,812,732,973	2,701,520,778	4,392,230,935
Personnel (Note 32)	1,900,427,478	3,249,670,176	6,882,489,474
Interest expense (Note 21)	1,475,559,673	2,025,436,255	2,939,576,169
Ground handling charges	1,379,329,615	1,697,496,416	4,154,701,288
Property operations and maintenance costs	937,258,013	774,190,573	1,134,695,919
Landing and take-off	929,313,991	1,208,004,911	3,818,785,918
Reservation costs	417,541,871	565,824,225	2,034,317,306
Passenger liability insurance	258,566,589	280,305,266	258,740,461
Service charges and commission expense	205,178,039	166,465,129	233,661,583
Cost of food and beverage - hotel operations	120,156,022	116,701,743	380,535,302
Contracted services	98,323,185	594,014,144	710,939,896
Travel and transportation	22,973,535	105,804,270	274,231,103
Interrupted/delayed trips expense	17,420,136	69,683,311	268,974,040
Passenger food and supplies	16,991,377	52,677,817	259,298,060
Pilot and crew meals	15,105,210	26,036,915	87,997,971
Cost of information technology and services	5,692,605	22,618,207	–
Film rentals expense - amusement services	1,595,616	92,678,800	956,468,868
Customs, immigration and duties	1,072,415	5,320,113	3,086,774
Others	80,148,385	454,608,318	357,340,351
	₱43,588,528,368	₱39,532,427,637	₱70,085,768,333

31. General and Administrative Expenses

This account consists of:

	2021	2020	2019
Depreciation and amortization (Note 33)	₱15,808,830,426	₱17,447,115,988	₱16,791,405,387
Outside services	9,636,011,301	9,500,249,787	9,771,047,273
Personnel (Note 32)	8,926,438,468	8,289,965,982	8,269,971,885
Advertising and promotions	7,834,795,087	8,315,695,603	9,311,967,949
Taxes, licenses and fees	1,895,626,155	1,685,227,285	1,855,068,846
Repairs and maintenance	1,441,107,589	1,431,378,298	913,028,288
Rental (Note 42)	906,678,363	1,089,718,434	1,179,090,753
Insurance	896,456,684	836,034,078	683,959,468
Sales commission	856,092,652	980,840,207	1,030,540,317
Utilities and supplies	491,785,658	528,685,702	694,393,495
Aircraft and engine lease	443,481,483	284,665,157	313,939,968
Communication	377,591,038	387,198,426	362,078,041
Travel and transportation	309,895,047	476,632,036	1,013,855,725
Entertainment, amusement and recreation (Note 38)	177,586,298	171,877,896	206,723,604
Others	1,233,329,175	1,522,697,873	1,306,387,102
	₱51,235,705,424	₱52,947,982,752	₱53,703,458,101

Others

Other expenses include royalties, donation and contribution, and membership and subscription dues.

32. Personnel Expenses

This account consists of:

	2021	2020	2019
Salaries and wages	₱9,927,408,934	₱9,792,870,498	₱13,523,476,335
Other employee benefits	3,375,047,305	4,045,662,084	3,496,047,156
Pension expense	648,548,030	546,527,611	976,157,063
	₱13,951,004,269	₱14,385,060,193	₱17,995,680,554

The breakdown of personnel expenses follows:

	2021	2020	2019
General and administrative expenses (Note 31)	₱8,926,438,468	₱8,289,965,982	₱8,269,971,885
Cost of sales and services (Note 30)	5,024,565,801	6,095,094,211	9,725,708,669
	₱13,951,004,269	₱14,385,060,193	₱17,995,680,554

33. Depreciation and Amortization

The breakdown of depreciation and amortization on property, plant and equipment, investment properties, biological assets, intangible assets and ROU assets follows:

	2021	2020	2019
General and administrative expenses (Notes 15, 16, 18, and 31)	₱15,808,830,426	₱17,447,115,988	₱16,791,405,387
Cost of sales and services (Notes 15, 16 and 30)	13,321,667,663	12,952,148,681	12,019,442,647
Discontinued operations (Note 44)	1,201,671,101	1,207,760,482	1,202,148,072
	₱30,332,169,190	₱31,607,025,151	₱30,012,996,106

34. Provision for (Reversal of) Impairment Losses and Others

This account consists of:

	2021	2020	2019
Provision for (reversal of) impairment losses on:			
Receivables (Note 11)	₱1,439,215,585	₱1,412,698,754	₱133,647,748
Property, plant and equipment (Note 16)	432,631,271	–	(2,274,795,253)
Inventory obsolescence and market decline (Note 12)	109,167,827	–	2,678
Investment in associates and joint venture	36,915,814	3,776,046	–
Investment properties (Note 15)	95,160	153,127	(3,823,625)
Other noncurrent assets	–	3,852,071	–
	₱2,018,025,657	₱1,420,479,998	(₱2,144,968,452)

35. Financing Costs and Other Charges

This account consists of:

	2021	2020	2019
Interest expense	₱8,853,447,467	₱8,719,413,192	₱9,712,349,559
Bank charges and others	257,637,139	193,966,799	230,385,537
	₱9,111,084,606	₱8,913,379,991	₱9,942,735,096

Sources of financing costs and other charges follow:

	2021	2020	2019
Long-term debt (Note 23)	₱7,066,408,213	₱6,979,351,987	₱7,593,049,215
Short-term debt (Note 23)	914,918,060	929,212,603	1,371,340,594
Others	350,464,627	249,875,661	228,499,854
	8,331,790,900	8,158,440,251	9,192,889,663
Accretion of lease liabilities (Note 42)	683,432,040	661,523,564	669,186,785
Amortization of debt issuance costs (Note 23)	95,861,666	93,416,176	80,658,648
	₱9,111,084,606	₱8,913,379,991	₱9,942,735,096

36. Components of Other Comprehensive Income

Below is the composition of the Group’s ‘Other comprehensive income’:

	2021		
	Parent Company	Non-controlling Interests	Total
Net gain (loss) on FVOCI investments:			
Net changes in fair value of FVOCI of Parent and its subsidiaries			
Net changes in fair value during the period (Note 10)	₱10,729,323,198	(₱442,045,521)	₱10,287,277,677
Reclassification adjustment included in profit or loss arising from disposal of FVOCI (Notes 10 and 29)	(8,569,740)	–	(8,569,740)
	10,720,753,458	(442,045,521)	10,278,707,937
Net changes in fair value of FVOCI of an associate (Note 14)	34,483,923	–	34,483,923
	10,755,237,381	(442,045,521)	10,313,191,860
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	23,730,026	27,779,849	51,509,875
	10,778,967,407	(414,265,672)	10,364,701,735
Cumulative translation adjustments	877,705,266	774,300,966	1,652,006,232
Remeasurements due to defined benefit liability (DBL), net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	440,451,416	239,338,401	679,789,817
Share in remeasurements of net DBL of associates	1,918,720,561	–	1,918,720,561
	₱14,015,844,650	₱599,373,695	₱14,615,218,345

	2020		
	Parent Company	Non-controlling Interests	Total
Net gain (loss) on FVOCI investments:			
Net changes in fair value of FVOCI of Parent and its subsidiaries			
Net changes in fair value during the period (Note 10)	₱9,006,210,691	₱74,830,797	₱9,081,041,488
Reclassification and adjustment included in profit or loss arising from disposal of FVOCI	(23,850,313)	–	(23,850,313)
	8,982,360,378	74,830,797	9,057,191,175
Net changes in fair value of FVOCI of an associate (Note 14)	55,663,285	–	55,663,285
	9,038,023,663	74,830,797	9,112,854,460
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	(145,612,532)	(85,310,250)	(230,922,782)
	8,892,411,131	(10,479,453)	8,881,931,678
Cumulative translation adjustments	(1,059,967,321)	(850,896,728)	(1,910,864,049)
Remeasurements due to defined benefit liability (DBL), net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	(34,411,579)	(30,669,098)	(65,080,677)
Share in remeasurements of net DBL of associates	(1,083,403,985)	–	(1,083,403,985)
	₱6,714,628,246	(₱892,045,279)	₱5,822,582,967

	2019		
	Parent Company	Non-controlling Interests	Total
Net gain (loss) on FVOCI investments:			
Net changes in fair value of FVOCI of Parent and its subsidiaries			
Net changes in fair value during the period (Note 10)	(₱1,083,397,384)	₱454,489,410	(₱628,907,974)
Reclassification adjustment included in profit or loss arising from disposal of FVOCI (Notes 10 and 29)	(277,810,114)	–	(277,810,114)
	(1,361,207,498)	454,489,410	(906,718,088)
Net changes in fair value of FVOCI of an associate (Note 14)	176,256,150	–	176,256,150
	(1,184,951,348)	454,489,410	(730,461,938)
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	119,340,853	55,830,925	175,171,778
	(1,065,610,495)	510,320,335	(555,290,160)
Cumulative translation adjustments	673,475,522	526,535,963	1,200,011,485
Remeasurements due to defined benefit liability (DBL), net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	(379,798,762)	(208,766,439)	(588,565,201)
Share in remeasurements of net DBL of associates	(1,170,380,505)	–	(1,170,380,505)
	(₱1,942,314,240)	₱828,089,859	(₱1,114,224,381)

The income tax effects relating to other comprehensive income are as follows:

	2021		
	Before tax	Tax benefit	Net of tax
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	₱10,278,707,937	₱–	₱10,278,707,937
Cumulative translation adjustments	1,652,006,232	–	1,652,006,232
Net movement in cash flow hedge	58,436,209	(6,926,334)	51,509,875
Remeasurements due to defined benefit liability	906,386,423	(226,596,606)	679,789,817
Remeasurements due to defined benefit liability of associates	1,918,720,561	–	1,918,720,561
Net changes in fair value of financial assets at FVOCI of an associate (Note 10)	34,483,923	–	34,483,923
	₱14,848,741,285	(₱233,522,940)	₱14,615,218,345

	2020		
	Before tax	Tax benefit	Net of tax
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	₱9,057,191,175	₱–	₱9,057,191,175
Cumulative translation adjustments	(1,910,864,049)	–	(1,910,864,049)
Net movement in cash flow hedge	(316,279,481)	85,356,699	(230,922,782)
Remeasurements due to defined benefit liability	(92,972,396)	27,891,719	(65,080,677)
Remeasurements due to defined benefit liability of associates	(1,083,403,985)	–	(1,083,403,985)
Net changes in fair value of financial assets at FVOCI of an associate (Note 10)	55,663,285	–	55,663,285
	₱5,709,334,549	₱113,248,418	₱5,822,582,967

	2019		
	Before tax	Tax benefit	Net of tax
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	(₱906,718,088)	₱–	(₱906,718,088)
Cumulative translation adjustments	1,200,011,485	–	1,200,011,485
Net movement in cash flow hedge	252,216,877	(77,045,099)	175,171,778
Remeasurements due to defined benefit liability	(840,807,430)	252,242,229	(588,565,201)
Remeasurements due to defined benefit liability of associates	(1,170,380,505)	–	(1,170,380,505)
Net changes in fair value of financial assets at FVOCI of an associate (Note 10)	176,256,150	–	176,256,150
	(₱1,289,421,511)	₱175,197,130	(₱1,114,224,381)

37. Employee Benefits

Pension Plans

The Group has funded, noncontributory, defined benefit pension plans covering substantially all of their regular employees, except for JGSPC that has an unfunded, noncontributory defined benefit pension plan.

The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan (the “Plan”), with RBC as Trustee. The plans provide for retirement, separation, disability and death benefits to their members. The Group, however, reserves the right to discontinue, suspend or change the rates and amounts of their contributions at any time on account of business necessity or adverse economic conditions. The retirement plan has an Executive Retirement Committee, that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD of

the Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

The amounts recognized as pension liabilities included under ‘Other noncurrent liabilities’ in the consolidated statements of financial position follow:

	2021	2020
Present value of defined benefit obligation	₱5,278,882,823	₱6,030,510,593
Fair value of plan assets	3,339,826,306	3,182,401,757
Pension liabilities (Note 24)	₱1,939,056,517	₱2,848,108,836

Changes in net defined benefit liability of funded funds in 2021 and 2020 follows:

	2021		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Balance at beginning of year	₱6,030,510,593	₱3,182,401,757	₱2,848,108,836
Net benefit cost in consolidated statement of comprehensive income:			
Current service cost	609,746,763	–	609,746,763
Past service cost	944,624	17,915	926,709
Net interest cost	223,703,329	125,847,480	97,855,849
Subtotal	834,394,716	125,865,395	708,529,321
Benefits paid	(478,842,336)	(222,758,733)	(256,083,603)
Asset transfer	24,117,102	–	24,117,102
Settlement	673,633	673,669	(36)
Effect of curtailment	(698,191)	–	(698,191)
Remeasurements in other comprehensive income:			
Return on plan assets	–	(126,818,583)	126,818,583
Actuarial changes arising from experience adjustments	108,258,731	–	108,258,731
Actuarial changes arising from changes in financial assumptions	(1,114,988,487)	–	(1,114,988,487)
Actuarial changes arising from changes in financial/demographic assumptions	(91,217,137)	–	(91,217,137)
Subtotal	(1,097,946,893)	(126,818,583)	(971,128,310)
Contributions paid	(33,325,801)	380,462,801	(413,788,602)
Balance at end of year	₱5,278,882,823	₱3,339,826,306	₱1,939,056,517

	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Balance at beginning of year	₱5,764,503,153	₱3,070,592,549	₱2,693,910,604
Net benefit cost in consolidated statement of comprehensive income:			
Current service cost	531,972,178	—	531,972,178
Net interest cost	282,767,941	147,653,628	135,114,313
Subtotal	814,740,119	147,653,628	667,086,491
Benefits paid	(731,039,335)	(649,641,560)	(81,397,775)
Asset transfer	(3,921,483)	(49,808,587)	45,887,104
Settlement	(160,414,276)	—	(160,414,276)
Effect of asset ceiling	—	(673,669)	673,669
Assets and liabilities acquired	107,441,205	—	107,441,205
Remeasurements in other comprehensive income:			
Return on plan assets	—	110,751,278	(110,751,278)
Actuarial changes arising from experience adjustments	107,825,347	—	107,825,347
Actuarial changes arising from changes in financial assumptions	134,299,231	—	134,299,231
Actuarial changes arising from changes in financial/demographic assumptions	(38,731,553)	(330,649)	(38,400,904)
Subtotal	203,393,025	110,420,629	92,972,396
Contributions paid	35,808,185	553,858,767	(518,050,582)
Balance at end of year	₱6,030,510,593	₱3,182,401,757	₱2,848,108,836

The fair value of plan assets by each class as at the end of the reporting period are as follow:

	2021	2020
ASSETS		
Cash and cash equivalents	₱20,579,475	₱463,349,062
UITF investments	2,235,777,725	1,718,598,834
Debt instruments	471,277,958	487,765,111
Financial assets at FVOCI	96,776,126	62,134,847
Equity investments	38,295,970	5,358,224
Receivable	317,959,187	298,678,395
Accrued interest receivable	4,230,545	5,360,744
Prepayments and other assets	50,358,443	—
Land	143,201,000	143,201,000
	3,378,456,429	3,184,446,217
LIABILITIES		
Current liabilities	38,630,123	2,044,460
	₱3,339,826,306	₱3,182,401,757

The overall expected rates of return on assets are based on the market expectations prevailing as at the reporting date, applicable to the period over which the obligation is settled.

The average duration of the defined benefit obligation of the Group as of December 31, 2021 is 10.16 years.

The Group expects to contribute ₱659.8 million into the pension fund in 2022.

The assumptions used to determine the pension benefits of the Group follow:

2021				
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60.0	20.4	4.00%	5.11%
URC	60.0	9.0	4.00% to 5.70%	5.09%
RLC	60.0	12.3 to 21.2	4.00% to 5.00%	3.17% to 5.19%
CAI	60.0	24.0 to 27.0	4.00% to 5.00%	4.94% to 5.18%
RBC	60.0	26.1	5.70%	5.01%
JGSPC	60.0	27.8	4.00%	5.13%
JGSOC	60.0	28.1	4.00%	5.13%
Unicon	60.0	26.1	8.00%	5.16%
LSB	60.0	26.1	5.70%	5.01%
APVI	60.0	37.0	5.00%	5.08%

2020				
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60.0	18.0	5.70%	3.71%
URC	60.0	11.0 to 12.0	5.70%	3.95% to 3.97%
RLC	60.0	13.0	5.70%	3.17% to 4.13%
CAI	60.0	26.0 to 29.0	5.70%	3.67% to 3.82%
RBC	60.0	26.9	5.70%	3.64%
JGSPC	60.0	28.5	5.70%	4.00%
JGSOC	60.0	30.1	5.70%	4.05%
Unicon	60.0	28.8	5.70%	4.11%
LSB	60.0	28.6	5.70%	3.94%
APVI	60.0	25.5	5.70%	3.94%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of December 31, 2021 and 2020, assuming if all other assumptions were held constant:

2021									
	Parent Company	URC	RLC	CAI	RBC	LSB	JGSPC	JGSOC	APVI
Discount rates									
+1.00%	(₱2,909,332)	(₱230,507,684)	(₱51,236,348)	(₱65,037,541)	(₱24,104,214)	(₱4,554,963)	(₱26,814,338)	(₱3,093,406)	₱157,499
(-1.00%)	3,341,795	269,614,527	58,401,162	74,223,472	27,327,717	5,690,156	31,687,624	3,728,820	(137,031)
Future salary increases									
+1.00%	3,345,550	269,864,839	71,592,086	74,371,992	26,866,819	5,600,835	31,727,055	3,733,895	191,685
(-1.00%)	(2,964,909)	(234,831,852)	(63,219,388)	(66,320,878)	(24,171,317)	(4,574,445)	(27,321,879)	(3,151,647)	(165,932)

2020									
	Parent Company	URC	RLC	CAI	RBC	LSB	JGSPC	JGSOC	APVI
Discount rates									
+1.00%	(₱5,524,152)	(₱321,131,539)	(₱64,775,773)	(₱100,268,628)	(₱24,002,387)	(₱2,751,976)	(₱36,006,377)	(₱3,868,874)	(₱165,932)
(-1.00%)	6,369,343	383,084,157	74,940,988	116,427,021	27,442,319	3,301,599	43,499,140	4,729,276	197,242
Future salary increases									
+1.00%	6,177,923	372,564,920	72,748,884	113,066,137	26,601,516	3,208,176	42,291,045	4,599,647	191,685
(-1.00%)	(5,475,430)	(319,214,903)	(64,255,469)	(99,484,873)	(23,774,691)	(2,733,704)	(35,786,963)	(3,847,112)	(164,825)

Shown below is the maturity analysis of the undiscounted benefit payments of the Group:

	2021	2020
Less than 1 year	₱477,298,933	₱361,936,916
More than 1 years to 5 years	2,179,655,109	1,833,401,659
More than 5 years to 10 years	3,289,762,283	3,297,814,449
More than 10 years to 15 years	3,437,540,953	3,508,858,238
More than 15 years to 20 years	3,562,542,239	3,732,002,614
More than 20 years	8,410,847,173	11,669,789,463

38. Income Taxes

Provision for income tax consists of:

	2021	2020	2019
Corporate	₱3,439,788,369	₱3,157,933,905	₱4,958,800,487
Final	236,327,146	230,915,233	249,294,831
Deferred	(3,313,757,739)	(683,274,680)	2,473,553
	₱362,357,776	₱2,705,574,458	₱5,210,568,871

The Group recognized benefit (provision) for income tax in ‘Other comprehensive income’ for other comprehensive income items amounting to ₱233.5 million, ₱113.2 million and ₱175.2 million in 2021, 2020 and 2019, respectively (see Note 36).

Republic Act (RA) No. 9337

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

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

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

CREATE Act

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021. This aimed to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 of the CREATE Act introduced reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette on April 11, 2021.

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

- Effective July 1, 2020, RCIT rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the

business entity’s office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20.00%.

- MCIT rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30.00% to 25.00%.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
 - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
 - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
 - The domestic corporation holds directly at least 20.00% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.
- Qualified domestic market enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 5 years enhanced deductions (ED).
- For investments prior to effectivity of CREATE:
 - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
 - RBEs granted an ITH followed 5.00% GIT or are currently enjoying 5.00% GIT – allowed to avail of the 5.00% GIT for 10 years.

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

The deferred tax assets and liabilities as of December 31, 2020 were also remeasured using the lower RCIT rate of 25.00%. These reductions were recognized in the 2021 financial statements.

Entertainment, Amusement and Recreation (EAR) Expenses

Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1.0% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (included under ‘General and administrative expenses’ in profit or loss in the consolidated statements of comprehensive income) amounting to ₱177.6 million, ₱171.9 million and ₱206.7 million in 2021, 2020 and 2019, respectively (see Note 31).

Compositions of the Group’s net deferred tax assets (included in the ‘Other noncurrent assets’ in the consolidated statements of financial position) follow (see Note 20):

	2021	2020
Deferred tax assets on:		
Net operating loss carry-over	₱3,077,280,351	₱2,809,480,863
Asset retirement obligation	1,771,179,823	1,961,685,495
Lease liabilities	1,117,250,769	313,460,073
Allowance for impairment losses on receivables and property and equipment	886,335,069	843,141,095
Unrealized loss on net derivative liability	432,740,192	1,352,880
Unfunded pension liabilities	413,976,301	445,105,618
Unrealized forex loss	276,335,620	7,315,268
Foreign subsidiaries	42,413,828	39,938,807
MCIT carryforward	20,978,020	110,453,027
Others	541,516,430	693,100,590
Total	8,580,006,403	7,225,033,716
Deferred tax liabilities on:		
Double depreciation	(2,564,476,957)	(2,792,405,012)
Unrealized foreign exchange gain-net	(247,812,111)	(178,810,779)
Excess of fair value of assets acquired over cost	(154,704,634)	(185,645,561)
Others	(470,723,618)	(279,461,784)
	(3,437,717,320)	(3,436,323,136)
Net deferred tax asset	₱5,142,289,083	₱3,788,710,580

As of December 31, 2021, deferred tax asset under ‘others’ include provision for heavy maintenance visits and allowance for inventory write-downs amounting to ₱270.7 million and ₱82.7 million, respectively. As of December 31, 2020, deferred tax asset under ‘others’ include deferred revenue and allowance for inventory write-downs amounting to ₱318.6 million and ₱62.2 million, respectively.

Compositions of the Group’s net deferred tax liabilities reported in the consolidated statements of financial position follow:

	2021	2020
Deferred tax assets on:		
Lease liabilities	₱541,054,435	₱751,679,456
Unfunded pension benefits	194,392,963	379,498,681
Accrued interest expense	134,342,482	151,140,202
Allowance for impairment losses on receivables and property, plant and equipment	59,721,982	68,309,782
MCIT carryforward	11,297,825	10,993,747
Others	132,543,895	270,929,467
Total	1,073,353,582	1,632,551,335

(Forward)

	2021	2020
Deferred tax liabilities on:		
Intangibles	(₱322,593,771)	(₱2,923,321,148)
Excess of real estate revenue based on percentage-of-completion over real estate revenue based on tax rules	(1,904,785,955)	(2,830,010,603)
Unamortized capitalized interest	(1,345,941,427)	(1,965,381,801)
Undistributed income of foreign subsidiaries	(830,942,004)	(816,683,569)
Accrued rent income	(559,591,550)	(691,079,887)
Accelerated depreciation	(193,870,221)	(366,814,562)
Right-of-use asset	(299,702,648)	(333,690,830)
Foreign subsidiaries	–	(198,507,581)
Others	(164,273,521)	(168,205,306)
	(5,621,701,097)	(10,293,695,287)
Net deferred tax liability	(₱4,548,347,515)	(₱8,661,143,952)

The following are the temporary differences on which the Group did not recognize deferred tax assets:

	2021	2020
NOLCO*	₱37,676,251,559	₱25,231,898,403
Allowance for credit and impairment losses	310,427,433	310,427,433
Net pension liability	298,051,363	331,542,806
Excess MCIT over RCIT	28,779,264	16,865,592
Allowance for inventory write-down	18,707,758	14,083,253
Unamortized contribution of past service costs	3,984,944	9,298,200
	₱38,336,202,321	₱25,914,115,687

*Attributable to the Parent Company, CAI, CEBGO, JGSPC, JGSCSC, JGSCMC and JGDEV.

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

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

Included in the Group’s NOLCO and MCIT are CAI’s and Cebgo, Inc.’s NOLCO and MCIT as follows:

CAI NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱18,403,734,817	₱–	₱–	₱18,403,734,817	2026
2020	21,026,735,635	–	–	21,026,735,635	2025

CEBGO NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱1,348,925,483	₱–	₱–	₱1,348,925,483	2026
2020	1,111,045,562	–	–	1,111,045,562	2025

A-PLUS NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱188,837,864	₱37,721,802	₱–	₱151,116,062	2026

Furthermore, details of CEBGO’s remaining excess MCIT are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2018	₱3,184,853	₱–	(₱3,184,853)	₱–	2021

A-PLUS MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱1,270,183	₱–	₱–	₱1,270,183	2024

CAI has outstanding registrations with the BOI as a new operator of air transport on a pioneer and non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order 226). On all existing registrations, the Parent Company can avail of bonus years in certain specified cases but the aggregate ITH availments (basic and bonus years) shall not exceed eight years.

As of December 31, 2021 and 2020, CAI has complied with externally imposed capital requirements set by the BOI in order to avail of the ITH incentives for aircraft of registered activity.

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

Details of the Parent Company’s NOLCO follow:

Inception Year	Amount	Expired/Utilized	Balance	Expiry Year
2021	₱1,492,891,028	₱–	₱1,492,891,028	2026
2020	2,140,379,290	–	2,140,379,290	2025
2019	2,687,194,688	–	2,687,194,688	2022
2018	3,072,614,668	(3,072,614,668)	–	2021
	₱9,393,079,674	(₱3,072,614,668)	₱6,320,465,006	

Reconciliation between the Group’s statutory income tax rate and the effective income tax rate follows:

	2021	2020	2019
Statutory income tax rate	25.00%	30.00%	30.00%
Tax effects of:			
Changes in unrecognized deferred tax assets	48.33	211.94	0.10
Net income of subsidiaries with different tax rates	(33.27)	(50.27)	(4.47)
Equity in net earnings of affiliates	(21.21)	(70.06)	(8.34)
Income subjected to BOI, PEZA and ITH	(11.84)	(14.49)	(5.57)
Income exempt from tax	(6.51)	(29.22)	(1.19)
Non-deductible items	5.28	14.89	0.78
Interest income subject to final tax	(1.58)	(14.06)	(1.08)
CREATE Act adjustment	(4.47)	–	–
Others	6.24	9.10	0.95
Effective income tax rate	5.97%	87.82%	11.18%

39. Earnings Per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company divided by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

The following tables reflect the net income and share data used in the basic/dilutive EPS computations:

Earnings per share attributable to equity holders of the Parent Company

	2021	2020	2019
Income (loss) attributable to equity holders of the Parent Company	₱5,108,229,771	(₱468,159,528)	₱31,285,246,332
Less: Dividends on preferred shares (Note 25)	15,200,000	15,200,000	14,800,000
Income attributable to holders of common shares of the Parent Company	₱5,093,029,771	(₱483,359,528)	₱31,270,446,332
Weighted average number of common shares	7,520,983,658	7,520,983,658	7,520,983,658*
Basic/diluted earnings (loss) per share	₱0.68	(₱0.06)	₱4.16*

*Restated to show the effect of stock dividends distributed in 2020.

There were no potential dilutive common shares in 2021, 2020 and 2019.

40. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties and are generally settled in cash. Due from and due to related parties are collectible/payable on demand, except for certain due from related parties amounting to ₱2.8 billion and ₱1.0 billion, as of December 31, 2021 and 2020, respectively, which will mature in April 2023 and 2022, respectively.

Intercompany transactions with subsidiaries are eliminated in the accompanying consolidated financial statements. In addition to the related party information disclosed elsewhere in the consolidated financial statements, the year-end balances in respect of related parties follow:

2021						
Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income		
Subsidiaries:						
Due from related parties	Settlement of advances	(₱534,978)	₱422,066,369	₱—	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivables	(419,635,383)	742,048,665	—	On demand; Non-interest bearing	Unsecured; Not impaired
	Notes receivable	8,482,899,330	13,285,199,330	—	Interest-bearing	Unsecured; Not impaired
	Other income: allocation of IT charges and CCU expenses	610,424,198	—	610,424,198	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	144,117,358	—	144,117,358	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	54,600,000	—	54,600,000		
	Receivable from customers - bills purchased	(15,000,000)	—	—	— Non-interest bearing domestic bills purchased	Unsecured; Not impaired
Due to related parties	Availment of advances	—	3,684,354,439	—	On demand; Non-interest bearing	Unsecured
	Short-term debt	(364,000,000)	774,000,000	—	Interest-bearing	Unsecured
	Long-term debt	—	2,447,667,500	—	Interest-bearing	Secured
(Forward)						
Cash in bank	Deposits	₱11,530,936,707	₱13,841,468,385	₱—	On demand	Unsecured

2021						
Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income		
Cash equivalents	Money market placements	8,719,290,251	12,635,990,002	–	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured; Not impaired
Dividends	Dividend receivable	–	1,593,529,595	–	On demand	Unsecured; Not impaired
	Dividend income	4,809,321,356	–	4,809,321,356		
Associates:						
Due from related parties	Advances (in accordance with joint venture agreement)	1,821,904,219	2,821,904,219	–	Interest-bearing at PDST R2 of applicable interest period	Unsecured; Not impaired
	Advances	645,349	61,652,556	–	On demand; Non-interest-bearing	Unsecured; Not impaired
	Loans	1,397,524	95,531,040	–	2% per annum	Unsecured; Not impaired
	Receivables	(702,399)	159,299	–	Non-interest bearing	Unsecured; Not impaired
						Unsecured; Not impaired
	Sublease agreement	26,346,473	40,225,307	–	Payable monthly	
	Dividend income	4,739,273,350	–	4,739,273,350		
	Rent income	715,755	–	715,755		
	Other income: allocation of CCU expenses	96,814	–	96,814		
	Utilities expense	5,417,424	–	5,417,424		
	Groundhandling and maintenance services	55,011,098	536,305,908	–	Non-interest bearing	Unsecured; Not impaired
Receivables	Uncollected balance on the proceeds from sale of GBPC	2,272,650,000	2,272,650,000	–	Interest-bearing	Unsecured; Not impaired

(Forward)

Other Related Parties:

- 178 -

2021						
Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income		
Due from related parties	Settlement of advances	(₱114,614,027)	₱549,084,500	₱—	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivables	(120,299,358)	113,500,871	—	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	1,796,147	—	1,796,147		
	Other income: allocation of IT charges and CCU expenses	150,066,582	—	150,066,582	On demand; Non-interest bearing	Unsecured; Not impaired
Due to related parties	Settlement of advances	26,009,726	169,068,971	—	On demand; Non-interest bearing	Unsecured
Director's fees (included under 'Management and other professional fees' account)	Expenses	8,125,000	—	8,125,000		
2020						
Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income		
Subsidiaries:						
Due from related parties	Availment of advances	(₱274,680,197)	₱422,601,347	₱—	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivables	794,669,335	1,163,092,322	—	On demand; Non-interest bearing	Unsecured; Not impaired
	Notes receivable	4,802,300,000	4,802,300,000	—	Interest-bearing	Unsecured; Not impaired
	Other income: allocation of IT charges and CCU expenses	528,950,831	—	528,950,831	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	140,331,700	—	140,331,700	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	54,600,000	—	54,600,000		
<i>(Forward)</i>						
Due to related parties	Availment of advances	₱175,761,872	₱3,434,747,201	₱—	On demand; Non-interest bearing	Unsecured; Not impaired

2020						
Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income		
	Short-term debt	1,138,000,000	1,138,000,000	–	Interest-bearing	Unsecured
	Long-term debt	2,447,667,500	2,447,667,500	–	Interest-bearing	Secured
Cash in bank	Deposits	(3,321,561)	2,310,531,678	–	On demand	Unsecured
Cash equivalents	Money market placements	1,662,376,994	3,916,699,751	–	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured; Not impaired
Dividends	Dividend receivable	70,000,000	1,663,529,595	–	On demand	Unsecured; Not impaired
	Dividend income	5,541,564,987	–	5,541,564,987		
Associates:						
Due from related parties	Advances (in accordance with joint venture agreement)	(330,000,000)	1,000,000,000	–	Interest-bearing at PDST R2 of applicable interest period	Unsecured; Not impaired
	Advances	59,645,928	61,007,207	–	On demand; Non-interest-bearing	Unsecured; Not impaired
	Loans	2,579,089	94,133,516	–	2% per annum	Unsecured; Not impaired
	Sublease agreement	13,878,834	13,878,834	–	Payable monthly	Unsecured; Not impaired
	Dividend income	6,457,898,481	–	6,457,898,481		
	Rent income	569,463	–	569,463		
	Other income: allocation of CCU expenses	5,953,449	–	5,953,449		
	Receivables	857,802	861,698	–		
	Utilities expense	4,828,388	–	4,828,388		
	Groundhandling and maintenance services	265,357,373	484,990,150	–	Non-interest bearing	Unsecured; Not impaired

(Forward)

Other Related Parties:

- 180 -

2020						
Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income		
Due from related parties	Settlement of advances	(₱47,226,617)	₱663,698,527	₱—	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivables	233,537,931	233,840,809	—	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	1,822,826		1,822,826		
	Other income: allocation of IT charges and CCU expenses	162,660,861	—	162,660,861	On demand; Non-interest bearing	Unsecured; Not impaired
Due to related parties	Settlement of advances	28,223,835	143,059,245	—	On demand; Non-interest bearing	Unsecured; Not impaired
Director's fees (included under 'Management and other professional fees' account)	Expenses	7,275,000	—	7,275,000		
2019						
Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income		
Subsidiaries:						
Due from related parties	Availment of advances	₱299,788,042	₱697,281,544	₱—	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivables	(53,719,421)	15,717,251	—	On demand; Non-interest bearing	Unsecured; Not impaired
	Other receivables / other income: allocation of IT charges and CCU expenses	475,379,501	352,705,736	475,379,501	On demand; Non-interest-bearing	Unsecured; Not impaired
	Rent income	131,196,484	—	131,196,484	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	54,600,000	—	54,600,000		

(Forward)

2019						
Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income		
Due to related parties	Availment of advances	₱430,833,644	₱3,258,985,329	₱—	On demand; Non-interest bearing	Unsecured; Not impaired
Cash in bank	Deposits	965,371,235	2,313,853,239	—	On demand	Unsecured
Cash equivalents	Money market placements	(6,734,882,375)	2,254,322,757	—	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured; Not impaired
Dividends	Dividend receivable	(6,273,626)	1,593,529,595	—	On demand	Unsecured; Not impaired
	Dividend income	8,768,329,504	—	8,768,329,504		
Associates:						
Due from related parties	Advances (in accordance with joint venture agreement)	1,140,000,000	1,330,000,000	—	Interest-bearing at PDST R2 of applicable interest period	Unsecured; Not impaired
	Advances	605,931	1,361,279	—	On demand; Non-interest-bearing	Unsecured; Not impaired
	Loans	2,261,342	91,554,427	—	2% per annum	Unsecured; Not impaired
	Receivables	200,672	3,896	—	Non-interest-bearing	Unsecured; Not impaired
	Dividend income	6,119,759,438	—	6,119,759,438		
	Rent income	649,211	—	649,211		
	Other receivables / other income: allocation of CCU expenses	200,672	3,896	200,672		
	Utilities expense	7,077,657	—	7,077,657		
	Groundhandling and maintenance services	116,604,320	236,414,918	—	Non-interest-bearing	Unsecured; Not impaired
(Forward)						

Other Related Parties:

2019						
Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income		
Due from related parties	Settlement of advances	(₱30,931,424)	₱452,019,131	₱—	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivables	(32,195,309)	302,878	—	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	1,629,159	—	1,629,159		
	Other receivables / other income: allocation of IT charges and CCU expenses	118,661,846	177,152,243	118,661,846	On demand; Non-interest bearing	Unsecured; Not impaired
Due to related parties	Settlement of advances	(174,443,960)	114,835,410	—	On demand; Non-interest bearing	Unsecured; Not impaired
Director's fees (included under 'Management and other professional fees' account)	Expenses	8,750,000	—	8,750,000		

The Parent Company signed various financial guarantee agreements with third parties for the short-term and long-term loans availed by its subsidiaries as discussed in Note 23 to the consolidated financial statements. No fees are charged for these guarantee agreements. Being the centralized treasury department within the Group, the Parent Company usually receives advances from subsidiaries and in turn, makes advances to other subsidiaries. Total debt of subsidiaries guaranteed by the Parent Company in 2021 and 2020 amounted to ₱99.4 billion and ₱100.3 billion, respectively.

Interest earned by the Parent Company on transactions with related parties amounted to nil in 2021 and 2020. Interest expense incurred amounted to nil in 2021 and 2020. No provisions for bad debts are required for advances to receivables from related parties.

Most of the aforementioned intercompany transactions between the Parent Company and its subsidiaries are eliminated in the accompanying consolidated financial statements.

Transactions with the retirement plan

The retirement fund of the Parent Company’s employees amounted to ₱2.8 million and ₱2.1 million as of December 31, 2021 and 2020, respectively. The fund is being managed by JG Summit Multi-Employer Retirement Plan (MERP), a corporation created for the purpose of managing the funds of the Group, with RBC as the trustee.

The retirement plan under the MERP has an Executive Retirement Committee, that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the plan. Certain members of the BOD of the Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

Compensation of key management personnel

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group’s pension plans.

The compensation of the Group’s key management personnel by benefit type follows:

	2021	2020	2019
Short-term employee benefits	₱2,635,628,290	₱2,300,060,387	₱2,430,499,658
Post-employment benefits	204,425,720	390,399,715	256,845,114
	₱2,840,054,010	₱2,690,460,102	₱2,687,344,772

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

Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (1)-month with the same related party, amounting to ten percent (10.00%) or higher of the Group’s total consolidated assets based on its latest audited financial statements.

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

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

41. Registration with Government Authorities/Franchise

Certain operations of consolidated subsidiaries are registered with the BOI and PEZA as preferred pioneer and non-pioneer activities, and are granted various authorizations from certain government authorities. As registered enterprises, these consolidated subsidiaries are subject to certain requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

42. Leases

The Group’s leases mostly pertain to land, office spaces, commercial and residential properties, passenger aircraft and flight equipment, transportation and equipment. Leases of land, office spaces, commercial and residential properties, and transportation and equipment generally have terms ranging from 2 to 50 years, while passenger aircraft and other equipment generally have terms between 1.25 and 18 years.

The Group also has certain leases of other flight equipment, furniture and fixtures and machineries with lease terms of 12 months or less, and leases of office spaces considered low-value. The Group applies the recognition exemptions for these type of leases.

Right-of-use Assets

Set out below are the carrying amounts of ROU assets recognized and the movements during the year ended December 31, 2021 and 2020:

	2021				
	Land and Land Improvements	Buildings and Improvements	Passenger Aircraft and Other Flight Equipment	Transportation And Other Equipment	Total
Cost					
Balance at beginning of year	₱2,709,453,221	₱4,497,568,982	₱29,429,312,731	₱83,722,189	₱36,720,057,123
Additions	145,959,974	463,836,049	19,890,217,463	29,420,344	20,529,433,830
Divestment of business	–	(4,221,784,563)	–	(83,904,349)	(4,305,688,912)
Other adjustments	(270,186,317)	(24,317,389)	(5,020,573,665)	2,753,273	(5,312,324,098)
Balance at end of year	2,585,226,878	715,303,079	44,298,956,529	31,991,457	47,631,477,943
Accumulated Depreciation					
Balance at beginning of year	749,254,336	1,098,876,202	11,759,544,111	63,647,429	13,671,322,078
Depreciation	61,271,390	570,335,110	6,666,577,250	21,314,041	7,319,497,791
Divestment of business	–	(983,187,524)	–	(55,523,230)	(1,038,710,754)
Other adjustments	(269,149,694)	113,777,064	(4,448,126,365)	2,553,217	(4,600,945,778)
Balance at end of year	541,376,032	799,800,852	13,977,994,996	31,991,457	15,351,163,337
Net Book Value at End of Year	₱2,043,850,846	(₱84,497,773)	₱30,320,961,533	₱–	₱32,280,314,606

	2020				
	Land and Land Improvements	Buildings and Improvements	Passenger Aircraft and Other Flight Equipment	Transportation And Other Equipment	Total
Cost					
Balance at beginning of year	₱1,589,099,285	₱1,865,781,584	₱23,729,035,071	₱83,170,473	₱27,267,086,413
Additions	370,698	3,584,987,861	6,782,269,811	10,824,841	10,378,453,211
Other adjustments	1,119,983,238	(953,200,463)	(1,081,992,151)	(10,273,125)	(925,482,501)
Balance at end of year	2,709,453,221	4,497,568,982	29,429,312,731	83,722,189	36,720,057,123
Accumulated Depreciation					
Balance at beginning of year	226,049,122	552,237,299	5,917,994,261	39,384,433	6,735,665,115
Depreciation	165,755,683	471,948,572	6,748,780,244	33,443,004	7,419,927,503
Other adjustments	357,449,531	74,690,331	(907,230,394)	(9,180,008)	(484,270,540)
Balance at end of year	749,254,336	1,098,876,202	11,759,544,111	63,647,429	13,671,322,078
Net Book Value at End of Year	₱1,960,198,885	₱3,398,692,780	₱17,669,768,620	₱20,074,760	₱23,048,735,045

- 185 -

Lease Liabilities

The rollforward analysis of the Group's lease liabilities follows:

	2021	2020
As at January 1	₱25,164,351,369	₱21,104,154,649
Additions	20,361,429,642	10,370,358,389
Accretion from continued operations (Note 35)	710,257,255	689,535,436
Accretion from discontinued operations	134,272,943	169,124,714
Derecognition	(4,138,618,730)	–
Payments	(7,160,310,932)	(6,729,663,842)
Other adjustments	418,082,774	(439,157,977)
As at December 31	₱35,489,464,321	₱25,164,351,369

Total lease liabilities shown in the 2021 and 2020 consolidated statements of financial position included under 'Other current liabilities' and 'Other noncurrent liabilities' follow:

	2021	2020
Current portion (Note 22)	₱5,716,633,360	₱7,318,423,995
Noncurrent portion (Note 24)	29,772,830,961	17,845,927,374
	₱35,489,464,321	₱25,164,351,369

The maturity analysis of lease liabilities are disclosed in Note 4, *Financial Risk Management Objectives and Policies*.

Summarized below are the amounts recognized in the 2021 and 2020 consolidated statements of comprehensive income in relation to the Group's leases:

Revenue	2021	2020
Sale of goods and services - rental income and sublease income		
Foods	₱58,792,660	₱79,745,676
Real estate and hotels	11,056,317,537	10,617,088,269
Banking	18,757,411	17,912,729
	11,133,867,608	10,714,746,674
Cost of Sales and Services		
Cost of services - depreciation of ROU assets	88,156,594	103,290,125
Cost of services - accretion of lease liabilities	26,825,215	28,011,872
Rent expense - short term leases (Note 30)	153,760,529	229,418,098
	268,742,338	360,720,095
General and Administrative Expenses		
Depreciation of ROU assets	6,922,096,888	7,007,393,070
Rent expense - short term leases (Note 31)	904,065,330	1,086,555,957
Rent expense - leases of low-valued assets (Note 31)	2,613,033	3,162,477
	7,828,775,251	8,097,111,504
Other Income (Losses)		
Finance cost and other charges – accretion of lease liabilities (Note 35)	(683,432,040)	(661,523,564)
	₱2,352,917,979	₱1,595,391,511

- 186 -

URC*Operating Lease Commitments - Group as a Lessee*

The URC Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to five years from the date of the contracts and are renewable under certain terms and conditions. URC's rentals incurred on these leases (included under 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱632.7 million, ₱836.0 million, and ₱887.6 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Future minimum lease payments under noncancellable operating leases of the URC Group follow:

	2021	2020	2019
Within one year	₱473,308,116	₱829,801,162	₱744,058,305
After one year but not more than five years	1,441,900,057	2,961,540,951	2,195,913,016
Five years or more	2,110,381,626	6,069,158,735	2,718,442,085
	₱4,025,589,799	₱9,860,500,848	₱5,658,413,406

Operating Lease Commitments - Group as a Lessor

The URC Group has entered into one-year renewable, noncancellable leases with various related parties covering certain land and buildings where office spaces are located.

Future minimum lease receivables under noncancellable operating leases of the URC Group that are due within one year amounted to ₱70.6 million, ₱72.1 million and ₱72.5 million in 2021, 2020 and 2019, respectively.

RLC*Group as a Lessee*

The RLC Group has lease contracts for various parcels of land used in its operations. Leases of land generally have lease terms between 25 and 50 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments.

The RLC Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Future minimum lease payments under noncancellable operating leases of RLC's certain lessee subsidiaries follow:

	2021	2020
Within one year	₱169,877,246	₱138,995,906
After one year but not more than five years	790,339,904	630,780,039
Over five years	5,980,159,045	5,736,218,935
	₱6,940,376,195	₱6,505,994,880

Operating Lease Commitments - Group as a Lessor

The RLC Group has entered into commercial property leases on its investment property portfolio. These noncancellable leases have remaining lease terms of between one and ten years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing

market conditions. The lease contracts also provide for the percentage rent, which is a certain percentage of actual monthly sales or minimum monthly gross sales, whichever is higher. Total rent income (included under ‘Real estate and hotels revenue’ in profit or loss in the consolidated statements of comprehensive income) amounted to ₱11.1 billion, ₱10.6 billion and ₱15.4 billion in 2021, 2020 and 2019, respectively. Total percentage rent recognized as income amounted to ₱2.1 billion, ₱2.3 billion and ₱3.9 billion in 2021, 2020 and 2019, respectively.

Future minimum lease receivables under noncancellable operating leases of the RLC Group follow:

	2021	2020	2019
Within one year	₱10,311,631,297	₱14,080,096,258	₱14,346,692,713
After one year but not more than five years	17,423,950,184	15,320,496,749	17,739,106,757
Over five years	1,669,171,798	1,443,106,385	5,146,915,176
	₱29,404,753,279	₱30,843,699,392	₱37,232,714,646

Finance Lease Commitments - Group as a Lessor

RLC has significantly entered into residential property leases on its residential condominium unit’s portfolio. These leases have lease period of five (5) to ten (10) years and the lessee is given the right to purchase the property anytime within the lease period that the lessee any arrears in rental payment, condominium dues and other charges.

Future minimum lease payments under finance lease with the present value of future minimum lease payment as of December 31, 2021 and 2020 follow:

	2021	
	Minimum Lease Payments	Present Value of Minimum Lease Payments
Within one year	₱324,415,315	₱318,438,542
After one year but not more than five years	135,269,764	122,117,395
Total minimum lease payments	₱459,685,079	₱440,555,937
	2020	
	Minimum Lease Payments	Present Value of Minimum Lease Payments
Within one year	₱656,523,582	₱644,097,650
After one year but not more than five years	275,049,758	256,955,688
Total minimum lease payments	₱931,573,340	₱901,053,338

JGSPC

Operating Lease Commitments - Company as a Lessee

In February 2013 and August 2015, JGSPC has entered into contracts of lease for its two (2) Cybergate office with a lease term of five (5) years. The former contract was extended December 31, 2019, while the latter was pre-terminated in January 2020 upon dismantling of leasehold improvements.

In April 2013, JGSPC entered into a lease agreement for shuttle buses that transports its employees from Balagtas to Batangas plant and vice versa which was renewed annually.

Rental expense charged to operations (included under ‘Cost of sales and services’ and ‘General and administrative expenses’ in profit or loss in the consolidated statements of comprehensive income) amounted to ₱71.3 million, ₱57.5 million and ₱61.7 million in 2021, 2020 and 2019, respectively.

Future minimum lease payments under the noncancellable lease of JGSPC’s office space follow:

	2021	2020
Within one year	₱31,097,336	₱29,616,557
After one year but not more than five years	53,528,452	52,508,717
	₱84,625,788	₱82,125,274

Operating Lease Commitments - Group as a Lessor

In August 2009, JGSPC entered into contracts of lease for a parcel of land in Batangas with lease term of 10 years. JGSPC has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases. The lease agreement was no longer renewed starting February 1, 2019.

Rental income amounted to ₱50,000, nil and ₱0.1 million for the years ended December 31, 2021, 2020 and 2019.

CAI

Operating Aircraft Lease Commitments - Group as a Lessee

CAI entered into operating lease agreements with certain leasing companies which cover the following aircraft:

A320 CEO aircraft

The following table summarizes the specific lease agreements on CAI’s Airbus A320 CEO aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
March 2008	Aircraft MSN 3762 LLC	1	January 2022
March 2008	Wells Fargo Trust Company, N.A.	1	October 2023
July 2018	JPA No. 117 Co. Ltd	1	September 2021
July 2018	JPA No. 118 Co. Ltd	1	December 2021
August 2018	JPA No. 119 Co. Ltd	1	June 2022
November 2020	EOS Aviation 6 (Ireland) Limited	3	April 2023 – March 2024
November 2020	EOS Aviation 9 (Ireland) Limited	2	April 2023 – July 2023
December 2021	Avolon Leasing Ireland 3 Limited	5	August 2025- September 2027
December 2021	Vmo Aircraft Leasing 32 and 33 (Ireland) Limited	2	July 2025- October 2026

From 2007 to 2008, CAI entered into operating lease agreements with Celestial Aviation Trading 17/19/23 Limited for five (5) Airbus A320 which were delivered on various dates from 2007 to 2011. The lease agreements were later on amended to effect the novation of lease rights from the original lessors to current lessors: Inishcrean Leasing Limited for (1) Airbus A320, GY Aviation Lease 0905 Co. Limited for two (2) Airbus A320, APTREE Aviation Trading 2 Co. Limited for one (1) Airbus A320, and Wells Fargo Trust Company, N.A. for one (1) Airbus A320.

In 2015 to 2016, CAI extended the lease agreement with Inishcrean for three years and with GY Aviation Lease 0905 Co. Limited for two (2) years.

In 2017, CAI entered into lease agreements with ILL for two (2) Airbus A320 and with JPA No. 78/79/80/81 Co., Ltd for four (4) Airbus A320.

In 2018, CAI separately extended the lease agreements with APTREE Aviation Trading 2 Co. Ltd for two (2) years, with Wells Fargo Trust Company, N.A for four (4) years, and with GY Aviation Lease 0905 Co. Limited for another two (2) years on one aircraft and three years on the other.

In July and August 2018, CAI entered into lease agreements with JPA No. 117/118/119 Co., Ltd for three (3) Airbus A320.

In May and August 2019, the lease agreements of the two aircraft under GY Aviation Lease 0905 Co. Limited were amended to effect the novation of lease rights to their current lessors, Aircraft MSN 3762 LLC and Lunar Aircraft Trading Company Limited.

In November 2020, CAI entered into a sale and leaseback agreement with EOS Aviation 6 (Ireland) Limited for five (5) Airbus A320. The lease portion consists of leases for three (3) to four (4) years.

In June 2021, the lease agreements of the two aircrafts under EOS Aviation 6 (Ireland) Limited were novated to the current lessors, EOS Aviation 9 (Ireland) Limited.

In December 2021, CAI entered into a sale and leaseback agreement with Avolon Leasing Ireland 3 Limited, Vmo Aircraft Leasing 32 (Ireland) Limited and Vmo Aircraft Leasing 33 (Ireland) Limited for seven (7) Airbus A320. The lease portion consists of leases between three (3) to five (5) years (see Note 12).

A320NEO aircraft

On July 26, 2018, CAI entered into 8-year lease agreements with Avolon Aerospace Leasing Limited for five (5) Airbus A320NEO for delivery on various dates within 2019.

The first four (4) Airbus A320NEO aircraft were delivered in June, July, September and October 2019 under Avolon Leasing Ireland 1 Limited as lessor. In November 2019, two (2) out of the four A320NEO aircraft were amended to effect the novation of lease rights to their current lessor, Orix Aviation Systems Limited.

In January 2020, the fifth Airbus A320NEO aircraft was delivered with Avolon Leasing Ireland 1 Limited as lessor. In August 2020, the fifth A320NEO aircraft was amended to effect the novation of lease rights to its current lessor, Avolon Aerospace AOE 184 Limited.

In November 2021, the sixth Airbus A320NEO aircraft was delivered with SMBC Aviation Capital Limited as lessor.

In December 2021, three (3) A320NEO aircraft were amended to effect the novation of lease rights to current lessor, SMBC Aviation Capital limited.

A321NEO aircraft

In November 2020, CAI entered into a 10-year lease agreement with Connolly Aviation Capital 5 Limited for one (1) A321NEO aircraft which was delivered on November 17, 2020.

In March 2021, CAI entered into a 10-year lease agreement with JSA Cayman Leasing, Ltd. for one (1) A321NEO aircraft which was delivered on March 31, 2021.

In May 2021, CAI entered into a 10-year lease agreement with SMBC Aviation Capital Limited for one (1) A321NEO aircraft which was delivered on May 17, 2021.

ATR 72-600 aircraft

On May 10, 2019, CAI entered into a 10-year lease agreement with an early termination option on the 8th year with AVAP AIRCRAFT TRADING III PTE. LTD. for one (1) ATR 72-600. The aircraft was delivered in May 2019.

On December 2021, CAI entered into a 10-year lease agreement with MSO 1628 Leasing Designated Activity Company for one (1) ATR-600 delivered on December 15, 2021.

A330 aircraft

The following table summarizes the specific lease agreements on CAI’s Airbus A330CEO aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
February 2012	CIT Aerospace International	1	
February 2012	Avolon Aerospace AOE 165 Limited	1	
July 2013	A330 MSN 1552 Limited and A330 MSN 1602 Limited	2	12 years with pre-termination option

In February 2012, CAI entered into operating lease agreements with Wells Fargo Bank Northwest, N.A. for the lease of four (4) Airbus A330-300 aircraft. The lease agreements were later on amended to effect the novation of lease rights from the original lessor to their current lessors: Wells Fargo Trust Company, N.A. (not in its individual capacity but solely as Owner Trustee), CIT Aerospace International, and Avolon Aerospace AOE 165 Limited.

In July 2013, CAI entered into aircraft operating lease agreements with Intrepid Aviation Management Ireland Limited for the lease of two (2) Airbus A330. The lease agreements have been amended to effect the novation of lease rights by the original lessor to current lessors, A330 MSN 1552 Limited and A330 MSN 1602 Limited.

The first two (2) Airbus A330 aircraft were delivered in June 2013 and September 2013. Three (3) Airbus A330 aircraft were delivered in February 2014, May 2014, and September 2014 and one (1) Airbus A330 aircraft was delivered in March 2015. As of December 31, 2021, the Group has four (4) Airbus A330 aircraft under operating lease.

A330NEO aircraft

In November and December 2021, the Group entered into 12-year leases with Avolon Leasing Ireland 3 Limited for two (2) A330Neo aircraft delivered in the same months.

Engine Lease Commitments

The following table summarizes the specific lease agreements on CAI’s engines:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
May 2019	RRPF Engine Leasing Limited	3	6 years with pre-termination option
September 2020	SMBC Aero Engine Lease B.V.	8	18 months – 8 years

In May 2019, CAI entered into operating lease agreements with RRPF Engine Leasing Limited for the lease of three (3) Trent 700 engines.

In September and October 2020, CAI entered into operating lease agreements as part of a sale and leaseback transaction with SMBC Aero Engine Lease B.V for eight (8) CFM56 engines. The leases have short and long-term lease arrangements between 18 months to eight (8) years, respectively. In December 2021, one (1) CFM56 engine was amended to effect the novation of lease rights to current lessor, SUNRISE NON-US PO 1 LTD.

As of December 31, 2021 and 2020, CAI has restricted cash deposited with certain banks to secure standby letters of credit issued in favor of lessors.

Future minimum lease payments under the above-indicated operating aircraft leases follow:

	2021		2020	
	Philippine peso equivalent	US dollar	Philippine peso equivalent	US dollar
Within one year	₱5,933,673,803	US\$116,348,826	₱6,420,659,489	US\$133,699,675
After one year but not more than five years	18,012,393,320	353,191,108	8,865,244,056	184,604,128
Over five years	12,124,141,820	237,732,932	2,594,548,640	54,027,209
	₱36,070,208,943	US\$707,272,866	₱17,880,452,185	US\$372,331,012

Lease expenses relating to aircraft leases (included in ‘General and administrative expenses’ in profit or loss in the consolidated statements of comprehensive income) amounted to ₱0.4 billion, ₱0.3 billion and ₱0.3 billion in 2021, 2020 and 2019, respectively (see Note 31).

Operating Non-Aircraft Lease Commitments - Group as a Lessee

CAI has entered into various lease agreements for its hangar, office spaces, ticketing stations and certain equipment. These leases have remaining lease terms ranging from one to ten years. Certain leases include a clause to enable upward revision of the annual rental charge ranging from 5.0% to 10.0%.

Future minimum lease payments under these noncancellable operating leases of CAI follow:

	2021	2020
Within one year	₱217,233,256	₱224,965,425
After one year but not more than five years	920,545,458	948,093,648
Over five years	4,596,404,352	4,644,065,119
	₱5,734,183,066	₱5,817,124,192

Lease expenses relating to both cancellable and non-cancellable non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱352.9 million, ₱412.2 million and ₱702.1 million in 2021, 2020 and 2019, respectively.

RBC and LSB

Operating Lease Commitments - Group as a Lessee

RBC leases its head office and branch premises for periods ranging from one (1) to ten (10) years, renewable upon mutual agreement of both parties. LSB also leases the premises occupied by its head offices and most of its branches for periods ranging from five (5) to fifteen (15) years, renewable upon mutual agreement of both parties. Various lease contracts of the Group include escalation clauses, most of which bear annual rent increase ranging from 5.00% to 10.00%.

Rent expense recognized by RBC and LSB (included under ‘General and administrative expenses’ in profit or loss in the consolidated statements of comprehensive income) amounted to ₱157.0 million, ₱124.0 million and ₱110.0 million in 2021, 2020 and 2019, respectively.

Future minimum lease payments under these noncancellable operating leases of RBC and LSB follow:

	2021	2020
Within one year	₱322,115,526	₱336,702,857
After one year but not more than five years	635,761,285	644,448,747
Over five years	4,892,692	12,699,566
	₱962,769,503	₱993,851,170

43. **Other Commitments and Contingent Liabilities**

Parent Company

- *JGSOC Loan Accommodation from Private Bank*
On June 9, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSOC from MBTC in the amount of ₱9.2 billion.

- *JGSPC Loan Accommodation from Private Bank*
On February 8, 2018, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from BDO in the aggregate principal amount of ₱15.0 billion including any extension, renewal or modification of such loan or credit accommodation.

On March 2, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from BDO in the amount of ₱4.0 billion.

On June 9, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from MBTC in the amount of ₱3.75 billion.

- *JGSPC/JGSOC Loan Accommodation from Private Bank*
On December 7, 2021, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSOC from BPI whether incurred on its own or as a result of the merger between JGSOC and JGSPC, with JGSOC as the surviving corporation, in the aggregate principal amount of ₱21.0 billion including any extension, renewal or modification of such loan/credit accommodation.

- *JGSPL 4.375% Senior Unsecured Notes Due 2023 and 4.125% Senior Unsecured Notes Due 2030*
On January 24, 2013, JGSH Philippines, Limited issued US\$750.0 million, 4.4% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

On June 26, 2020, the BOD of the Parent Company approved to guarantee the obligations of JGSH Philippines, Limited for the issuance of US\$ fixed rate notes amounting to US\$600.0 million.

These notes require the Group not to exceed the 2.0:1.0 financial ratio requirement on its consolidated total borrowing to consolidated total equity ratio and not to fall below 0.5:1.0 financial ratio requirement on its consolidated current assets to consolidated current liabilities ratio.

CAI

Capital Expenditure Commitments

CAI's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱183.8 billion and ₱154.1 billion as of December 31, 2021 and 2020, respectively, which are payable over the following periods:

	December 31, 2021		December 31, 2020	
	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso Equivalent
Within one year	US\$644,167,004	₱32,851,873,013	US\$659,224,287	₱31,657,927,948
After one year but not more than five years	2,960,785,854	150,997,117,770	2,550,481,846	122,481,789,707
	US\$3,604,952,858	₱183,848,990,783	US\$3,209,706,133	₱154,139,717,655

CAI is actively engaged in planning and executing various measures to mitigate the impact of COVID-19 pandemic on its business operations, including negotiations with key suppliers on its capital expenditure commitments.

Aircraft and Spare Engine Purchase Commitments

On October 20, 2015, CAI entered into a Sale and Purchase Contract with Avions Transport Regional G.I.E. to purchase 16 firm ATR 72-600 aircraft and up to ten additional option orders. These aircraft are scheduled for delivery from 2016 to 2022. Two (2) ATR 72-600 were delivered in 2016, six (6) in 2017, four (4) in 2018, and one (1) in 2019 totaling to 13 ATR 72-600 aircraft delivered as of December 31, 2019.

On June 6, 2017, CAI placed an order with Airbus S.A.S to purchase seven (7) new Airbus A321 CEO aircraft, all of which were delivered in 2018.

On June 14, 2018, CAI has entered into an Aircraft Conversion Services Agreement with IPR Conversions (Switzerland) Limited to convert two (2) ATR 72-500 aircraft from passenger to freighter. The first converted ATR 72-500 freighter aircraft was delivered in August 2019 while the second will be delivered within 2020.

On July 26, 2018, CAI entered into operating lease agreements with Avolon Aerospace Leasing Limited for five (5) Airbus A320NEO aircraft, four of which were delivered on various dates within 2019.

On October 31, 2019, CAI placed an order with Airbus S.A.S to purchase sixteen (16) Airbus A330 NEO aircraft. Consequently, on November 29, 2019, the Parent Company entered into agreements with Rolls-Royce PLC for the purchase of spare Trent 7000 engines and for the provision of TotalCare life services and other services required in connection with the sixteen (16) A330NEO aircraft.

On December 19, 2019, CAI placed an additional order with Airbus S.A.S for fifteen (15) A320NEO family aircraft which includes up to ten (10) A321XLR.

As of December 31, 2021, CAI is set to take delivery of fourteen (14) A330 NEO aircraft, twelve (12) A321 NEO aircraft, fifteen (15) A320 NEO aircraft, ten (10) A321XLR aircraft and two (2) ATR 72-600 aircraft until 2027.

The above-indicated commitments relate to CAI's re-fleeting and expansion programs. These agreements remained in effect as of December 31, 2021.

Service Maintenance Commitments

On June 21, 2012, CAI has entered into a 10-year charge per aircraft landing (CPAL) agreement with Messier-Bulgatti-Dowty (Safran Group) to purchase wheels and brakes for its fleet of Airbus A319 and A320 aircraft. The contract covers the current fleet, as well as future aircraft to be acquired.

On June 22, 2012, CAI has entered into service contract with Rolls-Royce Total Care Services Limited (Rolls-Royce) for service support for the engines of the A330 aircraft. Rolls-Royce will provide long-term Total Care service support for the Trent 700 engines on up to eight A330 aircraft. Contract term shall be from delivery of the first A330 until the redelivery of the last A330.

On March 28, 2017, the CAI entered into a maintenance service contract with Societe Air France for the lease, repair and overhaul services of parts and components of its A319, A320 and A321 aircraft. These services include provision of access to inventories under lease basis, access to pooled components on a flat rate basis and repairs of aircraft parts and components.

URC

Milling Contracts

Milling contracts with various planters provide for a 60%-70% share to the planters (including related parties) and 30%-40% share to the Group of sugar and molasses produced from sugar canes milled. The Sugar Industry Development Act of 2015 provides that, to ensure the immediate payment of farmers and secure their income from sugarcane, farmers may enter into any payment method with the sugar mill.

Sugar under Custody but Not Owned

As of December 31, 2021 and 2020, the Group has in its custody sugar owned by several quedan holders amounting to ₱1.4 billion (862,837 Lkg) and ₱1.6 billion (963,224 Lkg), respectively. The said volume of sugar is not reflected in the statement of financial position since this is not owned by the Group. The Group is accountable to both quedan holders and sugar traders for the value of these trusteeed sugar or their sales proceeds.

Off-Balance Sheet Items

In the normal course of RBC and LSB's operations, there are various outstanding contingent liabilities and bank guarantees which are not reflected in the accompanying consolidated financial statements. The subsidiary bank does not anticipate material unreserved losses as a result of these transactions.

Following is a summary of RBC and LSB's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2021	2020
Trust and investment group accounts	₱35,673,879,283	₱26,192,113,492
Spot exchange - foreign currency	537,380,930	2,083,121,571
Committed credit lines	7,659,531,656	6,945,067,250
Guarantees issued	1,850,923,767	1,839,592,801
Inward bills for collection	2,271,244,978	1,450,730,126
Outward bills for collection	124,641,556	161,088,252
Letters of credit	667,045,172	343,954,891
Contingent - foreign currency swap	–	1,092,920,578
Late deposit/payment received	20,604,807	61,959,354
Items held for safekeeping	188,923	77,158
Other contingent account	184,260	184,784

Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business from legal proceedings which are either pending decision by the courts, under arbitration or being contested, the outcomes of which are not presently determinable. In the opinion of management and its legal counsels, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group’s financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the ground that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

44. Discontinued Operations and Disposal of Businesses

Sale of Oceania business

In July 2019, Intersnack agreed to buy 40% of Oceania business of URC to leverage on the Group’s and Intersnack’s know-how from their respective markets. This transaction is expected to yield better manufacturing, supply chain and sustainability practices and will set the groundwork for an even larger and more efficient Oceania operations. On December 23, 2019, the Australian Foreign Investment Review Board (FIRB) approved the transaction. Following the approval, the transaction was completed on the same date. Considerations received for the transaction consisted of cash and Yarra Valley net assets amounting to US\$142.0 million (₱7.2 billion) and US\$10.1 million (₱0.5 billion), respectively. As part of the agreement, Intersnack was also given an option to acquire an additional 9% equity share in UHC.

As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%, and gave rise to 40% non-controlling interest in the consolidated financial statements. As the Group continued to exercise control over UHC, the partial disposal was accounted for as a transaction between owners in their capacity as owners, or an equity transaction, in accordance with the requirements of PFRS 3, *Business Combinations*. Accordingly, the excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱1.3 billion is presented under ‘Equity reserve’ in the consolidated statement of financial position.

On July 29, 2021, URC Oceania executed a share purchase agreement to sell its remaining 60% ownership interest in its Australia and New Zealand businesses (held under UHC) to Intersnack Group. The first tranche was the exercise of the call option from the 2019 transaction by Intersnack, which allowed it to acquire an additional 9% ownership interest (38,700 ordinary shares) in UHC at a pre-determined exercise price. This was immediately followed by the sale for cash of the remaining 51% ownership interest (219,300 ordinary shares) in UHC. The total cash received by URC Oceania from the 2021 disposal amounted to ₱24.03 billion.

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

The derecognized assets and liabilities of UHC as of the date of deconsolidation follow:

Assets	
Cash and cash equivalents	₱1,638,743,847
Receivables	3,476,025,296
Inventories	2,115,987,811
Property, plant and equipment	10,905,146,480
Right-of-use assets	3,266,978,158
Goodwill	30,867,806,512
Intangibles	11,984,311,273
Deferred tax assets	104,923,273
Other assets	123,738,222
	₱64,483,660,872
Liabilities	
Accounts payable and other accrued liabilities	₱4,415,922,993
Income tax payable	18,419,235
Lease liabilities	3,863,641,971
Deferred tax liabilities	3,134,514,373
Other liabilities	33,278,489,808
	44,710,988,380
Net Assets	₱19,772,672,492

Cumulative translation adjustments related to Unisnack amounting to ₱214.8 million were also reclassified to profit and loss.

PFRS 5 requires income and expenses from disposal groups to be presented separately from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the consolidated statements of income. Accordingly, the consolidated statements of income for the years ended December 31, 2020 and 2019 have been restated to present the results of operations of Unisnack as ‘Net income from discontinued operations’.

The results of operations of Unisnack in the consolidated statements of income are presented below:

	2021	2020	2019
Sale of goods and services	₱18,837,246,465	₱19,978,296,082	₱19,771,310,360
Cost of sales	12,856,083,612	13,508,444,120	13,222,819,393
Gross profit	5,981,162,853	6,469,851,962	6,548,490,967
Selling and distribution costs	(2,862,499,842)	(3,175,852,507)	(3,336,999,571)
General and administrative expenses	(1,077,497,034)	(1,143,290,085)	(942,643,189)
Operating income	2,041,165,977	2,150,709,370	2,268,848,207
Finance revenue	17,040,284	19,081,780	41,760,824
Finance costs	(740,256,456)	(778,762,553)	(1,023,111,805)
Foreign exchange gain (loss) - net	11,153,751	17,892,394	(70,732,216)
Equity in net income of joint venture	—	31,586,911	19,842,245
Other income (expense) - net	170,200,127	(161,558,790)	(710,348,859)
Income before income tax	1,499,303,683	1,278,949,112	526,258,396
Provision for income tax	319,170,663	158,476,377	161,745,639
Net income	₱1,180,133,020	₱1,120,472,735	₱364,512,757
Gain on sale of 60% equity interest	10,100,438,582	—	—
Net income from discontinued operations	₱11,280,571,602	₱1,120,472,735	₱364,512,757