

2019
ANNUAL
REPORT



A. SORIANO CORPORATION

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CONCURRENT RESOLUTION OF THE BOARD OF DIRECTORS

The Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2019.



ANDRES SORIANO III
Chairman

CHAIRMAN'S MESSAGE

THE 2019 PHILIPPINE ECONOMIC PICTURE

Gross domestic product grew by 5.9% in 2019, lower than the 6.2% growth registered in 2018.

In 2019, household consumption and services grew by 5.8% and 6.9%, respectively, with a modest increase experienced by the agriculture sector. There was a slowdown in most other sectors: exports, investment spending, construction and manufacturing. Among the contributors to this were the delayed passing of the national budget, challenges from traffic congestion and its impact on productivity, a water shortage and depressed rice prices.

On a positive note, inflation averaged 2.5%, an improvement from last year's 5.2%. The Philippine Stock Exchange index (PSEi) slightly increased from 7,466 to 7,815 points.

THE COMPANY'S FINANCIAL PERFORMANCE

Anscor's consolidated total revenues and net investment gains increased to ₱10.7 billion from ₱9.8 billion in 2018, resulting in a net income attributable to the parent company of ₱1.8 billion from ₱0.8 billion in 2018.

The improved profit came from an increase in market value of traded equities amounting to ₱1.0 billion, versus a loss of ₱208.4 million in 2018, mainly from investment gains in International Container Terminal Services, Inc. and Y-mAbs Therapeutics, Inc., a US listed biotechnology company. The Company also reported higher dividend income and management fees, coupled with a decline in overhead and interest expense.

Parent company debt amounting to US\$2.25 million will be fully paid by the end of March 2020. The Company's book value per share increased from ₱15.33 to ₱15.95 as of December 31, 2019.

Total dividends of ₱0.50 per share were paid on April 10, 2019 and on December 18, 2019.

PHELPS DODGE INTERNATIONAL PHILIPPINES, INC. (PDP)

A slowdown in public construction was felt due to the delayed passage of the 2019 national budget which pushed back certain government infrastructure projects in the first half of the year. However, private construction grew at a faster pace than the previous year to 13.8% from 11.5%.

Though volume sold for the year was at par with last year, unit sales were strong in direct sales to developers and contractors. Strong demand for housing and business units from the Philippine Offshore Gaming Operators influx, and the continuing domestic demand from households and businesses contributed to the growth in this sector.

PDP's focus on new products and new services, and its emphasis on quality and service were vital in growing its sales to developers and contractors, and to general consumers, particularly in the provinces.

The company's philosophy of a working partnership with its customers secured new dealers.

PDP's profit was ₱804.0 million, a milestone achievement as an unanticipated drop in copper prices enabled the company to lower its input costs, while the strong demand allowed its dealers and PDP to maintain prices.

The persistent momentum in profitable performance validates PDP's long-term strategy of building a wide array of services and products to serve customers. It also enables PDP to deploy capital to its manufacturing facilities, expand the company's product range and meet its delivery commitments. Internally, PDP continues to focus on its development program for key personnel.

The company paid Anscor a cash dividend of ₱250.0 million and management fees of ₱99.0 million in 2019.



The Phelps Dodge Philippines' Tarlac Plant is the manufacturing hub of the company's wire and cable products.



Amanpulo is a kite surfer's paradise. Kite surfers of all levels can launch right from the beach and hone their skills on the lagoon's vast expanse of shallow turquoise water with a sandy bottom and moderate waves.

SEVEN SEAS RESORTS AND LEISURE, INC. (owner of Amanpulo Resort)

Although average occupancy of 54.2% was lower than the 58.8% occupancy rate in 2018, total revenues improved to ₱1.1 billion due to an 8% increase in the average room rate to ₱68,392 or US\$1,320. Net profit reached ₱213.8 million, slightly lower than last year.

In November 2019, the newly renovated Beachclub, housing one of Amanpulo's signature restaurants, was launched. The Beachclub kitchen was completely replaced and expanded, which will ensure that quality standards are maintained and it is prepared for the ISO 22000 certification in 2020.

The Resort was named as the second "Best Resort in Asia" by the Gallivanter's Guide, an elite publication that caters to hotel aficionados and sets the benchmark for high-end travelers. In the Condé Nast Traveler's Gold List 2019 issue, Amanpulo's treetop pool casita was featured for the "wow factor" of its private pool.

Harper's Bazaar Magazine, a leading lifestyle magazine in the United States, mentioned Amanpulo as "The Resort to Visit", with the Philippines ranked as the 10th top destination out of the 20 Best Places to Travel in 2020. Lifestyle Asia Singapore named Amanpulo as one of the "Best Luxury Resorts in Palawan to Check Into" in its November 2019 issue.

With the launch of the Amanpulo Kite and Surf Centre, the Resort was nominated at the Aman Global Awards 2019 for the "Pathfinder Award", a much-coveted recognition for innovations that enhance guest experiences and contribute remarkable revenue.

AGP INTERNATIONAL HOLDINGS PTE LTD. (AG&P)

AG&P's revenues grew to US\$178.4 million in 2019, as the company executed projects won the previous year and secured majority control of Gas Entec, the Korean Liquefied Natural Gas (LNG) engineering firm recognized as the world-standard for small scale floating LNG solutions.

It also acquired a significant minority stake in the Norwegian shipping company, Kanfer Shipping AS, which provides proprietary solutions to bring LNG in small vessels across seas and shallow waters. This, along with Gas Entec, add to the company's capability to deliver LNG to markets where traditional solutions are not viable.

The company registered a net loss of US\$24.4 million for 2019, due to up front development expenses for natural gas projects in India.

In 2020, the company expects to break ground on its first LNG terminal in India and begin City Gas Distribution operations, thus, establishing it as a leading player in downstream gas logistics infrastructure. The company is, on paper, the largest foreign private player in the City Gas Distribution sector in India, with twelve (12) 25-year exclusive concessions to distribute natural gas to over 66 million people.

AG&P also received a substantial equity investment to develop and execute the company's LNG projects from two leading Japanese institutions, Osaka Gas, a leading Japanese utility, and Japan Bank for International Cooperation, a unit of the Government of Japan.

ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (ATRAM)

As of end-2019, ATRAM had assets under management (AUM) of ₱138.7 billion, 29% higher than the end-2018 AUM of ₱107.2 billion. The increase in AUM was attributable to net inflows from both existing and new clients and market gains.

ATRAM launched five new feeder funds in 2019 that grew to around ₱6.1 billion in AUM.

As a testament to ATRAM's outstanding performance in 2019, several associations identified ATRAM's funds as outperformers in the industry.

The Asset, a financial magazine focused on Asia, recognized ATRAM as the Top Investment House in the Philippines for the Local Bond category. Chartered Financial Analyst Society Philippines cited ATRAM's Alpha Opportunity Fund as the Best Managed Equity Fund of 2019. In addition, the Philippine Investment Funds Association also recognized three of ATRAM's mutual funds as outperformers in the equity fund, bond fund and balanced fund categories.

Seedbox, ATRAM's digital wealth platform, also achieved stellar growth for 2019. Seedbox grew its user base from around 72,000 in 2018 to around 570,000 by end-2019. Apart from the rapid growth of users, Seedbox processes approximately 50,000 subscriptions monthly.

Overall, ATRAM set new milestones in 2019 as it reached new heights and capitalized on new opportunities. ATRAM aims to grow even faster by expanding its digital and geographic reach.





KSA REALTY CORPORATION (owner of The Enterprise Center)

KSA Realty Corporation, a subsidiary of Shang Properties, Inc., owns The Enterprise Center ("TEC"), one of the most prominent addresses in the country's premier financial district.

In 2019, TEC registered an occupancy rate of 98%. Rental rates grew to an average of ₱1,430 per square meter, from 2018's ₱1,320 per square meter, at year end.

Revenue was ₱1.4 billion in 2019 from ₱1.3 billion in 2018. Net income increased by 16.6%, from ₱964.0 million in 2018 to ₱1.1 billion in 2019.

KSA paid cash dividends of ₱1.4 billion, of which ₱189.9 million accrued to Anscor.

STARTUP AND PRIVATE EQUITY VENTURES

A portion of the Company's assets are dedicated to early stage and private equity opportunities.

Anscor began investing in **Y-mAbs Therapeutics, Inc.** in 2015. Y-mAbs is a late-stage clinical biopharmaceutical company focused on the development and commercialization of novel, antibody-based therapeutic products to treat cancer. The company has a broad and advanced product pipeline, including two pivotal-stage product candidates, naxitamab and omburtamab.

Y-mAbs' had a successful initial public offering in September 2018 on the NASDAQ (Ticker: YMAB) and generated an unrealized gain of US\$8.0 million for Anscor in year 2019.

The Company invested US\$5.0 million in **Macquarie ASEAN Technology Investments Holdings II LP**, a special purpose vehicle invested exclusively in shares of Grab Holdings, Inc. Grab is the leading on-demand transportation provider in Southeast Asia with over 80% market share across seven countries, including the Philippines.

Madaket Healthcare is an innovative US software service platform that automates healthcare provider data management processes. It has 1.2 million providers under contract for Electronic Data Interchange Enrollment.

Medifi is a Philippine-based online healthcare platform that connects doctors and patients.

In 2019, Anscor committed to invest US\$10.0 million in **Navegar II LP**, a Philippine focused private equity fund, which will begin deploying funds in early 2020.

To date, the Company has made a total investment in **Sierra Madre Philippines I LP**, also a Philippine based private equity fund, of US\$2.2 million out of a US\$9.0 million commitment. The Fund's investments consist of a logistics and a semi-conductor services company.

CORPORATE SOCIAL RESPONSIBILITY

The Andres Soriano Foundation (ASF) has aligned its Strategic Plan for the next five years with the United Nations' Sustainable Development Goals (SDGs) under the 2030 Agenda for Sustainable Development.



Small Island Sustainable Development Programs' projects and activities are implemented to respond to the most basic needs of small island communities, these very same programs support the urgent call for action for peace and prosperity for people and planet today and tomorrow.

Education



ASF collaborates with education and industry experts to enhance implementation of the senior high school curriculum, improve the learning outcomes of students, and equip them with competencies for lifelong learning and employment.

A total of 41 students successfully completed the required 80-hour work immersion at Amanpulo, specializing in cookery, housekeeping, food and beverages, and carpentry.

Three senior high school (SHS) graduates received full four-year college scholarships. Seven are now undergoing on-the-job training with various electro-mechanic industries after six months of classroom and practicum training. Eleven who underwent a six-month in-classroom and laboratory training on quick service restaurants operation are now on-the-job training in food service industries. Four SHS graduates work at Amanpulo.



11 senior high school graduates from Cuyo and Agutaya in Northeastern Palawan pursued a technical-vocational course on Quick Service Restaurant Operation.

Health



On the ASF flagship health initiative, 24 doctors volunteered for the three-day medical mission that served a total of 3,261 patients and rendered 3,717 medical services compared to last year's 2,867 and 3,532, respectively.

On nutrition, ASF is implementing the program on the "First 1,000 Days of a Child" for areas where malnutrition rate is high.

Environment



Protection and regeneration of mangrove forests in various assisted island communities is part of the biodiversity initiative of the Foundation in partnership with youth organizations and Barangay Councils.

Sustained protection efforts improved the 10 Marine Protected Areas (MPAs). Data from annual reef monitoring in eight sites showed an increase in live coral cover of 16% from last year's 7%.

ASF completed the construction of a Multi-purpose Center in Manamoc for the use of various people's organizations. The total grant secured by ASF for this project was ₱1.2 million. The required leverage for this grant is a 20-year commitment of the community to protect the mangrove forest and the Caseledan Lagoon. This is the fifth project grant secured by ASF from Seacology-US, a non-profit, charitable organization based in Berkeley, California.

Livelihood



Sales to Amanpulo of locally-sourced produce that included agri-livestock and poultry, and handicrafts from various weavers' associations sold through Manamoc Livelihood Association, amounted to ₱6.6 million, slightly higher from last year's ₱6.4 million. The Manamoc community is now the major source of eggs for Amanpulo while the island is the sole supplier of pork for the Resort's staff canteen.

Cancer Care Program



ASF received ₱1.6 million from six pharmaceutical companies for the training of seven Medical Oncology Fellows in partnership with the Section of Medical Oncology of Cancer Institute, UP-PGH.

ASF received a donation of a customized mobile hematology and oncology treatment unit from Johnson and Johnson (Philippines), Inc.

The vehicle is a first of its kind, a customized mini bus converted into a mobile treatment unit for the Cancer Institute of the University of the Philippines-Philippine General Hospital in support of the ASF Cancer Program.

To-date, ₱1.8 million had been disbursed for the maintenance medicines of qualified beneficiary-breast cancer patients.

OUTLOOK

The year 2020 has already begun to pose challenges. Geopolitical tensions and global trade uncertainty are expected to continue. Climate change remains an urgent global concern. Agriculture continues to be affected.

The eruption of Taal Volcano on January 12, 2020 impacted families in Batangas Province, damaging billions of pesos worth of infrastructure, houses, crops, animals and fisheries in Taal Lake. And even as relief operations, health monitoring and the vigilance continue with another eruption anticipated, another health security issue began. A new strain called the 2019 coronavirus (COVID-19) traced to Wuhan, Hubei Province of China rapidly spread to different countries, compelling the World Health Organization to declare a global health emergency. This is leading to travel restrictions and putting health authorities on alert for both preventive and curative measures to contain and resolve its impact.

Excise tax increases begin in January 2020, the third and final tranche on fuel, and a new tariff for tobacco products. These will help fund the initial ₱257.0 billion for the Universal Healthcare Program. Traffic continues to be a bane for Metro Manila even as various solutions are sought.

However, always amidst challenges, opportunities are there. Resurging public investment and fast tracking the effective implementation of reforms such as the Ease of Doing Business Law, the Rice Tariffication Law, the creation of a national ID system, and other such transformational policy changes are critical to set the Philippines on a higher path toward accelerating inclusive growth.

For PDP, the outlook for construction and real estate growth remains positive with development spreading to areas outside Metro Manila. Infrastructure projects including those in key cities outside of the metropolis are expected to continue. The strengthening of customer and dealer partnerships, and its internal program for people development will remain a vital backbone for its success.

The current travel restrictions notwithstanding, Amanpulo will continue to set a benchmark for beach resorts, much more so as it prepares for the ISO 22000 certification in 2020.

ACKNOWLEDGMENT

Management acknowledges with thanks and respect, Mr. John L. Gokongwei, our Director for 39 years since May 21, 1980, who passed away last November 9, 2019. He will be remembered for his legacy as a business leader, philanthropist and entrepreneur.

Our sincerest appreciation for our shareholders' abiding trust and confidence, the dedication of our employees and the guidance of our Board of Directors.

FINANCIAL HIGHLIGHTS

(In Million Pesos Except for Ratios and Per Share Data)

CONSOLIDATED FOR THE YEAR	2019	2018	2017
Revenues and net investment gains	10,695.4	9,781.0	10,584.6
Sale of goods	8,208.4	8,292.5	7,189.0
Services	1,342.4	1,314.7	1,059.8
Gain on increase in market values of fair value through profit or loss investments	1,151.8	33.5	1,351.5
Dividend income	373.6	301.8	270.7
Interest income	124.5	109.5	98.9
Gain (loss) on sale of fair value through other comprehensive income investments	11.9	(2.7)	13.9
Equity in net losses of associates - net of valuation allowance	(517.1)	(262.2)	(497.1)
Gain (loss) on disposal of subsidiaries	–	(6.1)	1,097.9
NET INCOME*	1,843.6	808.4	2,547.5
EARNINGS PER SHARE**	1.53	0.67	2.08

CONSOLIDATED AT YEAR-END	2019	2018	2017
Total Assets	23,112.4	22,290.0	22,346.2
Equity Attributable to Equity Holders of the Parent	19,943.1	18,575.9	18,332.5
Investment Portfolio	14,289.3	13,253.7	13,339.1
Current Ratio	9.82	7.48	8.43
Debt to Equity Ratio***	0.13	0.17	0.19
Book Value Per Share****	15.95	15.33	15.06

* Attributable to equity holders of the Parent.

** Based on weighted average number of shares of 1,208.0 million in 2019, 1,215.5 million in 2018 and 1,224.2 million in 2017.

*** Computed using the equity attributable to equity holders of the Parent.

**** Based on outstanding shares of 1,250.1 million, 1,211.9 million and 1,217.2 million as of December 31, 2019, 2018 and 2017, respectively.

FIVE-YEAR REVIEW

(In Million Pesos Except Per Share Data)

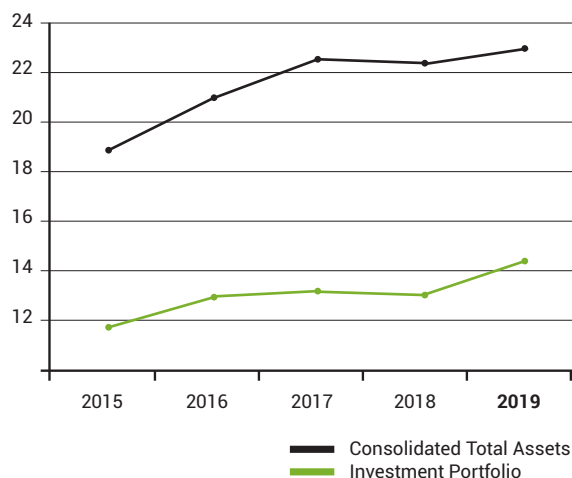
	2019	2018	2017	2016	2015
Net Income Attributable to Equity Holder of the Parent	1,843.6	808.4	2,547.5	2,682.6	1,965.6
Equity Attributable to Equity Holder of the Parent	19,943.1	18,575.9	18,332.5	16,189.3	13,563.0
Weighted Average Number of Shares Outstanding	1,208.0	1,215.5	1,224.2	1,232.7	1,244.6
Earnings Per Share*	1.53	0.67	2.08	2.18	1.58
Book Value Per Share**	15.95	15.33	15.06	13.13	10.99

	2019	2018	2017	2016	2015
Revenues and Net Investment Gains	10,695.4	9,781.0	10,584.6	9,883.8	11,338.1
Total Assets	23,112.4	22,290.0	22,346.2	21,482.1	19,552.4
Investment Portfolio	14,289.3	13,253.7	13,339.1	13,144.9	11,859.4

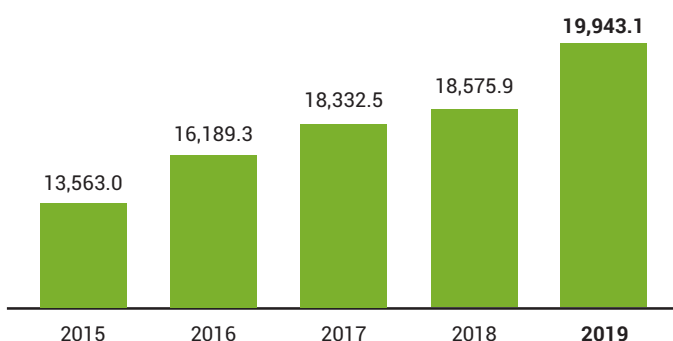
* Ratio of net income attributable to equity holders of the Parent to weighted average number of shares outstanding during the year.

** Ratio of equity attributable to equity holders of the Parent to outstanding number of shares as of end-December.

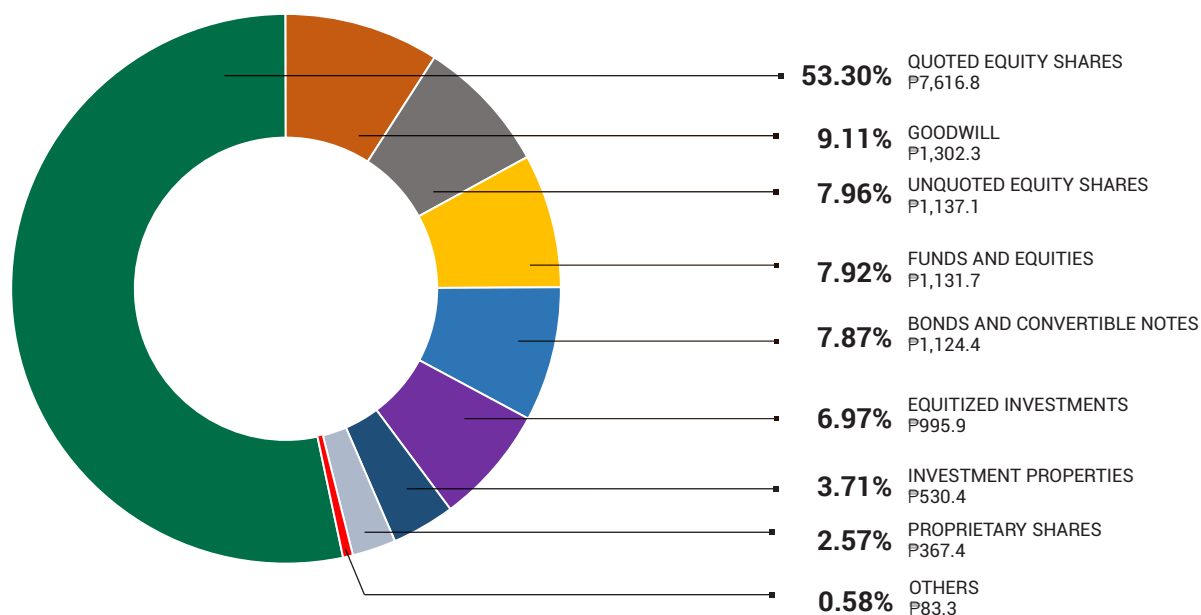
CONSOLIDATED TOTAL ASSETS & INVESTMENT PORTFOLIO (In Billion Pesos)



EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (In Million Pesos)



CONSOLIDATED INVESTMENT PORTFOLIO DETAILS DECEMBER 31, 2019 (In Million Pesos)





STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ANDRES SORIANO III
Chairman, President and
Chief Executive Officer

ERNEST K. CUYEGKENG
Executive Vice President and
Chief Financial Officer

Signed this 19th day of February 2020

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to before me this 19th day of February 2020, affiants exhibited to me the following:

NAME	PASSPORT NO.	DATE & PLACE ISSUED
Andres Soriano III	506368805	Jan. 14, 2015 to Jan 13, 2025/ U.S.
Ernest K. Cuyegkeng	P7236847A	May 19, 2018 to May 18, 2028/DFA NCR South

Doc. No. 491;
Page No. 99;
Book No. XIX;
Series of 2020.

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment No. M-260; Roll No. 20642
Commission expires on 12-31-2020
MCLE Compliance No. VI-0008138
PTR No. 8117885; 1-06-2020; Makati City
IBP No. 108319; 1-08-2020; Pasig City
TIN No. 100-364-501



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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018 valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A. Soriano Corporation
7th Floor, Pacific Star Building,
Makati Avenue corner Gil Puyat Avenue Extension,
Makati City

Opinion

We have audited the consolidated financial statements of A. Soriano Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Recoverability of Goodwill

The goodwill arising from the acquisitions of Phelps Dodge International Philippines, Inc. and Seven Seas Resorts and Leisure, Inc. amounted to ₱1,302.3 million as at December 31, 2019 and is considered significant to the consolidated financial statements. Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. We considered the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the sensitivity of the estimated recoverable amount to management's assumptions and judgments. In assessing the recoverability of the Group's goodwill, management exercised significant judgments and used assumptions such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units (CGUs).

The Group's disclosures about goodwill are included in Note 7 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the valuation methodology and assumptions used by management in estimating value-in-use. These assumptions include revenue growth rates, discount rates and long-term growth rates. We compared the growth rates used against the historical performance of the CGUs. In testing the discount rates, our internal specialist performed independent testing on the determination of discount rates using market-based parameters. In addition, we reviewed the disclosures in the consolidated financial statements related to the key assumptions, used and the sensitivity of the estimates to these key assumptions particularly those to which the impairment test is most sensitive.

Recoverability of Investment in an Associate

The Group identified indicators of impairment in its investment in an associate and, as required in PFRSs, assessed the recoverability of its investment based on management's estimate of cash flows from the operations of the associate, judgment over the appropriate valuation model and valuation assumptions such as discount rate and long-term growth rate. The carrying value of the investment amounted to ₱682.5 million as at December 31, 2019 and is considered material to the consolidated financial statements.

The Group's disclosures about its investment in an associate are included in Note 14 to the consolidated financial statements.

Audit Response

We obtained an understanding of the current business operations of the associate and assessed whether this is considered in the Group's assumptions. Furthermore, we involved our internal specialist in evaluating the valuation model used in estimating the equity value of the investment and the assumptions in estimating the associate's expected cash flows, such as the discount rate and long-term growth rate. In testing the discount rate, we performed independent testing on the determination of discount rate using market-based parameters. We also reviewed and tested the sensitivity of the present value of discounted cash flows to changes in key assumptions particularly those to which the recoverable amount is most sensitive.

Valuation of Unquoted Equity Instruments

In accordance with PFRS 9, *Financial Instruments*, the Group classified its unquoted equity investments as financial assets through profit or loss, with carrying value of ₱1,137.1 million as at December 31, 2019. We considered the valuation of these unquoted equity investments as a key audit matter because of the materiality of the amount involved, the significant judgment applied in selecting the valuation techniques and inputs that are not market observable, and the other significant assumptions used in estimating future cash flows from these unquoted equity investments.

The Group's disclosures about its unquoted equity investments are included in Notes 10 and 30 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the valuation techniques and inputs and the other assumptions used. These assumptions include discount rates, revenue growth rates and comparable companies. In testing the discount rates, our internal specialist performed independent testing on the determination of discount rates using market-based parameters. For investments valued using the income approach, we compared the revenue growth rates to the historical performance of the investment. For investments valued under the market approach, we reviewed the comparable companies used in the valuation. For private equity fund investments valued under the cost approach (adjusted net asset value method), we reviewed the financial information of the investees and checked if the financial information used reflects the fair values of the investee's assets and liabilities. In addition, we reviewed the disclosures in the consolidated financial statements related to the significant unobservable inputs to the fair value measurement.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Dhonabee B. Señeres.

SYCIP GORRES VELAYO & CO.



Dhonabee B. Señeres

Partner

CPA Certificate No. 97133

SEC Accreditation No. 1196-AR-2 (Group A),

October 18, 2018, valid until October 17, 2021

Tax Identification No. 201-959-816

BIR Accreditation No. 08-001998-98-2018,

February 2, 2018, valid until February 1, 2021

PTR No. 8125303, January 7, 2020, Makati City

February 19, 2020

Consolidated Balance Sheets

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 9)	₱ 2,308,878,255	₱ 2,765,515,066
Fair value through profit or loss (FVPL) investments (Notes 10 and 20)	11,130,248,073	9,437,947,486
Receivables (Note 11)	2,122,602,618	2,270,241,689
Inventories (Note 12)	904,427,520	1,030,460,829
Fair value through other comprehensive income (FVOCI) investments - current (Note 13)	94,535,324	15,419,085
Prepayments	34,866,126	29,004,363
Other current assets	27,070,500	16,061,836
Total Current Assets	16,622,628,416	15,564,650,354
Noncurrent Assets		
FVOCI investments - net of current portion (Note 13)	235,949,189	678,904,133
Notes receivables (Note 28)	349,499,741	—
Investments and advances (Note 14)	1,078,655,003	1,581,844,482
Goodwill (Note 7)	1,302,276,264	1,302,276,264
Property and equipment (Notes 15 and 20)	2,562,463,613	2,560,830,437
Investment properties (Note 16)	530,382,258	238,104,974
Retirement plan asset - net (Note 25)	84,470,839	65,391,589
Deferred income tax assets - net (Note 26)	87,156,013	75,512,542
Right-of-use assets (Notes 2 and 31)	35,292,325	—
Other noncurrent assets (Notes 17 and 31)	223,646,431	222,496,580
Total Noncurrent Assets	6,489,791,676	6,725,361,001
TOTAL ASSETS	₱ 23,112,420,092	₱ 22,290,011,355
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Note 18)	₱ —	₱ 250,000,000
Accounts payable and accrued expenses (Notes 19 and 33)	931,320,157	807,180,815
Current portion of lease liabilities (Notes 2 and 31)	9,907,864	—
Dividends payable (Note 21)	283,974,578	285,828,593
Income tax payable	192,064,701	103,460,263
Current portion of long-term debt (Note 20)	276,164,746	635,690,371
Total Current Liabilities	1,693,432,046	2,082,160,042

(Forward)

Consolidated Balance Sheets

	December 31	
	2019	2018
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 20)	₱ 227,142,857	₱ 502,397,329
Lease liabilities - net of current portion (Notes 2 and 31)	27,466,781	—
Deferred income tax liabilities - net (Note 26)	479,312,696	449,755,161
Retirement benefits payable - net (Note 25)	32,252,060	12,858,113
Other noncurrent liabilities (Notes 17 and 31)	147,956,007	143,405,664
Total Noncurrent Liabilities	914,130,401	1,108,416,267
Total Liabilities	2,607,562,447	3,190,576,309
Equity Attributable to Equity Holders of the Parent (Note 21)		
Capital stock - ₱1 par value	2,500,000,000	2,500,000,000
Additional paid-in capital	1,859,383,287	1,605,613,566
Cumulative translation adjustment	273,248,081	385,512,775
Unrealized valuation gains (losses) on FVOCI investments (Note 13)	8,739,689	(8,128,524)
Remeasurement on retirement benefits (Note 25)	33,267,478	39,853,028
Retained earnings (Note 21):		
Appropriated	7,150,000,000	7,150,000,000
Unappropriated	10,487,853,458	9,259,613,912
Cost of shares held by a subsidiary (1,249,872,246 shares and 1,288,088,646 shares in 2019 and 2018, respectively) (Note 21)	(2,369,372,182)	(2,356,555,826)
	19,943,119,811	18,575,908,931
Noncontrolling Interests (Note 3)	561,737,834	523,526,115
Total Equity	20,504,857,645	19,099,435,046
TOTAL LIABILITIES AND EQUITY	₱ 23,112,420,092	₱ 22,290,011,355

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2019	2018	2017
CONTINUING OPERATIONS			
REVENUES			
Sale of goods - net (Note 5)	₱ 8,208,374,800	₱ 8,292,508,630	₱ 7,188,994,574
Services (Notes 5 and 31)	1,342,389,775	1,314,704,847	1,059,796,204
Dividend income (Note 10)	373,587,490	301,777,821	270,687,177
Interest income (Notes 9, 10, 13 and 24)	124,478,035	109,516,147	98,877,355
	10,048,830,100	10,018,507,445	8,618,355,310
INVESTMENT GAINS (LOSSES)			
Gain on increase in market values of FVPL investments (Notes 10 and 30)	1,151,784,252	33,493,049	1,351,506,368
Gain (loss) on sale of FVOCI investments (Note 13)	11,859,942	(2,700,602)	13,932,565
Gain (loss) on disposal of subsidiaries (Note 8)	—	(6,111,015)	1,097,861,615
	1,163,644,194	24,681,432	2,463,300,548
EQUITY IN NET LOSSES - Net of valuation allowance (Note 14)			
	(517,090,062)	(262,184,140)	(497,099,065)
TOTAL	10,695,384,232	9,781,004,737	10,584,556,793
Cost of goods sold (Note 22)	(6,590,288,987)	(7,010,549,289)	(6,069,283,925)
Cost of services rendered (Note 22)	(447,058,842)	(437,508,189)	(395,971,370)
Operating expenses (Note 22)	(1,217,805,627)	(1,194,383,616)	(1,179,275,444)
Interest expense (Notes 18, 20 and 24)	(48,364,623)	(72,908,371)	(85,138,178)
Foreign exchange gain (loss) - net	(92,967,921)	106,678,302	(17,777,225)
Other income - net (Notes 24 and 31)	68,852,086	79,708,375	52,328,767
INCOME BEFORE INCOME TAX	2,367,750,318	1,252,041,949	2,889,439,418
PROVISION FOR INCOME TAX (Note 26)	429,373,654	347,218,566	253,435,684
NET INCOME FROM CONTINUING OPERATIONS	1,938,376,664	904,823,383	2,636,003,734
NET LOSS FROM DISCONTINUED OPERATIONS (Note 8)	—	—	(47,637,151)
NET INCOME	1,938,376,664	904,823,383	2,588,366,583
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation gains (losses) on FVOCI investments (Note 13)	35,957,388	(34,538,189)	17,385,730
Income tax effect	(10,787,216)	10,361,457	(5,215,719)
	25,170,172	(24,176,732)	12,170,011

(Forward)

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2019	2018	2017
Unrealized losses (gains) on FVOCI investments recognized in the consolidated profit or loss (Note 13)	(P 11,859,942)	P 2,700,602	(P 13,932,565)
Income tax effect	3,557,983	(810,181)	4,179,770
	(8,301,959)	1,890,421	(9,752,795)
	16,868,213	(22,286,311)	2,417,216
Cumulative translation adjustment	(112,264,694)	89,930,454	(84,661,930)
	(95,396,481)	67,644,143	(82,244,714)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits (Note 25)	(9,304,530)	(24,574,106)	29,961,119
Income tax effect	2,718,980	6,432,512	(9,575,162)
	(6,585,550)	(18,141,594)	20,385,957
OTHER COMPREHENSIVE INCOME (LOSS)	(101,982,031)	49,502,549	(61,858,757)
TOTAL COMPREHENSIVE INCOME	P 1,836,394,633	P 954,325,932	P 2,526,507,826
Net Income Attributable to:			
Equity holders of the Parent	P 1,843,615,322	P 808,386,813	P 2,547,458,719
Noncontrolling interests	94,761,342	96,436,570	40,907,864
	P 1,938,376,664	P 904,823,383	P 2,588,366,583
Total Comprehensive Income Attributable to:			
Equity holders of the Parent	P 1,741,633,291	P 857,889,362	P 2,485,599,962
Noncontrolling interests	94,761,342	96,436,570	40,907,864
	P 1,836,394,633	P 954,325,932	P 2,526,507,826
Earnings Per Share			
Basic/diluted, for net income attributable to equity holders of the Parent (Notes 8 and 27)	P 1.53	P 0.67	P 2.08
Basic/diluted, for net income from continuing operations attributable to equity holders of the Parent (Note 27)	P 1.53	P 0.67	P 2.12
Basic/diluted, for total comprehensive income attributable to equity holders of the Parent (Note 27)	P 1.44	P 0.71	P 2.03

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holders of the Parent (Note 21)					
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Noncontrolling Interests (Note 3)	Cumulative Translation Adjustment	Unrealized Valuation Gains (Losses) on FVOCI Investments (Note 13)	Remeasurement on Retirement Benefits (Note 25)
BALANCES AT DECEMBER 31, 2016	P 2,500,000,000	P 1,605,613,566	(P 26,356,543)	P 380,244,251	P 11,740,571	P 37,608,665
Net income	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	(84,661,930)	2,417,216	20,385,957
Total comprehensive income (loss) for the year	-	-	-	(84,661,930)	2,417,216	20,385,957
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P255.6 million (Note 21)	-	-	-	-	-	-
Shares repurchased during the year (Note 21)	-	-	-	-	-	-
Movement in noncontrolling interests (Notes 3 and 31)	-	-	-	-	-	-
BALANCES AT DECEMBER 31, 2017	2,500,000,000	1,605,613,566	(26,356,543)	295,582,321	14,157,787	57,994,622
Net income	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	89,930,454	(22,286,311)	(18,141,594)
Total comprehensive income (loss) for the year	-	-	-	89,930,454	(22,286,311)	(18,141,594)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P641.4 million (Note 21)	-	-	-	-	-	-
Shares repurchased during the year (Note 21)	-	-	-	-	-	-
Disposal of a subsidiary (Note 8)	-	-	26,356,543	-	-	-
Movement in noncontrolling interests (Notes 3 and 31)	-	-	-	-	-	-
BALANCES AT DECEMBER 31, 2018	2,500,000,000	1,605,613,566	-	385,512,775	(8,128,524)	39,853,028
Net income	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	(112,264,694)	16,868,213	(6,585,550)
Total comprehensive income (loss) for the year	-	-	-	(112,264,694)	16,868,213	(6,585,550)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P634.6 million (Note 21)	-	-	-	-	-	-
Shares repurchased during the year (Note 21)	-	-	-	-	-	-
Sale of Company shares held by a subsidiary (Note 21)	-	253,769,721	-	-	-	-
Movement in noncontrolling interests (Notes 3 and 31)	-	-	-	-	-	-
BALANCES AT DECEMBER 31, 2019	P 2,500,000,000	P 1,859,383,287	P -	P 273,248,081	P 8,739,689	P 33,267,478

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Equity Attributable to Equity Holders of the Parent (Note 21)								
	Subtotal*	Retained Earnings		Cost of Shares Held by a Subsidiary	Total	Noncontrolling Interests	Total	
		Appropriated	Unappropriated					
BALANCES AT DECEMBER 31, 2016	P 4,508,850,510	P 7,150,000,000	P 6,756,716,458	(P 2,226,272,975)	P 16,189,293,993	P 512,829,051	P 16,702,123,044	
Net income	–	–	2,547,458,719	–	2,547,458,719	40,907,864	2,588,366,583	
Other comprehensive income (loss)	(61,858,757)	–	–	–	(61,858,757)	–	(61,858,757)	
Total comprehensive income								
(loss) for the year	(61,858,757)	–	2,547,458,719	–	2,485,599,962	40,907,864	2,526,507,826	
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P255.6 million (Note 21)	–	–	(244,361,451)	–	(244,361,451)	–	(244,361,451)	
Shares repurchased during the year (Note 21)	–	–	–	(98,041,760)	(98,041,760)	–	(98,041,760)	
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	(95,092,264)	(95,092,264)	
BALANCES AT DECEMBER 31, 2017	4,446,991,753	7,150,000,000	9,059,813,726	(2,324,314,735)	18,332,490,744	458,644,651	18,791,135,395	
Net income	–	–	808,386,813	–	808,386,813	96,436,570	904,823,383	
Other comprehensive income (loss)	49,502,549	–	–	–	49,502,549	–	49,502,549	
Total comprehensive income								
(loss) for the year	49,502,549	–	808,386,813	–	857,889,362	96,436,570	954,325,932	
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P641.4 million (Note 21)	–	–	(608,586,627)	–	(608,586,627)	–	(608,586,627)	
Shares repurchased during the year (Note 21)	–	–	–	(32,241,091)	(32,241,091)	–	(32,241,091)	
Disposal of a subsidiary (Note 8)	26,356,543	–	–	–	26,356,543	–	26,356,543	
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	(31,555,106)	(31,555,106)	
BALANCES AT DECEMBER 31, 2018	4,522,850,845	7,150,000,000	9,259,613,912	(2,356,555,826)	18,575,908,931	523,526,115	19,099,435,046	
Net income	–	–	1,843,615,322	–	1,843,615,322	94,761,342	1,938,376,664	
Other comprehensive income (loss)	(101,982,031)	–	–	–	(101,982,031)	–	(101,982,031)	
Total comprehensive income								
(loss) for the year	(101,982,031)	–	1,843,615,322	–	1,741,633,291	94,761,342	1,836,394,633	
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P634.6 million (Note 21)	–	–	(615,375,776)	–	(615,375,776)	–	(615,375,776)	
Shares repurchased during the year (Note 21)	–	–	–	(118,975,079)	(118,975,079)	–	(118,975,079)	
Sale of Company shares held by a subsidiary (Note 21)	253,769,721	–	–	106,158,723	359,928,444	–	359,928,444	
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	(56,549,623)	(56,549,623)	
BALANCES AT DECEMBER 31, 2019	P 4,674,638,535	P 7,150,000,000	P 10,487,853,458	(P 2,369,372,182)	P 19,943,119,811	P 561,737,834	P 20,504,857,645	

See accompanying Notes to Consolidated Financial Statements.

* Subtotal for the numbers of the six columns appearing on page 22.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax - continuing operations	₱ 2,367,750,318	₱ 1,252,041,949	₱ 2,889,439,418
Income (loss) before income tax - discontinued operations (Note 8)	—	—	(52,709,769)
Income before income tax	2,367,750,318	1,252,041,949	2,836,729,649
Adjustments for:			
Gain on increase in market values of FVPL investments (Note 10)	(1,151,784,252)	(33,493,049)	(1,351,506,368)
Equity in net losses - net of valuation allowance (Note 14)	517,090,062	262,184,140	497,099,065
Dividend income (Note 10)	(373,587,490)	(301,777,821)	(270,687,177)
Depreciation and amortization (Notes 15, 16, 22 and 31)	272,179,839	252,820,204	252,088,932
Interest income (Notes 9, 10, 13 and 24)	(124,478,035)	(109,516,147)	(98,878,579)
Interest expense (Notes 18, 20 and 24)	48,364,623	72,908,371	90,524,037
Unrealized foreign exchange losses - net	48,116,020	116,697,688	13,884,632
Valuation allowances - net (Notes 11 and 24)	41,752,086	9,397,390	211,799,817
Retirement benefit costs (Notes 22, 23 and 25)	13,203,358	37,124,451	16,747,851
Loss (gain) on sale/disposal of:			
FVOCI investments (Note 13)	(11,859,942)	2,700,602	13,932,565
Subsidiaries (Notes 8 and 16)	—	6,111,015	(1,097,861,615)
Operating income before working capital changes	1,646,746,587	1,567,198,793	1,113,872,809
Decrease (increase) in:			
FVPL investments	(532,026,162)	106,988,583	37,181,483
Receivables	97,878,040	(488,596,128)	365,575,268
Inventories	126,033,309	(209,639,027)	(138,806,873)
Prepayments and other current assets	(17,781,010)	23,158,663	101,852,799
Increase (decrease) in:			
Accounts payable and accrued expenses	128,423,365	(101,992,716)	60,867,482
Deferred revenues	—	(9,469,328)	867,768
Cash generated from operations	1,449,274,129	887,648,840	1,541,410,736
Income taxes paid	(320,136,171)	(279,043,797)	(312,505,882)
Dividends received	373,587,490	301,777,821	270,687,177
Interest received	133,653,424	98,460,395	98,091,189
Interest paid	(45,077,734)	(72,666,167)	(85,531,605)
Retirement benefit contribution (Note 25)	(22,193,191)	(22,191,914)	(16,659,548)
Net cash flows from operating activities	1,569,107,947	913,985,178	1,495,492,067

(Forward)

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
FVOCI investments (Note 13)	₱ 446,651,642	₱ 102,546,014	₱ 425,586,347
Property and equipment (Note 15)	2,005,966	10,758,435	4,279,888
Long-term investment	—	9,200,000	1,376,788,000
Additions to:			
FVOCI investments (Note 13)	(215,974,577)	(229,382,738)	(674,863,214)
Property and equipment (Note 15)	(258,131,927)	(156,220,277)	(289,432,012)
Investment properties (Note 16)	(293,595,000)	(1,583,339)	—
Collection from (advances to) affiliates (Notes 14 and 28)	(431,448,061)	3,470,251	(77,440,000)
Increase in other noncurrent assets	(4,502,626)	(44,680,957)	(39,298,864)
Acquisition of associates (Note 14)	—	(102,945,888)	(91,256,250)
Proceeds from redemption of preferred shares	—	—	12,301,027
Net cash flows from (used in) investing activities	(754,994,583)	(408,838,499)	646,664,922
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Sale of Company shares held by a subsidiary (Note 21)	359,928,444	—	—
Availment of long-term debt (Note 32)	5,124,000	—	—
Availment of notes payable (Notes 18 and 32)	—	450,000,000	—
Payments of (Note 32):			
Long-term debt (Note 20)	(635,732,071)	(640,036,621)	(838,534,464)
Dividends (Note 21)	(617,229,791)	(575,312,404)	(234,015,487)
Notes payable (Note 18)	(250,000,000)	(200,000,000)	(91,948,200)
Lease liabilities (Note 31)	(12,309,568)	—	—
Company shares purchased by a subsidiary (Note 21)	(118,975,079)	(32,241,091)	(98,041,760)
Redemption of preferred shares	—	—	(29,081,587)
Net cash flows used in financing activities	(1,269,194,065)	(997,590,116)	(1,291,621,498)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(455,080,701)	(492,443,437)	850,535,491
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,556,110)	2,423,835	1,259,659
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,765,515,066	3,255,534,668	2,403,739,518
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	₱ 2,308,878,255	₱ 2,765,515,066	₱ 3,255,534,668

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Corporate Information

A. Soriano Corporation (Anscor or the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 1930 to, among others, act as agent or representative of corporations, partnerships or individuals whether residing here or abroad; to buy, retain, possess shares of stock, franchises, patents of any person or entity and to issue shares of stock, bonds or other obligations for the payment of articles or properties acquired by the Company; and to buy or acquire all or part of the property, assets, business and clientele of any person, corporation or partnership, managing the properties or businesses so purchased or acquired and exercising all the powers necessary and convenient for the management and development of the said properties or businesses.

On July 17, 1979, the Philippine SEC approved the Company's amended articles of incorporation extending the term of its existence for another fifty years up to February 12, 2030. The Company is a corporation incorporated and domiciled in the Philippines whose shares are publicly traded.

The registered office address of the Company is at 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City, Philippines.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were authorized for issue by the Board of Directors (BOD) on February 19, 2020.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for debt and equity securities that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Peso unless otherwise stated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

The adoption of PFRS 16 has no significant impact on the consolidated financial statements since most of the lease agreements are made within the Group. See Note 31 for the disclosures of the Group's lease arrangements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- o Whether an entity considers uncertain tax treatments separately;
- o The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- o How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and,
- o How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that it is probable that its tax treatments will be accepted by the taxation authorities. The adoption of the Interpretation did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- o Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and,
- o Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the year.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments had no significant impact on the consolidated financial statements of the Group.

Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

3. Basis of Consolidation and Summary of Significant Accounting and Financial Reporting PoliciesBasis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly owned, majority and minority-owned subsidiaries as at December 31:

	Nature of Business	Percentage of Ownership		
		2019	2018	2017
A. Soriano Air Corporation (ASAC, Note 31)	Services/Rental	100	100	100
Pamalican Island Holdings, Inc. (PIHI)	Investment Holding	62	62	62
Island Aviation, Inc. (IAI, Note 31)	Air Transport	62	62	62
Anscor Consolidated Corporation (Anscorcon)	Investment Holding	100	100	100

(Forward)

	Nature of Business	Percentage of Ownership		
		2019	2018	2017
Anscor Holdings, Inc. (AHI, Note 31)	Real Estate Holding	100	100	100
Akapulko Holdings, Inc.	Real Estate Holding	100	100	100
Lakeroad Corporation	Real Estate Holding	100	100	100
Mainroad Corporation	Real Estate Holding	100	100	100
Makatwiran Holdings, Inc.	Real Estate Holding	100	100	100
Makisig Holdings, Inc.	Real Estate Holding	100	100	100
Malikhain Holdings, Inc.	Real Estate Holding	100	100	100
Mountainridge Corporation	Real Estate Holding	100	100	100
Rollingview Corporation	Real Estate Holding	100	100	100
Timbercrest Corporation	Real Estate Holding	100	100	100
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 7 and 31)	Investment Holding	100	100	100
Minuet Realty Corporation (Minuet, Note 7)	Landholding	100	100	100
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 7 and 31)	Wire Manufacturing	100	100	100
PD Energy International Corporation (PDEIC, Note 7)	Wire Manufacturing	100	100	100
Sutton Place Holdings, Inc. (Sutton, Note 31)	Investment Holding	100	100	100
Cirrus Global, Inc. (CGI, Notes 8 and 31)	Manpower Services	—	—	93
Anscor International, Inc. (AI, Note 14)	Investment Holding	100	100	100
IQ Healthcare Investments Limited (IQHIL)	Manpower Services	100	100	100
IQ Healthcare Professional Connection, LLC (IQHPC, Note 31)	Manpower Services	93	93	93
AFC Agribusiness Corporation (AAC, Note 16)	Real Estate Holding	81	81	81
Seven Seas Resorts and Leisure, Inc. (SSRLI, Notes 7 and 31)	Villa Project Development	62	62	62
Pamalican Resort, Inc. (PRI, Notes 7 and 31)	Resort Operations	62	62	62
Summerside Corp. (Summerside)*	Investment Holding	40	40	40

* As at December 31, 2019, 2018 and 2017, the Group has 100% beneficial ownership over Summerside.

Except for AI and its subsidiaries, all the companies above are based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI), while IQHPC is based in the United States of America (USA).

Material Partly-Owned Subsidiaries (SSRLI and PRI)

Set out below are the summarized financial information of entities that have noncontrolling interest (NCI) that is material to the Group. The amounts disclosed are based on those included in the consolidated financial statements before intercompany eliminations.

Significant details of the balance sheets and statements of comprehensive income of SSRLI and PRI are presented below as at and for the years ended December 31 (in millions):

	2019	2018
Balance Sheets:		
Current assets	P 925.2	P 731.6
Noncurrent assets	942.8	975.1
Current liabilities	502.2	414.3
Noncurrent liabilities	135.9	149.7
Equity	1,229.9	1,142.7
Equity attributable to NCI	463.7	430.8
	2019	2018
Statements of Comprehensive Income:		
Revenue	P 1,151.0	P 1,105.9
Income from continuing operations, before tax	290.8	283.5
Net income	236.1	235.3
Other comprehensive income	1.1	4.2
Total comprehensive income	237.2	239.5
Total comprehensive income allocated to NCI during the year	89.4	90.3
	2019	2018
Statements of Cash Flows:		
Cash flows from operations	P 449.6	P 389.6
Cash flows used in investing activities	(123.6)	(66.8)
Cash flows used in financing activities	(169.1)	(94.8)

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies. The considerations made in determining the significant influence are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. The loss is recognized under "Equity in net losses - net of valuation allowance" in the consolidated profit or loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit or loss, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

If the Group's interest in an associate is reduced (e.g., through actual sale or deemed disposal), but the investment continues to be classified as an associate, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in the OCI relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

The following are the Group's associates as at December 31:

	Nature of Business	Percentage of Ownership		
		2019	2018	2017
Vicinetum Holdings, Inc. (VHI)	Investment Holding	32	32	32
Prople Limited (Note 14)	Business Process Outsourcing	32	32	32
Fremont Holdings, Inc. (FHI, Note 14)	Real Estate Holding	26	26	–
AGP International Holdings Pte Ltd. (AGP-SG, Note 14)	Investment Holding	21	–	–
AGP Group Holdings Pte Ltd. (AGP-BVI, formerly AGP International Holdings Ltd., Note 14)	Investment Holding	–	27	27
BehaviorMatrix, LLC (BM, Note 14)	Behavior Analytics Services	21	21	21
ATRAM Investment Management Partners Corp. (AIMP, Note 14)	Asset Management	20	20	20

The principal business location of AIMP, VHI and FHI is the Philippines. AGP-BVI, AGP-SG, BM and Prople Limited are based in the BVI, Singapore, USA and Hong Kong, respectively.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with changes in fair value recognized in the consolidated profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in the consolidated profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as noncontrolling interests.

Disposal Group and Discontinued Operations

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

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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated profit or loss.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to FVPL equity instruments are recognized in the consolidated profit or loss.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at the end of reporting period and their statements of profit or loss are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated profit or loss.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Fair Value Measurement

The Group measures financial assets (such as FVPL and FVOCI investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted FVPL financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement of financial instruments

At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and FVPL. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value, and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Classification of financial instruments

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

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at FVPL

As at December 31, 2019 and 2018, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading, financial assets and financial liabilities designated upon initial recognition at fair value through profit or loss, or financial assets and liabilities mandatorily required to be measured at fair value. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL

The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as at December 31, 2019 and 2018.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options, among others.

A derivative embedded in a hybrid contract, with a financial liability or nonfinancial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated profit or loss. Reassessment occurs only if there is either a change in the terms of the contract that significantly modifies the cash flows that would be otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in "Gain on increase in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As at December 31, 2019 and 2018, the Group has designated as FVPL all equity investments, money market papers, investments in bonds that have callable and other features, managed/hedged funds and derivatives amounting to ₱11,130.2 million and ₱9,437.9 million, respectively (see Note 10). No financial liability at FVPL is outstanding as at December 31, 2019 and 2018.

(b) Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated profit or loss when the asset is derecognized, modified or impaired.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included as interest income in the consolidated profit or loss. The losses arising from impairment of such financial assets are recognized as "Valuation allowances" account under "Other income - net" in the consolidated profit or loss.

Included under financial assets at amortized cost are cash in banks, short-term investments, trade receivables, interest receivable, advances to employees, receivables from villa owners, dividend receivable, notes receivable and other receivables.

(c) Financial assets at FVOCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated profit or loss and computed in the same manner as financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI.

When the debt instrument is disposed of, the cumulative gain or loss previously recognized under OCI is transferred to profit or loss as "Gain (loss) on sale of FVOCI investments". Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding FVOCI investments are reported as interest income using the effective interest rate method.

As at December 31, 2019 and 2018, the Group's FVOCI investments include investments in bonds (see Note 13).

(d) Financial liabilities - loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

As at December 31, 2019 and 2018, included in this category are the Group's notes payable, accounts payable and accrued expenses, lease liabilities, long-term debt and dividends payable.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized or removed from the consolidated balance sheet where:

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

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

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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated profit or loss.

Impairment of Financial Assets

The Group recognizes an allowance for expected credit loss (ECL) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at FVOCI comprise solely of top investment grade bonds that are graded by top credit rating agencies and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the top credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

"Day 1" Difference

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

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

Sale of goods

Revenue from the sale of goods is recognized at a point in time when the control over the goods are transferred to the buyer which is generally upon delivery of the goods.

Sale of services

Revenue from rooms is recognized over time based on the actual occupancy of the guests. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Revenue from air transport services is recognized at a point in time when the related services has been substantially performed.

Project management fees and other income

Revenue from project management fees and other income is recognized over time when the control of the services is transferred to the customer, generally on delivery of the services.

Other Income

Interest

Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends

Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental

Rental income is accounted for on a straight-line basis over the lease term.

Costs and Expenses

Costs and expenses are recognized in the consolidated profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Cost of goods sold

The cost of goods sold is recognized as expense when the related goods are sold.

Cost of services rendered

Cost and expenses related to room services and other ancillary services are charged to operations when incurred.

Operating expenses

Operating expenses include selling and general and administrative expenses that are expensed as incurred.

Other Comprehensive Income

Other comprehensive income comprises of items of income and expense that are not recognized in the consolidated profit or loss for the year in accordance with PFRSs. Other comprehensive income of the Group pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities.

Cash and Cash Equivalents

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

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale.

For cable and wire manufacturing, finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined using weighted average method.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

These are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written off either when disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	30
Leasehold improvements*	5 - 20
Flight, ground, machinery and other equipment	2 - 25
Furniture, fixtures and office equipment	2 - 5
Transportation equipment	3 - 5
<i>*or lease term, whichever is shorter</i>	

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Depreciation commences when an asset is in its operational location or working condition capable of being operated in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Construction in progress (CIP) is stated at cost net of accumulated impairment losses, if any. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Property Development in Progress

Property development in progress includes villa development costs and related expenses incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties

Investment properties comprise completed property and property under construction or re-development (land, buildings and condominiums) that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are written off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated profit or loss in the year of retirement or disposal.

Impairment of Nonfinancial Assets

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

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation or amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated profit or loss.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as at the end of each financial reporting period.

Contract Balances

Trade receivables

Trade receivables represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

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

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets include restricted cash funds for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Deposits to suppliers in relation to aircraft maintenance and acquisition of specific property and equipment are also classified as part of other noncurrent assets.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared and the effects of retrospective restatement recognized in accordance with the PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore, is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated profit or loss on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Leases Upon Adoption of PFRS 16

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for all leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Right-of-use asset

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Category	Number of Years
Building	5 years
Leasehold improvement	2 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, the Group calculates depreciation using the estimated useful life of the asset.

Lease liability

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases Prior to Adoption of PFRS 16

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

The Group as a lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated profit or loss on a straight-line basis over the lease term.

The Group as a lessor

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

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Pension Benefits

The Group has non-contributory defined benefit retirement plans.

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Income Taxes

Current income tax

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

Deferred income tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if:

- (a) a legally enforceable right exists to set off current income tax assets against current income tax liabilities; and
- (b) deferred income taxes are levied by the same taxation authority on either: the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value Added Tax (VAT)

Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. In case of capital goods, input VAT is spread evenly over the useful life or 60 months, whichever is shorter.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Group.

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheet up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income, net income from continuing operations and the total comprehensive income attributable to the equity holders of the Parent for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as at December 31, 2019, 2018 and 2017.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective BOD of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of the reporting period.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Reporting

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements.

Determination of functional currency

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets (see Note 30).

Classification and measurement of financial assets depend on the result of the SPPI and business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve particular business objectives. In classifying the investments not held for trading as at December 31, 2019 and 2018, the Group made an irrevocable election at initial recognition to designate the instruments as FVPL investments.

Assessment of control over the entities for consolidation

The Group has wholly owned, majority and minority-owned subsidiaries discussed in Note 3. Management concluded that the Group controls these majority and minority-owned subsidiaries arising from voting rights and, therefore, consolidates the entities in its consolidated financial statements.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for expected credit losses of receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type and customer type and rating).

The provision matrix is initially based on the Group's historically observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. These reserves are re-evaluated and adjusted as additional information is received.

Allowance for expected credit losses as at December 31, 2019 and 2018 amounted to ₱678.9 million and ₱638.0 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱2,554.9 million and ₱2,271.1 million as at December 31, 2019 and 2018, respectively (see Notes 11, 14 and 28).

Valuation of unquoted FVPL equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Group's unquoted FVPL equity instruments at fair value, management applied judgment in selecting the valuation technique and comparable companies and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group (see Note 30).

Unquoted FVPL equity investments amounted to ₱1,137.1 million and ₱1,086.2 million as at December 31, 2019 and 2018, respectively (see Note 10).

Impairment of FVOCI debt investments

For FVOCI debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the credit risk on that financial instrument has increased significantly since initial recognition. No impairment loss was recognized in 2019, 2018 and 2017. The carrying value of FVOCI debt investments amounted to ₱330.5 million and ₱694.3 million as at December 31, 2019 and 2018, respectively (see Note 13).

Estimation of allowance for inventory and impairment losses

The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase the recorded expenses and decrease current assets.

Allowance for inventory losses and obsolescence amounted to ₱83.2 million and ₱82.0 million as at December 31, 2019 and 2018, respectively. The carrying amount of the inventories amounted to ₱904.4 million and ₱1,030.5 million as at December 31, 2019 and 2018, respectively (see Note 12).

Estimation of useful lives of the Group's property and equipment

The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As at December 31, 2019 and 2018, the carrying value of property and equipment amounted to ₱2,562.5 million and ₱2,560.8 million, respectively (see Note 15).

Recoverability of investment in associates

The carrying value of investments carried under the equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value-in-use calculations that use a discounted cash flow model. The expected cash flows are estimated from the operations of the associates for the next five years, as well as the terminal value at the end of fifth year. The recoverable amount is most sensitive to the discount rates used for the discounted cash flow model, as well as the expected future cash inflows, revenue growth rates and long-term growth rates used for extrapolation purposes.

The carrying amounts of the investments amounted to ₱995.9 million and ₱1,581.0 million as at December 31, 2019 and 2018, respectively (see Note 14).

Impairment of non-financial assets

(a) Property and equipment and investment properties

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As at December 31, 2019 and 2018, the carrying value of property and equipment and investment properties amounted to ₱3,092.8 million and ₱2,798.9 million, respectively (see Notes 15 and 16).

There is no impairment loss on property and equipment and investment properties for each of the three years in the period ended December 31, 2019 (see Notes 15 and 16).

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. In assessing the recoverability of the Group's goodwill, management exercised significant judgments and used assumptions such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units.

As at December 31, 2019 and 2018, the carrying value of goodwill amounted to ₱1,302.3 million (see Note 7).

Recognition of deferred income tax assets

The Group reviews the carrying amounts of the deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. As at December 31, 2019 and 2018, the Group recognized gross deferred income tax assets amounting to ₱89.1 million and ₱84.6 million, respectively. The Group has also temporary differences for which deferred income tax assets are not recognized. Further details of the recognized and unrecognized deferred income tax assets are provided in Note 26.

Determination of pension and other retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Net retirement plan asset as at December 31, 2019 and 2018 amounted to ₱84.5 million and ₱65.4 million, respectively. Net retirement benefits payable as at December 31, 2019 and 2018 amounted to ₱32.3 million and ₱12.9 million, respectively. Further details are provided in Note 25.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 25.

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and disclosure of contingencies are discussed in Notes 3 and 33, respectively.

5. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the Year Ended December 31, 2019				
	Cable and Wire Manufacturing	Resorts Operations and Villa Development	Other Operations*	Total
Type of revenues:				
Goods	P 8,208,374,800	P –	P –	P 8,208,374,800
Services	–	1,140,941,687	201,448,088	1,342,389,775
Total revenue from contracts with customers	P 8,208,374,800	P 1,140,941,687	P 201,448,088	P 9,550,764,575
Timing of revenue recognition:				
At a point in time	P 8,208,374,800	P 430,653,807	P 201,448,088	P 8,840,476,695
Over time	–	710,287,880	–	710,287,880
Total revenue from contracts with customers	P 8,208,374,800	P 1,140,941,687	P 201,448,088	P 9,550,764,575

* Other Operations include ASAC and AHL.

For the Year Ended December 31, 2018				
	Cable and Wire Manufacturing	Resorts Operations and Villa Development	Other Operations*	Total
Type of revenues:				
Goods	P 8,292,508,630	P –	P –	P 8,292,508,630
Services	–	1,100,825,407	213,879,440	1,314,704,847
Total revenue from contracts with customers	P 8,292,508,630	P 1,100,825,407	P 213,879,440	P 9,607,213,477
Timing of revenue recognition:				
At a point in time	P 8,292,508,630	P 392,685,676	P 213,879,440	P 8,899,073,746
Over time	–	708,139,731	–	708,139,731
Total revenue from contracts with customers	P 8,292,508,630	P 1,100,825,407	P 213,879,440	P 9,607,213,477

* Other Operations include ASAC and AHL. Financial performance of CGI is included up to the date of disposal.

For the Year Ended December 31, 2017				
	Cable and Wire Manufacturing	Resorts Operations and Villa Development	Other Operations*	Total
Type of revenues:				
Goods	₱ 7,188,994,574	₱ –	₱ –	₱ 7,188,994,574
Services	–	861,146,448	198,649,756	1,059,796,204
Total revenue from contracts with customers	₱ 7,188,994,574	₱ 861,146,448	₱ 198,649,756	₱ 8,248,790,778
Timing of revenue recognition:				
At a point in time	₱ 7,188,994,574	₱ 311,456,777	₱ 198,649,756	₱ 7,699,101,107
Over time	–	549,689,671	–	549,689,671
Total revenue from contracts with customers	₱ 7,188,994,574	₱ 861,146,448	₱ 198,649,756	₱ 8,248,790,778

* Other Operations include ASAC, AHI and CGI.

Contract liabilities

Contract liabilities amounted to ₱52.7 million and ₱41.1 million as at December 31, 2019 and 2018, respectively. These pertain to customer advances for customer orders (see Note 19). In 2019, 2018 and 2017, the Group recognized revenue from sales of goods and services from the contract liabilities amounting to ₱41.1 million, ₱53.2 million and ₱46.0 million, respectively.

Information about the Group's performance obligations are summarized below:

Sale of goods

The Group enters into contracts to sell with one identified performance obligation, which is satisfied upon delivery of the goods. Receivables are generally collected within 30 to 60 days from the delivery of goods and receipt of invoice.

Villa development project

The performance obligation is satisfied at a point in time and payment is generally received in advance during the construction of the villa clusters.

Resort operations

This pertains to the services provided to the guests which is satisfied over time. Some payments are received in advance from the guests.

6. Segment Information

The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered, as discussed below.

- Holding company segment pertains to the operations of the Company.
- Resort Operations segment pertains to the Company's subsidiary providing hotel and resort accommodation, relaxation and entertainment, among others, while Villa Development includes the sale of villa lots, construction of structures and set up of furniture, fixture and equipment. In 2019, 2018 and 2017, the Group has no sale of villa lots and construction of structures.
- Cable and Wire Manufacturing segment pertains to the Company's subsidiaries engaged in manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale, goods such as building wires, power cables, aluminum wires and cables, copper rods, automotive wires and other energy-related goods of electrical nature, including all equipment, materials, supplies used or employed in or related to the manufacture of its finished products.
- Other operations include air transportation, hangarage, real estate holding and management, and recruitment services. On September 28, 2018, the Group sold its interest in Cirrus Global, Inc. which served as the recruitment services segment of the Group (see Note 8). Amounts for the investments in associates comprise the Group's equity in net losses - net of valuation allowance.

Majority of the companies within the Group were incorporated and operating within the Philippines. The amounts disclosed were determined consistent with the measurement basis under PFRSs.

The following tables present the financial information of the business segments as at and for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Before Eliminations							
	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	Other Operations ¹	Total	Eliminations	Consolidated	
As at and for the year ended December 31, 2019								
Revenues, excluding interest income ²	P 1,657,436	P 1,140,942	P 8,208,375	P 885,568	P 11,892,321	(P 1,967,969)	P 9,924,352	
Interest income	111,880	6,856	5,146	596	124,478	—	124,478	
Investment gains	856,917	—	890	198,394	1,056,201	107,443	1,163,644	
Interest expense	19,100	472	24,994	4,227	48,793	(428)	48,365	
Income tax expense	32,285	54,717	341,630	8,737	437,369	(7,995)	429,374	
Equity in net losses - net of valuation allowance	—	—	—	(517,090)	(517,090)	—	(517,090)	
Net income	2,333,251	236,089	803,960	67,103	3,440,403	(1,502,026)	1,938,377	
Total assets	18,716,377	1,867,987	4,571,515	12,428,872	37,584,751	(14,472,331)	23,112,420	
Investments and advances	7,284,288	—	—	2,150,520	9,434,808	(8,356,153)	1,078,655	
Property and equipment	9,445	761,537	621,795	114,979	1,507,756	1,054,708	2,562,464	
Total liabilities	583,560	638,053	967,613	2,812,006	5,001,232	(2,393,670)	2,607,562	
Depreciation and amortization	9,194	104,414	85,213	49,224	248,085	24,135	272,180	
Impairment loss	—	3,399	37,442	911	41,752	—	41,752	
Cash flows from (used in):								
Operating activities	781,557	449,613	1,133,537	(4,458)	2,360,249	(791,141)	1,569,108	
Investing activities	(633,632)	(123,552)	(76,684)	820,614	(13,254)	(741,741)	(754,995)	
Financing activities	(1,090,083)	(169,058)	(660,013)	(833,307)	(2,752,461)	1,483,267	(1,269,194)	

¹ Other Operations include ASAC, AAC, Anscorcon, AI, AHI, IAI and the Group's equity in net losses of associates - net of valuation allowance.

² Majority of the revenues of the Group were derived in the Philippines.

	Before Eliminations								
	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	Other Operations ¹	Total	Eliminations	Consolidated		
As at and for the year ended December 31, 2018									
Revenues, excluding interest income ²	P 1,334,003	P 1,100,825	P 8,292,509	P 1,165,109	P 11,892,446	(P 1,983,455)	P 9,908,991		
Interest income	103,635	3,475	1,242	1,164	109,516	—	109,516		
Investment gains	475,201	—	408	(217,002)	258,607	(233,926)	24,681		
Interest expense	39,744	—	29,938	3,226	72,908	—	72,908		
Income tax expense	50,976	48,287	246,503	9,080	354,846	(7,627)	347,219		
Equity in net losses - net of valuation allowance	—	—	—	(262,184)	(262,184)	—	(262,184)		
Net income	773,025	235,253	636,442	533,770	2,178,490	(1,273,667)	904,823		
Total assets	18,057,699	1,706,722	4,320,601	12,581,118	36,666,140	(14,376,129)	22,290,011		
Investments and advances	7,190,993	69,195	—	2,483,424	9,743,612	(8,161,768)	1,581,844		
Property and equipment	15,984	778,153	616,372	68,962	1,479,471	1,081,359	2,560,830		
Total liabilities	1,030,541	563,953	1,258,638	2,791,694	5,644,826	(2,454,250)	3,190,576		
Depreciation and amortization	9,319	101,274	74,118	43,972	228,683	24,137	252,820		
Impairment loss (recovery)	—	(7,358)	15,257	1,498	9,397	—	9,397		
Cash flows from (used in):									
Operating activities	638,385	389,597	332,922	50,258	1,411,162	(497,177)	913,985		
Investing activities	(127,360)	(66,806)	(61,244)	645,555	390,145	(798,983)	(408,838)		
Financing activities	(1,054,270)	(94,746)	(151,429)	(624,515)	(1,924,960)	927,370	(997,590)		

¹ Other Operations include ASAC, AAC, Anscorcon, AI, AHI, CGI, IAI and the Group's equity in net losses of associates - net of valuation allowance. Financial performance of CGI is included up to the date of disposal.

² Majority of the revenues of the Group were derived in the Philippines.

	Before Eliminations						Eliminations ³	Consolidated
	Nurse/PT Staffing Company ⁴	Holding Company (Parent)	Resort Operation and Villa Development	Cable and Wire Manufacturing	Other Operations ¹	Total ³		
As at and for the year ended December 31, 2017								
Revenues, excluding interest income ²	P 2,028,265	P 831,590	P 861,146	P 7,188,995	P 1,113,708	P 12,023,704	(P 3,504,226)	P 8,519,478
Interest income	1	87,909	3,529	2,297	5,841	99,577	(700)	98,877
Investment gains	—	1,541,972	—	5,121	857,668	2,404,761	58,540	2,463,301
Interest expense	5,386	45,912	—	36,042	3,184	90,524	(5,386)	85,138
Income tax expense (benefit)	(5,073)	10,169	27,681	213,072	10,486	256,335	(2,899)	253,436
Equity in net losses - net of valuation allowance	—	—	—	—	(497,099)	(497,099)	—	(497,099)
Net income (loss)	(47,637)	2,173,508	100,523	546,008	570,393	3,342,795	(706,791)	2,636,004
Total assets	—	18,928,517	1,526,424	3,824,469	12,838,128	37,117,538	(14,771,342)	22,346,196
Investments and advances	—	7,069,111	60,706	—	2,349,032	9,478,849	(7,827,009)	1,651,840
Property and equipment	—	21,152	812,752	626,908	99,367	1,560,179	1,108,010	2,668,189
Total liabilities	—	1,384,736	519,125	1,150,106	2,631,923	5,685,890	(2,130,829)	3,555,061
Depreciation and amortization	2,328	8,838	66,299	75,188	41,484	194,137	55,624	249,761
Impairment loss	111,599	82,906	4,662	9,506	3,737	212,410	(112,209)	100,201
Cash flows from (used in):								
Operating activities	206,562	828,471	197,556	313,737	166,200	1,712,526	(217,034)	1,495,492
Investing activities	(3,637)	828,893	(111,939)	(145,832)	(57,715)	509,770	136,895	646,665
Financing activities	(161,618)	(799,688)	(186,114)	(511,429)	9,577	(1,649,272)	357,651	(1,291,621)

¹ Other Operations include ASAC, AAC, Anscorcon, AI, AHI, CGI, IAI and the Group's equity in net losses of associates - net of valuation allowance.

² Except for the Nurse/PT Staffing Company operating in US, majority of the revenues of the Group were derived in the Philippines.

³ Including operating results from discontinued operations.

⁴ Sold on October 19, 2017. Financial performance shown was up to the date of disposal.

7. Business Combinations

- a. Goodwill represents the excess of acquisition cost of the following subsidiaries over Anscor's share in the fair value of their net assets. As at December 31, 2019 and 2018, the carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) is as follows:

PDP	P	1,202,945,277
SSRLI		99,330,987
	P	1,302,276,264

- b. Impairment Testing of Goodwill

- i. PDP Group

The recoverable amount of the investments in PDP Group has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as at December 31, 2019 and 2018 are discussed below:

Discount rate

Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rates applied to cash flow projections in 2019 and 2018 are 12.2% and 17.4%, respectively.

Terminal value

Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 3.8% and 4.1% in 2019 and 2018, respectively, and the difference between the discount rate and growth rate.

Growth rate

PDP Group assumed a growth rate of -2.0% to 6.0% in 2019 and 0.4% to 2.3% in 2018. Management used the average industry growth rate for the forecast.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

- ii. SSRLI

The recoverable amount of the investments in SSRLI has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as at December 31, 2019 and 2018 are discussed below:

Discount rate

Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections in 2019 and 2018 are 13.3% and 14.5%, respectively.

Terminal value

Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 2.0% and 6.5% in 2019 and 2018, respectively, and the difference between the discount rate and growth rate.

Growth rate

Growth rate assumptions for the five-year cash flow projections in 2019 and 2018 are supported by the different initiatives of SSRLI. SSRLI used 5.0% to 9.3% and 7.0% to 12.1% growth rate in revenue for its cash flow projection in 2019 and 2018, respectively.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

8. Deconsolidated Subsidiary

On October 19, 2017, the Group, through its wholly owned subsidiary, IQHIL, entered into a Merger Agreement with Webster Capital Management LLC, a US-based company, effectively selling the Group's entire shareholdings in Cirrus equivalent to 93.55% of the latter's total outstanding shares.

As a result, the Group consolidated Cirrus' statement of comprehensive income up to the date of sale.

Total gain on disposal of Cirrus recognized in the 2017 consolidated profit or loss amounted to ₱1,097.9 million.

Cirrus serves as the Nurse/PT staffing segment of the Group and is a separate reportable operating segment (see Note 6).

The results of Cirrus for the period ended October 19, 2017 are presented below (in thousands):

Revenues	₱ 2,021,126
Cost of services	(1,569,503)
Gross profit	451,623
Expenses	(504,333)
Loss before income tax	(52,710)
Benefit from income tax	5,073
Net loss from a deconsolidated subsidiary	(₱ 47,637)

Loss Per Share

Basic/diluted, for net loss attributable to equity holders of the Parent from a deconsolidated subsidiary	(₱ 0.04)
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The net cash flows from (used in) the activities of Cirrus for the period ended October 19, 2017 are as follows (in thousands):

Operating	₱ 206,562
Investing	(3,637)
Financing	(161,618)
Net cash inflow	₱ 41,307

On September 28, 2018, the Group, through its wholly owned subsidiary, Sutton, entered into a Share Purchase Agreement with third party individuals, effectively selling the Group's entire shareholdings in CGI equivalent to 93.17% of the latter's total outstanding shares. As a result, the Group consolidated CGI's 2018 statement of comprehensive income up to the date of sale.

Total loss on disposal of CGI recognized in the 2018 consolidated profit or loss amounted to ₱6.1 million.

9. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	P 1,516,027,511	P 1,601,784,276
Cash equivalents	792,850,744	1,163,730,790
	P 2,308,878,255	P 2,765,515,066

Cash with banks earn interest at the respective bank deposit rates ranging from 0.20% to 0.75%, 0.25% to 1.60% and 0.10% to 1.25% in 2019, 2018 and 2017, respectively. Cash equivalents with interest rates ranging from 0.88% to 4.00%, 0.36% to 6.50% and 0.16% to 2.64% in 2019, 2018 and 2017, respectively, are made for varying periods of up to three months depending on the immediate cash requirements of the Group (see Note 24).

10. FVPL Investments

	2019	2018
Quoted equity shares	P 7,616,776,828	P 6,588,212,129
Unquoted equity shares	1,137,142,219	1,086,225,778
Funds and equities	1,131,737,165	766,122,276
Bonds	793,929,295	655,218,123
Proprietary shares	367,437,073	324,377,072
Others	83,225,493	17,792,108
	P 11,130,248,073	P 9,437,947,486

This account consists of investments that are designated as FVPL and held-for-trading investments. Quoted equity shares consist of marketable equity securities that are listed and traded in the Philippine Stock Exchange (PSE) and the Nasdaq Stock Market (NASDAQ). The fair market values of these listed shares are based on their quoted market prices as at December 31, 2019 and 2018 which are assessed to be the exit prices.

Held-for-trading investments include foreign currency-denominated mutual/hedge funds, and equity investments that are managed together on a fair value basis. These investments are classified under funds and equities.

Designated FVPL investments consist of foreign currency-denominated fixed income securities with embedded derivatives (e.g, call and put options) that significantly modify the security's cash flow. These investments are classified under bonds.

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 3.95% to 9.00%, 3.50% to 9.00% and 3.38% to 9.00% in 2019, 2018 and 2017, respectively. As at December 31, 2019 and 2018, the Group has equity investments amounting to P10,336.3 million and P8,782.7 million, respectively.

As at December 31, 2019 and 2018, the Company has FVPL investments amounting to P1,524.0 million and P1,185.1 million, respectively, that are pledged as collateral for its long-term debt (see Note 20).

The Group's FVPL unquoted equity shares and significant investment in funds and equities include the following:

a. KSA Realty Corporation (KSA)

On June 15, 2016, the Company acquired additional shares in KSA amounting to ₱236.5 million. This increased the Company's stake in KSA from 11.30% in 2015 to 14.28% in 2016.

In 2019 and 2018, the Company recognized ₱80.1 million and ₱188.7 million gain on fair value adjustment in its investment in KSA which is presented in the consolidated profit or loss.

As at December 31, 2019 and 2018, the Company's investment in KSA amounted to ₱1,021.8 million and ₱941.7 million, respectively (see Note 30).

The Company received cash dividends from KSA amounting to ₱189.9 million, ₱151.4 million and ₱114.2 million in 2019, 2018 and 2017, respectively.

b. Macquarie ASEAN Technology Investment Holdings II LP (Macquarie)

On July 13, 2018, the Company invested US\$5.0 million (₱267.7 million) in Macquarie, a special purpose vehicle that invested exclusively in shares of Grab Holdings, Inc. (Grab). Grab is a Singapore-based technology company that offers ride-hailing transport services, food delivery and payment solutions through GrabTaxi, GrabFood and GrabPay.

As at December 31, 2019 and 2018, the carrying value of the investment in Macquarie, inclusive of foreign exchange adjustment, amounted to ₱253.2 million and ₱262.9 million, respectively. Investment in Macquarie is included under "Funds and equities" account.

c. Madaket, Inc. (Madaket)

In May 2017, AI invested US\$1.0 million (₱49.7 million) in equity shares at Madaket, the owner of Madaket Healthcare. Madaket developed Electronic Data Interchange Enrollment, a service platform that automates healthcare provider data management processes in the United States.

AI recognized losses in fair value adjustment in its investment in Madaket, Inc. amounting to ₱13.3 million and ₱40.3 million in 2019 and 2017, respectively. Gain on fair value adjustment recognized in 2018 amounted to ₱21.0 million.

As at December 31, 2019 and 2018, the Group's total investment in Madaket, inclusive of foreign exchange adjustment, amounted to ₱16.7 million and ₱31.2 million, respectively.

d. Element Data, Inc. (Element Data)

In June 2017, AI invested US\$1.0 million (₱49.5 million) in Series Seed preferred shares of Element Data, a Seattle, Washington-based Artificial Intelligence Company. Its Decision Intelligence platform incorporates a deep learning knowledge-graph with an active sense-and-response architecture, powering a decision intelligence engine that understands complex interdependencies between data and people.

In October 2017, Element Data acquired all of the intellectual property of the Group's investment in BM, an associate of the Group.

In December 2017, AI invested additional US\$1.0 million (P50.6 million) in Series Seed preferred shares of Element Data.

In 2019, AI invested additional US\$0.5 million (P26.4 million) in Element Data.

In 2019, 2018 and 2017, AI recognized losses on fair value adjustment amounting to P26.7 million, P12.0 million and P87.0 million, respectively, in its investment in Element Data.

Total investment in Element Data, inclusive of foreign exchange adjustment, amounted to nil and P1.5 million as at December 31, 2019 and 2018, respectively.

e. Navegar I LP and Navegar II LP (Navegar)

In March 2013, AI invested US\$0.6 million (P26.4 million) in Navegar, a limited partnership established to acquire substantial minority position through privately negotiated investments in equity and equity-related securities of Philippine companies that are seeking growth capital and/or expansion capital.

In July 2017, AI invested additional US\$0.07 million (P3.6 million).

In October 2018, the partial disposal of Navegar's investments resulted to the return of capital and gain amounting to US\$0.3 million (P13.4 million) and US\$0.8 million (P43.5 million), respectively.

AI invested additional US\$0.2 million (P10.1 million) in 2019.

In 2019 and 2018, AI recognized losses on fair market value adjustment in its investment in Navegar amounting to P2.2 million and P20.2 million, respectively. In 2017, the Group recognized gain on fair value adjustment of P12.6 million.

Total investment in Navegar, inclusive of foreign exchange adjustment, amounted to P36.4 million and P17.6 million as at December 31, 2019 and 2018, respectively. In 2019, the Group committed to invest US\$10.0 million in Navegar II LP.

f. Sierra Madre Philippines I LP (Sierra Madre)

In 2017, AI entered into an equity investment agreement with Sierra Madre, a newly formed private equity fund staffed by experienced local operators and private equity professionals. The fund will focus on providing growth capital to small and mid-sized Philippine companies.

In 2019 and 2018, AI made additional investments to Sierra Madre amounting to US\$0.9 million (P48.0 million) and US\$1.0 million (P50.4 million).

In 2019, 2018 and 2017, AI recognized losses on fair value adjustment amounting to P31.1 million, P3.3 million and P12.2 million, respectively.

As at December 31, 2019 and 2018, total investment in Sierra Madre, inclusive of foreign exchange adjustment, amounted to P62.3 million and P47.1 million, respectively. The Group committed to invest US\$ 9.0 million.

g. Enderun College, Inc. (Enderun)

In 2008, the Company entered into a subscription agreement for the acquisition of 16,216,217 shares of stock equivalent to 20% equity stake in Enderun, a college that offers a full range of bachelor's degree and non-degree courses in the fields of hotel administration, culinary arts and business administration.

The Company received cash dividends from Enderun amounting to ₱4.8 million in 2017.

In 2017, the Company sold its shares in Enderun for ₱370.0 million which resulted to a gain of ₱83.8 million.

The carrying value of the investment in Enderun amounted to nil as at December 31, 2019 and 2018.

Net gains (losses) on increase (decrease) in market value of FVPL investments as at December 31 are as follows (in millions):

	Unrealized Valuation Gains (Losses) in Market Value		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments in 2019
	2019	2018	
Quoted equity shares	₱ 3,252.6	₱ 2,242.3	₱ 1,010.3
Unquoted equity shares	472.1	487.5	(15.4)
Proprietary shares	329.8	286.7	43.1
Bonds	(15.9)	(54.9)	39.0
Funds and equities	(14.6)	(41.8)	27.2
Others	(5.8)	(7.6)	1.8
Total	4,018.2	2,912.2	1,106.0
Add realized gain on sale of FVPL investments			45.8
Net gain on increase in market value of FVPL investments			₱ 1,151.8

	Unrealized Valuation Gains (Losses) in Market Value		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments in 2018
	2018	2017	
Quoted equity shares	₱ 2,242.3	₱ 2,357.6	(₱ 115.3)
Unquoted equity shares	487.5	280.7	206.8
Bonds	(54.9)	(16.9)	(38.0)
Funds and equities	(41.8)	(9.8)	(32.0)
Proprietary shares	286.7	179.6	107.1
Others	(7.6)	1.5	(9.1)
Total	2,912.2	2,792.7	119.5
Add realized loss on sale of FVPL investments			(86.0)
Net gain on increase in market value of FVPL investments			₱ 33.5

There were no outstanding forward transactions as at December 31, 2019, 2018 and 2017.

11. Receivables

	2019	2018
Trade	P 1,782,362,910	P 1,837,485,963
Note receivable	238,905,000	240,030,000
Tax credits/refunds	143,954,166	180,109,900
Interest receivable	24,518,133	33,693,522
Receivables from villa owners	17,341,766	15,179,905
Advances to employees	12,533,168	14,295,820
Dividend receivable	–	3,299,071
Others	17,071,649	19,390,178
	2,236,686,792	2,343,484,359
Less allowance for expected credit losses	114,084,174	73,242,670
	P 2,122,602,618	P 2,270,241,689

Trade receivables are noninterest-bearing and are normally settled on a 30-day term.

Note receivable pertains to a one-year convertible note and security agreement entered on August 1, 2018 with Powersource Group Holdings Corporation (Powersource) to provide a pre-development support and pre-development funding for the projects of Powersource. The Company may exercise its option to convert the note into common shares upon execution of subscription agreement within the agreed time frame or to convert the loan and all outstanding interest on maturity date. The interest on the loan shall be six percent (6%) per annum, which shall accrue beginning from the issuance of the loan and be due and payable every end of the quarter. Total interest income recognized in the consolidated profit or loss amounted to P14.3 million and P5.9 million in 2019 and 2018, respectively (see Note 24).

On July 31, 2019, the Group amended the convertible loan and security agreement with Powersource by extending the maturity of the loan to February 1, 2020. As at December 31, 2019 and 2018, the carrying amount of note receivable from Powersource amounted to P238.9 million.

On February 19, 2020, Powersource paid all outstanding notes receivable.

Interest receivable pertains to accrued interest income from cash and cash equivalents, FVPL and FVOCI investments in debt instruments.

Receivables from villa owners pertain to SSRLI's net rental share and handling fees and reimbursable expenses such as guest supplies and other amenities, operating supplies, utilities, manpower, laundry services and other expenses for villa maintenance.

Movements in the allowance for expected credit losses of trade and other receivable accounts are as follows:

2019	Trade	Interest and Others	Total
At January 1	P 70,818,417	P 2,424,253	P 73,242,670
Provision for the year (Note 24)	40,841,504	–	40,841,504
At December 31	P 111,659,921	P 2,424,253	P 114,084,174

2018		Trade	Interest and Others	Total
At January 1	P	57,974,044	P 2,424,253	P 60,398,297
Provision for the year (Note 24)		15,430,275	–	15,430,275
Write-off		(14,716)	–	(14,716)
Recovery (Note 24)		(2,571,186)	–	(2,571,186)
At December 31	P	70,818,417	P 2,424,253	P 73,242,670

12. Inventories

	2019	2018
At cost:		
Raw materials	P 92,365,315	P 141,218,087
Materials in transit	24,379,166	32,862,852
Food and beverage	15,266,566	13,588,467
Aircraft parts in transit	22,402,096	8,694,321
Reel inventory	7,791,270	5,661,835
	162,204,413	202,025,562
At net realizable value:		
Finished goods - net of allowance for inventory obsolescence of P26.5 million in 2019 and P23.8 million in 2018	376,609,807	420,997,799
Work in process - net of allowance for inventory obsolescence of P11.0 million in 2019 and P9.0 million in 2018	148,090,979	147,536,989
Raw materials - net of allowance for inventory obsolescence of P2.8 million in 2019 and P2.9 million in 2018	113,294,068	117,336,643
Spare parts and operating supplies - net of allowance for inventory obsolescence of P32.8 million in 2019 and P37.1 million in 2018	61,808,329	98,295,809
Aircraft spare parts and supplies - net of allowance for inventory losses of P9.5 million in 2019 and P8.6 million in 2018	41,814,368	43,662,471
Construction-related materials - net of allowance for inventory obsolescence of P0.6 million in 2019 and 2018	605,556	605,556
	742,223,107	828,435,267
	P 904,427,520	P 1,030,460,829

Net provision for inventory obsolescence recognized in 2019 amounted to P1.4 million and net reversals for inventory obsolescence recognized in 2018 and 2017 amounted to P2.6 million and P4.3 million, respectively (see Note 22).

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as at December 31, 2019 and 2018.

Operating supplies pertain to inventory items used in providing services such as printing, cleaning and office and guest supplies.

Construction-related materials are excess materials and supplies from Villa Development Project. These are held for use in other construction of villa or future repair or renovation of villas.

Inventories charged to cost of good sold and services sold amounted to ₱6,207.8 million, ₱6,664.8 million and ₱5,709.9 million in 2019, 2018 and 2017, respectively (see Note 22).

13. FVOCI Investments

		2019		2018
Current portion	₱	94,535,324	₱	15,419,085
Noncurrent portion		235,949,189		678,904,133
	₱	330,484,513	₱	694,323,218

FVOCI investments in bonds represent the following:

- a. Foreign currency-denominated bond securities with variable and fixed coupon interest rate per annum ranging from 4.00% to 7.38% in 2019, 3.00% to 7.38% in 2018 and 2.47% to 7.38% in 2017. Maturity dates range from March 17, 2020 to July 31, 2024 for bonds held as at December 31, 2019 and September 10, 2019 to July 31, 2024 for bonds held as at December 31, 2018.
- b. Geothermal Project

In January 2014, a loan and investment agreement was entered by the Company with SKI Construction Company, Inc. (SKI), Red Core Investment Corp. (Red Core), Tayabas Power, Tiaong Geothermal Power, Inc. (Tiaong Power), and San Juan Geothermal Power, Inc. (San Juan Power), collectively referred to as Red Core Group, to jointly survey and explore the geothermal energy potential in the areas defined by the Tayabas, Tiaong and San Juan Geothermal Renewable Energy Service Contract (GRESO). Under this agreement, the Company committed to lend up to ₱172.0 million for the exploration phase of the three sites.

The Company may choose to convert each note into common shares of the three operating companies: Tayabas Power, Tiaong Power and San Juan Power to achieve 9.1% stake in each of these entities. If the Company opts not convert the note within the agreed time frame, these notes will accrue interest until they mature 62 months from the initial drawdown date.

In 2017, the Company recognized ₱82.9 million impairment loss (nil in 2018 and 2019), which is presented in consolidated profit or loss, bringing the investment balance to nil as at December 31, 2019 and 2018.

In March 2018, the Company filed before the Regional Trial Court of Makati City a civil case for specific performance in order to compel Red Core Group to comply with the provisions of the loan and investment agreement signed by the parties. As at February 19, 2020, the case is still ongoing.

In 2019 and 2017, gain on sale of FVOCI investments amounted to ₱11.9 million and ₱13.9 million, respectively. In 2018, loss on sale of FVOCI investments amounted to ₱2.7 million.

Below is the rollforward of the unrealized valuation gains (losses) on FVOCI investments recognized in equity:

	2019	2018
Beginning balance	(P 8,128,524)	P 14,157,787
Gain (loss) recognized directly in equity - net of tax	25,170,172	(24,176,732)
Amount removed from equity and recognized in consolidated profit or loss - net of tax	(8,301,959)	1,890,421
Ending balance	P 8,739,689	(P 8,128,524)

14. Investments and Advances

	2019	2018
Investments at equity - net of valuation allowance	P 995,882,967	P 1,581,020,764
Advances - net of allowance for expected credit losses of P564.8 million in 2019 and 2018	82,772,036	823,718
	P 1,078,655,003	P 1,581,844,482

Investments at equity consist of:

	2019	2018
Acquisition cost		
Common shares	P 2,549,574,872	P 2,549,574,872
Preferred shares	6,448,973	6,448,973
Total	2,556,023,845	2,556,023,845
Accumulated equity in net losses - net of valuation allowance	(1,833,880,993)	(1,316,790,931)
Effect of foreign exchange differences	273,740,115	341,787,850
	P 995,882,967	P 1,581,020,764

The significant transactions involving the Group's investments in associates in 2019 and 2018 follow:

AGP-SG and AGP-BVI

In December 2011, AI entered into a subscription agreement with AGPI for US\$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note.

The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US\$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

AGPI is a BVI business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated. AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries.

On June 28, 2013, AI converted the US\$5.0 million Convertible Bridge Notes to 16.4 million Series B, voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI amounting to US\$40.0 million for the subscription of 83.9 million Series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increased AI's holdings to 27%, giving the Group significant influence over AGPI.

In 2018, AGPI merged with AGP-BVI, its subsidiary, with the latter being the surviving entity. The Group retained its 27% ownership in AGP-BVI and its preference shares were converted to common shares upon the merger.

On July 1, 2019, AGP-BVI entered into a share swap agreement with AGP-SG to make the latter the sole owner of the former.

On July 22, 2019, AGP-SG obtained additional equity investment from new investors which effectively decreased the Group's interest in AGP-SG from 27% to 21%. The Group assessed that it still has significant influence over the AGP-SG.

The principal place of business of AGP-SG is 600 North Bridge Road, Parkview Square, Singapore, while the principal place of business of AGP-BVI is Vantepool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola, British Virgin Island.

The total acquisition cost of the investment in AGP-SG amounted to ₱2.0 billion. As at December 31, 2019 and 2018, the carrying value of the investment amounted to ₱682.5 million and ₱1,274.8 million, respectively.

The Group recognized a valuation allowance of ₱232.3 million (after considering the effect of dilution), nil and ₱500.0 million in 2019, 2018 and 2017, respectively. In 2019 and 2018, the Group recognized equity in net losses amounting to ₱294.1 million and ₱266.6 million, respectively.

The following are the significant financial information of AGP-SG and AGP-BVI as at and for the years ended December 31, 2019 and 2018 (in millions):

	2019	2018
Balance Sheets:		
Current assets	₱ 7,737.0	₱ 2,475.3
Noncurrent assets	15,793.1	13,692.9
Current liabilities	6,896.5	3,639.2
Noncurrent liabilities	6,253.4	5,061.1
Equity	10,491.6	7,462.6
Statements of Comprehensive Income:		
Revenue	₱ 9,063.1	₱ 1,507.9
Loss from continuing operations, before tax	1,257.1	906.9
Loss from continuing operations	1,239.6	985.9

AIMP

In 2013, the Company invested ₱18.8 million in 15,000,000 common shares and ₱18.8 million in 18,750,000 cumulative, non-voting, redeemable and non-convertible preferred shares in AIMP. These investments gave the Company a total of 10% interest in the entity.

On July 6, 2017, the Company invested additional ₱91.3 million equivalent to 15,000,000 common shares, resulting to an increase in ownership from 10% to 20%, which allowed the Company to exercise significant influence over AIMP.

On December 22, 2017, AIMP redeemed the 12,300,000 preferred shares held by the Company for ₱15.6 million, inclusive of dividends accumulating to the Company amounting to ₱3.3 million.

As at December 31, 2019 and 2018, the carrying value of the investment in AIMP amounted to ₱134.3 million and ₱124.6 million, respectively.

AIMP reported net income amounting to ₱48.1 million and ₱33.1 million in 2019 and 2018, respectively. The Group recognized equity in net earnings amounting to ₱9.8 million, ₱5.2 million and ₱2.9 million in 2019, 2018 and 2017, respectively.

FHI

On November 22, 2017, the Company and a stockholder of FHI, entered into a conditional deed of sale for the Company's purchase of 12.75% stake in FHI. The Company made an advance payment of ₱77.4 million for the said transaction.

On April 2, 2018, the advance payment of ₱77.4 million was reclassified under "Investments at equity - net of valuation allowance" upon transfer of 37,636,615 shares to the Company. On the same date, the Company entered into a deed of sale for the acquisition of 37,636,613 common shares in FHI for a total consideration of ₱103.0 million. The additional purchase of shares resulted to an increase in ownership interest from 12.75% to 25.5%.

In 2019, Anscor made a cash advance to FHI amounting to ₱80.6 million.

FHI reported net loss amounting to ₱2.1 million and ₱7.2 million in 2019 and 2018, respectively. As at December 31, 2019 and 2018, the carrying value of the investment and advances in FHI amounted to ₱259.6 million and ₱179.6 million, respectively.

The Group recognized equity in net losses amounting to ₱0.5 million and ₱0.8 million in 2019 and 2018, respectively.

BM

In October 2011, AI entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US\$3 per unit, which constituted 10% of the total Series A preferred units outstanding. In the first quarter of 2012, all of AI's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's parent company. Predictive is a US-based early-stage technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the-art mathematics that allow it to measure and quantify emotions associated with digital content.

In July 2015, AI made an additional investment of US\$0.5 million (P22.5 million). In March 2016, AI invested an additional US\$0.44 million (P20.5 million) through a convertible note. In October 2016, Predictive merged with BM, its subsidiary, with the latter being the surviving company. As part of the restructuring of BM, the convertible notes and accrued interest were converted to equity on the same date and AI invested an additional US\$0.814 million (P39.2 million) for a 20.5% shareholding in BM. The increased ownership allows AI to exercise significant influence over BM.

In 2016, AI provided impairment loss on its investment in BM amounting to P62.2 million presented under "Equity in net losses - net of valuation allowance" in the consolidated profit or loss.

As at December 31, 2019 and 2018, the net carrying value of AI's investment in BM amounted to nil.

Prople Limited

In November 2013, AI invested US\$4.0 million (P175.9 million) convertible notes in Prople Limited. In August 2015 and February 2016, AI purchased Tranche C notes of Prople Limited amounting to US\$0.5 million (P22.6 million) and US\$0.2 million (P10.6 million), respectively. These notes are convertible at the option of the holder into common shares of Prople Limited. The interest is 5% for the first three years and if not converted on the third anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five-year US Dollar Republic of the Philippines (ROP), plus 400 basis points or 7%, whichever is higher for the next two years.

In February 2016, AI converted the notes to equity, giving AI a 32% equity stake and a significant influence over Prople Limited.

In prior years, the Group recognized impairment loss on the investment in Prople Limited.

As at December 31, 2019 and 2018, the net carrying value of AI's investment in Prople Limited amounted to nil.

The associates as at December 31, 2019 and 2018 have no contingent liabilities or capital commitments.

15. Property and Equipment

	2019					
	Land, Buildings and Improvements	Flight, Ground, Machineries and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	P 2,722,844,921	P1,063,069,548	P 510,404,741	P 221,735,321	P 20,172,856	P 4,538,227,387
Additions	22,029,912	91,129,913	36,278,461	10,691,218	98,002,423	258,131,927
Reclassification	5,421,619	64,214,690	—	—	(69,636,309)	—
Retirement/disposals	—	—	(28,053,077)	(14,813,279)	—	(42,866,356)
December 31	2,750,296,452	1,218,414,151	518,630,125	217,613,260	48,538,970	4,753,492,958
Accumulated						
Depreciation and Amortization						
January 1	843,544,117	613,174,917	377,454,085	143,223,831	—	1,977,396,950
Depreciation and amortization (Note 22)	52,288,643	108,679,535	68,931,106	26,599,467	—	256,498,751
Retirement/disposals	—	—	(28,053,077)	(14,813,279)	—	(42,866,356)
December 31	895,832,760	721,854,452	418,332,114	155,010,019	—	2,191,029,345
Net Book Value	P 1,854,463,692	P 496,559,699	P 100,298,011	P 62,603,241	P 48,538,970	P 2,562,463,613

	2018					
	Land, Buildings and Improvements	Flight, Ground, Machineries and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	₱ 2,688,286,831	₱ 1,021,901,832	₱ 469,959,870	₱ 208,359,071	₱ 19,291,702	₱ 4,407,799,306
Additions	25,784,958	14,926,192	24,191,318	32,618,921	58,698,888	156,220,277
Reclassification	8,773,132	26,241,524	22,435,221	367,857	(57,817,734)	—
Retirement/disposals	—	—	(6,181,668)	(19,610,528)	—	(25,792,196)
December 31	2,722,844,921	1,063,069,548	510,404,741	221,735,321	20,172,856	4,538,227,387
Accumulated Depreciation and Amortization						
January 1	765,856,151	510,142,878	329,696,479	133,914,999	—	1,739,610,507
Depreciation and amortization (Note 22)	77,687,966	103,032,039	49,705,882	22,394,317	—	252,820,204
Retirement/disposals	—	—	(1,948,276)	(13,085,485)	—	(15,033,761)
December 31	843,544,117	613,174,917	377,454,085	143,223,831	—	1,977,396,950
Net Book Value	₱ 1,879,300,804	₱ 449,894,631	₱ 132,950,656	₱ 78,511,490	₱ 20,172,856	₱ 2,560,830,437

Construction in progress includes cost of the on-going construction of the land and building improvements and cost of assembling machineries and equipment.

Depreciation from continuing operations amounted to ₱256.5 million, ₱252.8 million and ₱229.7 million in 2019, 2018 and 2017, respectively (see Note 22).

16. Investment Properties

	2019		
	Land	Condominium	Total
Cost			
January 1	₱ 238,104,974	₱ —	₱ 238,104,974
Additions	—	293,595,000	293,595,000
Reclassification	(94,403)	—	(94,403)
December 31	238,010,571	293,595,000	531,605,571
Accumulated Depreciation and Amortization			
January 1	—	—	—
Depreciation and amortization (Note 22)	—	1,223,313	1,223,313
December 31	—	1,223,313	1,223,313
Net Book Value	₱ 238,010,571	₱ 292,371,687	₱ 530,382,258

In 2018, the rollforward of investment properties, which pertain to land, is as follows:

January 1	₱ 236,521,635
Additions	1,583,339
December 31	₱ 238,104,974

The Group's investment properties include 144.4 hectares of land in Palawan, 36.9 hectares of land in Cebu, and 97.4 hectares of land in Guimaras.

In 2019, the Company purchased two (2) commercial units amounting to ₱293.6 (exclusive of VAT) million which are held for lease to other parties and associate.

Based on the valuation performed by professionally qualified, accredited and independent appraisers as at October 2019 to January 2020, the aggregate fair market values of land amounted to ₱3,602.6 million. The fair value was determined using the sales comparison approach which considers the sale of similar or substitute properties, related market data and the assets' highest and best use. The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation.

The inputs used were offer prices of similar land. Significant increases or decreases in offer price would result in higher or lower fair value of the asset.

The appraisers determined that the highest and best use of these properties are either for residential, agricultural, commercial and recreational utility. For strategic reasons, the properties are not being used in this manner. These properties are currently held by the Group for capital appreciation.

The Group has no restrictions on the realizability of the investment properties. Under Department of Agrarian Reform (DAR) rules, AFC has to complete the development on the Guimaras land by September 2018. On November 11, 2018, DAR approved the Group's request for extension to develop the property within a non-extendible period of five years from the receipt of order or until December 6, 2023. The notice of order was received by the Group on December 7, 2018.

In 2019, the Group recognized rental income of ₱1.0 million from these investment properties (nil in 2018 and 2017).

The aggregate direct expenses pertaining to real property taxes amounted to ₱0.3 million in 2019, 2018 and 2017.

17. Other Noncurrent Assets and Other Noncurrent Liabilities

The Group's other noncurrent assets comprise the following as of December 31:

	2019	2018
Fund for villa operations and capital expenditures (Note 31)	₱ 107,790,478	₱ 94,405,140
Deposit to suppliers	101,610,508	101,805,516
Computer software - net of accumulated depreciation of ₱8.9 million and ₱5.5 million as at December 31, 2019 and 2018, respectively	8,887,115	11,964,834
Property development in progress (Note 31)	3,676,224	3,177,197
Refundable deposits	1,426,368	1,426,368
Others	255,738	9,717,525
	₱ 223,646,431	₱ 222,496,580

Deposits to suppliers include advances to suppliers for the maintenance of IAI's aircraft and for the acquisition of specific property and equipment.

Fund for villa operations and capital expenditures is a restricted cash fund of PRI held as a source of future maintenance requirements and for future replacement of power generating units and desalination plant. Interest income on this fund shall accrue to the villa owners. A liability related to the fund was recognized and is presented as "Other noncurrent liabilities" in the consolidated balance sheets (see Note 31).

Other noncurrent liabilities amounted to ₱148.0 million and ₱143.4 million as at December 31, 2019 and 2018, respectively, which include the related liability for the fund asset of PRI recognized above and other liabilities arising from funds for future infrastructure and utility development of villas and funds for replacement of power generating units and desalination plant.

18. Notes Payable

Notes payable as at December 31, 2018 represent unsecured, short-term, interest-bearing liabilities of PDP amounting to ₱250.0 million.

Details of the Group's short-term borrowing transactions are as follows:

- PDP availed of loans from a local bank totaling to ₱450.0 million in 2018. Terms of the loans is 32 to 58 days with rates ranging from 3.5% to 5.7%.
- The Group's unavailed loan credit line from banks amounted to ₱3,329.6 million and ₱2,915.0 million as at December 31, 2019 and 2018, respectively.
- Total interest expense from these loans recognized in the consolidated profit or loss amounted to ₱0.5 million, ₱2.3 million and nil in 2019, 2018 and 2017, respectively (see Note 24).

The Group has no outstanding notes payable as of December 31, 2019.

19. Accounts Payable and Accrued Expenses

	2019	2018
Trade payables	₱ 310,878,102	₱ 306,518,584
Accrued expenses (Note 33)	230,404,765	144,645,647
Refundable deposits	211,118,416	200,866,484
Payable to villa owners	55,560,904	42,610,853
Contract liabilities (Note 5)	52,693,634	41,056,559
Payable to government agencies	36,517,947	30,673,126
Payable to contractors	17,049,237	15,091,164
Other payables (Note 33)	17,097,152	25,718,398
	₱ 931,320,157	₱ 807,180,815

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Accrued expenses include unpaid operating costs of the Group and bonus to a key officer related to the sale of Cirrus, among others.

Refundable deposits pertain to advance payments made by guests.

Contract liabilities pertain to the customers' advances for the delivery of goods and services.

Payable to contractors are amount due to suppliers for ongoing and completed construction projects.

20. Long-term Debt

The Group's outstanding long-term debt from local banks pertain to the following companies:

		2019		2018
Anscor	₱	114,295,500	₱	591,525,000
PDP Energy		378,571,428		530,000,000
IAI		10,440,675		16,562,700
		503,307,603		1,138,087,700
Less current portion		276,164,746		635,690,371
	₱	227,142,857	₱	502,397,329

- a. On June 24, 2013, the Company obtained a loan amounting to US\$45.0 million or ₱1,997.8 million to finance the additional investments in shares of stock of AGPI. The loan is payable quarterly in seven years, inclusive of a two-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to ₱1,524.0 million and ₱1,185.1 million as at December 31, 2019 and 2018, respectively (see Note 10). This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 100% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness. As at December 31, 2019 and 2018, the Company is in compliance with the debt covenants.
- b. In 2015, PDP Energy obtained a long-term loan to partially fund the ₱1.5 billion cash dividend paid to Anscor. Principal amount of the loan amounted to ₱1.2 billion payable in seven years with annual interest of 4.5%, subject to repricing at the end of the fifth year.

PDP Energy is subject to the following negative covenants for as long as the long-term loan remains outstanding, which include, but are not limited to: (a) permitting any material change in its business or in the ownership or control of its business or in the composition of its top management; (b) incurring any indebtedness (long-term loan or borrowings) with other banks except for working capital requirement; (c) allowing declaration or payment of cash dividends to its stockholders if the debt service covenant ratio is below 1.25 times or in the event of default; (d) selling, leasing, transferring or otherwise disposing all or substantially all of PDP Energy's properties and assets; (e) extending loans, advances or subsidies to any corporation it owned other than for working capital requirements or with prior consent of the bank; and (f) undertaking any capital expenditures or purchase additional capital equipment outside of the ordinary course of business. The long-term loan also provides that PDP Energy has to maintain a ratio of current assets to current liabilities of at least 1.0 times and debt-to-equity ratio should not be more than 2.0 times until final payment date. As at December 31, 2019 and 2018, PDP Energy is in compliance with the debt covenants.

In addition, the long-term loan is secured by the following collaterals, among others:

- Real estate mortgage over the land owned by Minuet;
- Chattel mortgage over machineries and equipment of PDP Energy and PDEI located in PDP Energy and PDEI's premises;
- Pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor; and
- Assignment of leasehold rentals of the properties located in PDP Energy's premises.

On December 19, 2016, the pledge over the shares of stock for 1,121,000 shares of PDIP held by Anscor was released by the bank.

The long-term loan also provides for pretermination without penalty.

- c. In 2014, IAI converted the short-term loan amounting to US\$1.1 million (P47.0 million) to long-term loan. The term of the loan is six years, inclusive of one year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

The loan is subject to Mortgage Trust Indenture or "MTI" dated November 29, 2005 between SSRLI and the MTI trustee (AB Capital and Investment Corporation), covering a portion of the assets of SSRLI.

The interest rate shall be equivalent to the base interest rate plus margin. The interest shall be payable quarterly in arrears computed based on the outstanding balance of the loan.

Total interest expense recognized in the consolidated profit or loss amounted to P44.4 million, P70.5 million and P84.8 million 2019, 2018 and 2017, respectively (see Note 24).

21. Equity

Equity holders of the Parent

Capital stock as at December 31, 2019 and 2018 consists of the following common shares:

	Number of Shares	Amount
Authorized	3,464,310,958	P 3,464,310,958
Issued	2,500,000,000	2,500,000,000

Outstanding shares, net of shares held by a subsidiary, as at December 31, 2019 and 2018 totaled 1,250,127,754 and 1,211,911,354, respectively. The Company's number of equity holders as at December 31, 2019 and 2018 is 11,087 and 11,131, respectively.

The Philippine SEC authorized the offering/sale to the public of the Company's 10.0 million and 140.0 million common shares with par value of P1.00 each on December 29, 1948 and January 17, 1973, respectively. On August 30, 1996, the Philippine SEC authorized the licensing of 910,476,302 common shares at the subscription price of P2.50 per share.

In 2019, 2018 and 2017, the Company declared the following cash dividends:

	2019	2018	2017
Month of declaration	February and November	February	February
Cash dividend per share	P 0.25 and P0.25	P 0.50	P 0.20
Total cash dividends	P 1,250.0 million	P 1,250.0 million	P 500.0 million
Share of a subsidiary	P 634.6 million	P 641.4 million	P 255.6 million

As at December 31, 2019 and 2018, the Company's dividends payable amounted to P284.0 million and P285.8 million, respectively. Dividends payable represents mainly dividend checks that were returned by the post office and which remained outstanding as at December 31, 2019 and 2018 due to problematic addresses of some of the Company's stockholders.

The Company's BOD approved the following appropriation of the Company's unrestricted retained earnings:

Date of Appropriation	Amount
2011	₱ 2,100,000,000
2013	900,000,000
2014	1,600,000,000
2015	1,700,000,000
2016	850,000,000
	₱ 7,150,000,000

The appropriation will be used for the Company's investment program within the next three years on business activities related to tourism, business process outsourcing and manufacturing, whether based in the Philippines or offshore.

Appropriations in 2011 and 2013 were extended in 2017. Appropriations in 2014 and 2015 were extended in 2018 and 2019, respectively.

The unappropriated retained earnings is restricted for the dividend declaration by the following:

- Balance of gross deferred income tax assets amounting ₱89.1 million and ₱80.1 million as at December 31, 2019 and 2018, respectively.
- Shares in the undistributed retained earnings of subsidiaries amounting to ₱4.1 billion and ₱3.6 billion as at December 31, 2019 and 2018, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

Shares held by a subsidiary

As at December 31, 2019 and 2018, Anscorcon holds 1,249,872,246 shares and 1,288,088,646 shares, respectively, of the Company. Anscorcon purchased the Company's shares amounting to ₱119.0 million (17,783,600 shares) and ₱32.2 million (5,261,900 shares) in 2019 and 2018, respectively. In 2019, Anscorcon sold 56.0 million Company shares for ₱359.9 million.

22. Cost of Goods Sold and Services Rendered and Operating Expenses

Cost of goods sold consists of:

	2019	2018	2017
Materials used and changes in inventories (Note 12)	₱ 6,182,201,800	₱ 6,634,879,313	₱ 5,676,034,719
Salaries, wages and employee benefits (Note 23)	123,726,961	110,439,330	103,673,725
Repairs and maintenance	103,648,290	88,279,128	96,049,867
Utilities	81,758,417	83,013,181	95,680,984
Depreciation and amortization (Note 15)	81,236,323	78,937,284	81,484,916
Transportation and travel	7,842,844	6,708,026	7,269,253
Insurance	2,143,719	2,027,792	1,963,935
Dues and subscriptions	1,655,837	1,682,979	1,678,179
Others	6,074,796	4,582,256	5,448,347
	₱ 6,590,288,987	₱ 7,010,549,289	₱ 6,069,283,925

Cost of services rendered consists of:

	2019	2018	2017
Resort operating costs	₱ 160,436,397	₱ 146,884,223	₱ 133,218,885
Salaries, wages and employee benefits (Note 23)	65,974,344	72,475,563	63,117,105
Transportation and travel	53,711,346	38,946,171	16,521,018
Depreciation and amortization (Note 15)	39,749,485	37,966,471	36,007,747
Fuel cost	35,731,780	44,173,953	38,697,088
Repairs and maintenance	30,384,808	31,336,351	31,669,833
Materials and supplies - resort operations (Note 12)	25,548,530	29,910,544	33,887,885
Commissions	15,313,975	17,201,564	14,433,118
Insurance	4,515,573	4,887,652	4,735,964
Outside services	1,142,487	1,383,256	1,362,504
Variable nurse costs	—	1,122,567	4,301,692
Others	14,550,117	11,219,874	18,018,531
	₱ 447,058,842	₱ 437,508,189	₱ 395,971,370

Operating expenses consist of:

	2019	2018	2017
Salaries, wages and employee benefits (Note 23)	₱ 343,715,912	₱ 347,286,847	₱ 410,770,485
Depreciation and amortization (Notes 15, 16 and 31)	151,194,031	135,916,449	132,268,068
Advertising, marketing and management fee (Note 31)	149,896,970	147,533,312	126,476,694
Shipping and delivery expenses	89,675,097	82,775,651	71,917,913
Utilities	79,746,977	76,226,590	59,820,387
Repairs and maintenance	56,982,751	51,645,741	37,356,821
Taxes and licenses	55,210,882	48,090,154	59,832,031
Professional and directors' fees	49,816,241	72,891,128	45,933,124
Transportation and travel	47,347,552	46,524,779	44,828,828
Commissions	34,019,789	30,268,954	26,174,903
Insurance	21,649,585	22,997,892	23,691,621
Security services	21,220,110	20,613,634	18,834,745
Computer programming	13,450,049	6,177,406	4,592,662
Communications	12,719,346	12,230,631	14,268,396
Donation and contribution	9,618,796	6,632,200	11,888,895
Medical expenses	8,984,153	5,171,806	6,137,045
Meetings and conferences	8,820,470	7,459,777	11,760,474
Association dues	8,113,533	7,808,276	7,278,115
Office supplies	6,786,878	6,097,933	5,316,103
Entertainment, amusement and recreation	6,122,508	6,923,568	7,034,567
Rental (Note 31)	160,736	7,773,918	10,571,402
Others	42,553,261	45,336,970	42,522,165
	₱ 1,217,805,627	₱ 1,194,383,616	₱ 1,179,275,444

In 2019, 2018 and 2017, the Company paid bonus to its non-executive directors amounting to ₱4.6 million, ₱10.7 million and ₱10.4 million, respectively.

As approved in 2004, the directors are given bonus representing no more than 1.0% of previous year's net income.

23. Personnel Expenses

	2019	2018	2017
Salaries and wages	₱ 348,909,427	₱ 422,082,781	₱ 492,515,391
Pension costs (Note 25)	13,203,358	37,124,451	16,747,851
Social security premiums and other employee benefits	171,304,432	70,994,508	68,298,073
	₱ 533,417,217	₱ 530,201,740	₱ 577,561,315

In 2019, 2018 and 2017, the Company declared and paid bonuses to its executive officers amounting to ₱37.0 million, ₱51.8 million and ₱48.7 million, respectively.

Annual bonus of no more than 3.0% of the preceding year's net income is given to executive officers as approved in 2004.

24. Interest Income, Interest Expense and Other Income (Charges)

Interest income consists of:

	2019	2018	2017
Debt instruments (Notes 10 and 13)	₱ 75,190,235	₱ 75,378,770	₱ 78,484,323
Cash and cash equivalents (Note 9)	34,410,510	26,825,911	13,674,413
Others (Note 11)	14,877,290	7,311,466	6,718,619
	₱ 124,478,035	₱ 109,516,147	₱ 98,877,355

Interest income on debt instruments is net of bond discount amortization amounting to ₱1.8 million, ₱0.8 million and ₱1.7 million in 2019, 2018 and 2017, respectively.

Interest expense arose from the following:

	2019	2018	2017
Long-term debt (Note 20)	₱ 44,390,418	₱ 70,524,251	₱ 84,832,172
Lease liabilities (Note 31)	3,286,888	—	—
Notes payable (Note 18)	495,072	2,293,068	—
Others	192,245	91,052	306,006
	₱ 48,364,623	₱ 72,908,371	₱ 85,138,178

Other income (charges) consists of:

	2019	2018	2017
Receipt of escrow fund and tax refund	P 88,301,725	P 38,640,000	P –
Valuation allowances on:			
Receivables (Note 11)	(40,841,504)	(15,430,275)	(12,541,567)
Other current and noncurrent assets	(910,582)	(1,599,246)	–
FVOCI investments (Note 13)	–	–	(82,906,040)
Construction materials and other supplies	–	–	(5,363,689)
Recovery of valuation allowances (Notes 11 and 12)	–	7,632,131	–
Rental income (Note 31)	2,909,532	8,566,268	6,709,294
Sale of property	526,784	448,832	19,162,207
Claims and other refunds	–	54,024,733	–
Service and handling fees (Note 31)	–	–	103,303,424
Others	18,866,131	(12,574,068)	23,965,138
	P 68,852,086	P 79,708,375	P 52,328,767

Others included ASAC's reimbursement from lessees and reversal of accrued expenses.

In relation to the sale of Cirrus (see Note 8), an amount in escrow was established to which the Group will be entitled to receive over a period of three years until 2020, subject to certain conditions. In 2019 and 2018, the Group partially received the escrow fund and tax refund, respectively. As at December 31, 2019, the remaining balance of the escrow fund amounted to US\$1.7 million (P88.3 million).

25. Pension

The Group has funded defined benefit pension plans covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plans shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641.

The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plans, who is composed of the executive officers of the Company.

The Group contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

Funding Policy

The Group contributes to the plans amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Group's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group's current strategic investment strategy consists of 40% of equity instruments and 60% of debt instruments.

The Group's plan assets and investments as at December 31, 2019 and 2018 consist of the following:

- a. Cash and cash equivalents, which include regular savings and time deposits;
- b. Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 3.4% to 11.3% in 2019, from 3.5% to 10.1% in 2018 and from 2.1% to 7.9% in 2017, and have maturities from January 12, 2020 to January 24, 2039 in 2019, from October 16, 2019 to July 19, 2031 in 2018, and from May 23, 2018 to December 7, 2026 in 2017.
- c. Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 3.2% to 5.4%, from 3.4% to 5.8% and from 0.2% to 8.0% in 2019, 2018, 2017, respectively, and have maturities from August 11, 2020 to July 3, 2027, from January 8, 2019 to July 3, 2027 and from January 3, 2018 to July 19, 2031 in 2019, 2018 and 2017, respectively.
- d. Investments in equity securities, which consist of actively traded securities of holding firms, banks and companies engaged in energy, oil and gas, telecommunications, transportation, real estate, construction, food and beverage, mining and other services among others.

As at December 31, 2019 and 2018, the Company's defined benefit retirement fund (Fund) has investments in shares of stock of the Company with a cost of ₱405.8 million and ₱43.1 million, respectively. The fair value of the shares of stock amounted to ₱400.7 million and ₱41.7 million, as at December 31, 2019 and 2018, respectively.

All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's total losses and gains arising from the changes in market prices amounted to ₱8.3 million and ₱2.4 million in 2019 and 2018, respectively.

As at December 31, 2019 and 2018, the Fund's fair value amounted to ₱492.6 million and ₱435.8 million, respectively.

The following tables summarize the components of net benefit expense recognized in the consolidated profit or loss and the funded status and amounts recognized in the consolidated balance sheets.

	2019	2018	2017
Retirement benefit cost:			
Current service cost	₱ 17,562,357	₱ 22,420,634	₱ 19,689,927
Net interest	(4,358,999)	(3,508,392)	(2,942,076)
Past service cost	—	18,212,209	—
Net benefit expense (Note 23)	₱ 13,203,358	₱ 37,124,451	₱ 16,747,851
Actual return on plan assets	₱ 38,309,338	(₱ 11,890,805)	₱ 38,487,657

Changes in net retirement plan asset are as follows:

	2019	2018	2017
Net retirement plan asset, beginning	₱ 65,391,589	₱ 93,706,684	₱ 60,191,266
Current service cost	(11,281,011)	(16,376,425)	(14,782,486)
Net interest	5,115,853	3,113,413	3,133,176
	(6,165,158)	(13,263,012)	(11,649,310)
Actuarial changes arising from:			
Changes in financial assumptions	(21,613,963)	19,895,193	11,077,214
Experience adjustments	13,906,841	(5,457,343)	29,303,887
Changes in the effect of asset ceiling	10,662,932	443,348	(23,307,335)
Remeasurement of plan assets	4,002,083	(34,561,863)	17,799,154
Changes in demographic adjustments	2,205,744	—	—
	9,163,637	(19,680,665)	34,872,920
Contribution	16,196,994	17,143,550	10,291,808
Transfer to net retirement payable	(116,223)	(12,514,968)	—
Net retirement plan asset, end	₱ 84,470,839	₱ 65,391,589	₱ 93,706,684

Changes in net retirement benefits payable are as follows:

	2019	2018	2017
Net retirement benefits payable, beginning	(₱ 12,858,113)	(₱ 9,184,074)	(₱ 4,211,769)
Current service cost	(6,281,346)	(6,044,209)	(4,907,441)
Net interest	(756,854)	394,979	(191,100)
Past service cost	—	(18,212,209)	—
	(7,038,200)	(23,861,439)	(5,098,541)
Actuarial changes arising from:			
Changes in financial assumptions	(14,606,935)	11,954,837	(5,204,141)
Experience adjustments	(5,868,754)	(6,466,368)	1,732,226
Remeasurement of plan assets	1,997,522	(4,137,703)	(1,439,886)
Changes in the effect of asset ceiling	10,000	—	—
	(18,468,167)	1,350,766	(4,911,801)
Withdrawal of plan assets	—	—	(1,575,169)
Contribution	5,996,197	5,048,364	6,367,740
Transfer from net retirement asset	116,223	12,514,968	—
Reduction in net retirement benefits payable for disposed subsidiary (Note 8)	—	1,273,302	245,466
Net retirement benefits payable, end	(₱ 32,252,060)	(₱ 12,858,113)	(₱ 9,184,074)

Computation of net retirement plan assets (liabilities):

	Net Retirement Plan Assets	Net Retirement Liabilities	Total
2019			
Present value of defined benefit obligation	(P 301,273,798)	(P 118,259,807)	(P 419,533,605)
Fair value of plan assets	406,707,993	85,891,524	492,599,517
Surplus (deficit)	105,434,195	(32,368,283)	73,065,912
Effect of the asset ceiling	(20,847,133)	–	(20,847,133)
Transfer to (from) net retirement payable (asset)	(116,223)	116,223	–
Retirement plan assets (liabilities)	P 84,470,839	(P 32,252,060)	P 52,218,779

	Net Retirement Plan Assets	Net Retirement Liabilities	Total
2018			
Present value of defined benefit obligation	(P 258,367,827)	(P 95,442,654)	(P 353,810,481)
Fair value of plan assets	365,708,666	70,069,573	435,778,239
Surplus (deficit)	107,340,839	(25,373,081)	81,967,758
Effect of the asset ceiling	(29,434,282)	–	(29,434,282)
Transfer to (from) net retirement payable (asset)	(12,514,968)	12,514,968	–
Retirement plan assets (liabilities)	P 65,391,589	(P 12,858,113)	P 52,533,476

Changes in the present value of defined benefit obligation:

	2019	2018
Defined benefit obligation, beginning	P 353,810,481	P 386,430,372
Current service cost	17,562,357	22,420,634
Interest cost	25,864,951	21,683,834
Past service cost	–	18,212,209
Remeasurement in other comprehensive income:		
Actuarial loss (gain) - changes in financial assumptions	36,220,898	(31,850,030)
Actuarial loss (gain) - experience adjustments	(8,038,087)	11,923,711
Actuarial gain - changes in demographic assumptions	(2,205,744)	–
Benefits paid from plan assets	(3,681,251)	(71,048,606)
Reduction in net retirement benefits payable for disposed subsidiary	–	(3,961,643)
Defined benefit obligation, ending	P 419,533,605	P 353,810,481

Changes in the fair value of plan assets:

		2019		2018
Fair value of plan assets, beginning	₱	435,778,239	₱	499,214,077
Interest income		32,309,733		26,808,761
Contributions		22,193,191		22,191,914
Remeasurement gain (loss)		5,999,605		(38,699,566)
Benefits paid from plan assets		(3,681,251)		(71,048,606)
Reduction in plan asset for disposed subsidiary		–		(2,688,341)
Fair value of plan assets, ending	₱	492,599,517	₱	435,778,239

Changes in the effect of asset ceiling:

		2019		2018
Beginning balance	₱	29,434,282	₱	28,261,095
Changes in the effect of asset ceiling		(10,672,932)		(443,348)
Interest on the effect of asset ceiling		2,085,783		1,616,535
Ending balance	₱	20,847,133	₱	29,434,282

The fair value of plan assets as at December 31 are as follows:

		2019		2018
Debt instruments	₱	349,396,318	₱	248,676,008
Equity instruments		119,177,159		106,658,937
Cash and cash equivalents		13,744,563		38,629,986
Unit investment trust funds		7,495,552		32,727,952
Others		2,785,925		9,085,356
	₱	492,599,517	₱	435,778,239

The financial instruments with quoted prices in active market amounted to ₱710.5 million and ₱323.9 million as at December 31, 2019 and 2018, respectively. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the Company, PDP Group and PRI as of the end of the reporting period, assuming all other assumptions were held constant:

			Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
2019	Change in Rates		
Discount rates	-3.60% to -6.20%	₱	18,182,116
	+3.20% to +7.20%		(16,045,671)
Future salary increases	+3.50% to +7.30%	₱	18,107,055
	-3.20% to -6.40%		(16,273,402)

			Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
2018	Change in Rates		
Discount rates	-3.10% to -3.20%	₱	9,623,443
	+2.70% to +3.00%		(8,691,750)
Future salary increases	+3.10% to +6.80%	₱	12,373,655
	-2.80% to -6.00%		(11,115,777)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the subsidiaries except PDP Group and PRI as of the end of the reporting period, assuming all other assumptions were held constant:

			Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
2019	Change in Rates		
Discount rates	-5.10% to -12.70%	₱	1,095,421
	+5.60% to +10.90%		(970,425)
Future salary increases	+5.60% to +11.70%	₱	1,088,780
	-5.20% to -10.30%		(982,737)

			Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
2018	Change in Rates		
Discount rates	-3.00% to -12.70%	₱	2,322,204
	+3.20% to +10.90%		(2,081,832)
Future salary increases	+3.20% to +11.70%	₱	2,382,590
	-3.10% to -10.30%		(2,168,864)

The Group expects to make contributions amounting to ₱25.3 million to its defined benefit pension plans in 2020.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2019	2018
Discount rate	3.87% to 5.61%	6.93% to 7.98%
Future salary increases	3.00% to 5.00%	4.00% to 5.00%

The weighted average duration of the defined benefit obligation as at December 31, 2019 and 2018 ranges from 2.0 to 11.9 years and 2.9 to 11.5 years, respectively.

Shown below is the maturity analysis of the expected future benefit payments as at December 31, 2019:

Year	Amount
2020	₱ 248,705,413
2021	13,033,895
2022	6,975,653
2023	18,104,488
2024	20,508,142
2025 to 2029	152,148,207

There were no changes from the previous period in the method and assumptions used in preparing the sensitivity analysis.

26. Income Taxes

The provision for income tax consists of:

	2019	2018	2017
Current	₱ 419,419,841	₱ 316,870,929	₱ 249,733,903
Deferred	9,953,813	30,347,637	3,701,781
	₱ 429,373,654	₱ 347,218,566	₱ 253,435,684

The components of the net deferred income tax assets (liabilities) are as follows:

	2019		2018	
	Net Deferred Income Tax Assets ⁽¹⁾	Net Deferred Income Tax (Liabilities) ⁽²⁾	Net Deferred Income Tax Assets ⁽¹⁾	Net Deferred Income Tax (Liabilities) ⁽²⁾
Recognized in the consolidated profit or loss:				
Deferred income tax assets on:				
Allowance for expected credit losses	₱ 34,225,252	₱ —	₱ 21,972,801	₱ —
Allowance for inventory losses	24,984,097	—	22,818,454	—
Accrued expenses	15,467,319	—	17,873,559	—
Retirement benefits payable	9,409,769	—	4,069,882	—
Unamortized past service cost	2,558,158	926,771	2,240,814	1,158,466
Unrealized foreign exchange loss	295,134	—	922,237	—
Market adjustment on FVPL investments	12,155	—	8,337,973	—
Others	1,196,004	—	598,450	—
	88,147,888	926,771	78,834,170	1,158,466

(Forward)

	2019		2018	
	Net Deferred Income Tax Assets ⁽¹⁾	Net Deferred Income Tax (Liabilities) ⁽²⁾	Net Deferred Income Tax Assets ⁽¹⁾	Net Deferred Income Tax (Liabilities) ⁽²⁾
Deferred income tax liabilities on:				
Retirement plan assets	P –	(P 4,724,625)	(P 40,519)	(P 3,207,703)
Unrealized foreign exchange gains	–	(9,722,141)	(219,561)	(13,309,704)
Uncollected management fee	–	(8,419,202)	–	(11,094,491)
Fair value adjustment	–	(316,412,386)	–	(324,407,713)
Market adjustment on FVPL investments	–	(120,310,966)	(2,584,218)	(87,847,870)
		(459,589,320)	(2,844,298)	(439,867,481)
	88,147,888	(458,662,549)	75,989,872	(438,709,015)
Recognized in other comprehensive income:				
Deferred income tax assets (liabilities) on:				
Unrealized valuation losses (gains) on FVOCI investments	–	(2,633,436)	–	4,595,798
Cumulative actuarial gains	(991,875)	(18,016,711)	(477,330)	(15,641,944)
	(991,875)	(20,650,147)	(477,330)	(11,046,146)
	P 87,156,013	(P 479,312,696)	P 75,512,542	(P 449,755,161)

⁽¹⁾ Pertain to PDP, SSRLI, ASAC, AHI and Sutton

⁽²⁾ Pertain to Anscor and Anscorcon

There are deductible temporary differences for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not probable. These deductible temporary differences are as follows:

	2019	2018
Allowances for:		
Impairment losses	P 1,883,617,238	P 1,651,360,313
Expected credit losses	564,800,000	564,800,000
NOLCO	198,427,775	138,260,513
MCIT	8,916,210	9,436,514
Provision for probable losses and lawsuits	5,721,158	5,721,158
Accrued pension benefits and others	3,538,754	4,162,004

The Company and other subsidiaries domiciled in the Philippines are subjected to the Philippine statutory tax rate of 30% in 2019, 2018 and 2017 while a foreign subsidiary is subject to U.S. federal tax rate of 34% in 2017 .

The reconciliation of provision for income tax computed at the statutory tax rates to provision for income tax is as follows:

	2019	2018	2017
Provision for income tax at statutory tax rates	₱ 710,325,095	₱ 375,612,585	₱ 866,831,825
Additions to (reductions from) income taxes resulting from:			
Dividend income not subject to income tax	(108,395,002)	(83,477,245)	(76,936,509)
Decrease (increase) in market values of marketable equity securities and other investments subjected to final tax	(233,588,466)	167,752,492	(353,191,683)
Income tax at 5% GIT	(85,665,018)	(37,443,654)	(76,130,168)
Movement in unrecognized deferred income tax assets	87,384,190	(48,177,801)	188,773,973
Expired NOLCO and MCIT	7,085,291	53,808,275	33,575,544
Nontaxable income	(13,687,406)	(142,280,407)	(7,203,562)
Interest income already subjected to final tax	(2,556,510)	(3,114,226)	(3,671,966)
Equity in net losses (earnings) of associates not subject to income tax	85,449,941	78,655,241	(870,281)
Nontaxable (gain) loss on sale of subsidiaries	—	2,724,000	(329,358,484)
Others	(16,978,461)	(16,840,694)	11,616,995
	₱ 429,373,654	₱ 347,218,566	₱ 253,435,684

The Group has available NOLCO and MCIT which can be claimed as deduction from taxable income and as credit against income tax due, respectively, as follows:

NOLCO

Period of Recognition	Availment Period	Amount	Additions	Applied	Expired	Adjustment*	Balance
2016	2017-2019	₱ 8,996,020	₱ —	₱ —	(₱ 8,996,020)	₱ —	₱ —
2017	2018-2020	133,575,220	—	—	—	(15,424,019)	118,151,201
2018	2019-2021	11,113,292	—	—	—	—	11,113,292
2019	2020-2022	—	69,163,282	—	—	—	69,163,282
		₱ 153,684,532	₱ 69,163,282	₱ —	(₱ 8,996,020)	(₱ 15,424,019)	₱ 198,427,775

*Adjustment pertains to unexpired portion of NOLCO of CGI.

MCIT

Period of Recognition	Availment Period	Amount	Additions	Applied	Expired	Adjustment*	Balance
2016	2017-2019	P 4,577,596	P –	P –	(P 4,386,485)	(P 191,111)	P –
2017	2018-2020	1,831,097	–	–	–	–	1,831,097
2018	2019-2021	3,218,932	–	–	–	–	3,218,932
2019	2020-2022	–	3,866,181	–	–	–	3,866,181
		P 9,627,625	P 3,866,181	P –	(P 4,386,485)	(P 191,111)	P 8,916,210

* Adjustment pertains to unexpired portion of MCIT of CGI.

27. Earnings Per Share - Basic / Diluted

Earnings per share - basic / diluted were computed as follows:

	2019	2018	2017
Net income attributable to equity holders of the Parent	P 1,843,615,322	P 808,386,813	P 2,547,458,719
Net income from continuing operations attributable to equity holders of the Parent	P 1,843,615,322	P 808,386,813	P 2,595,095,870
Total comprehensive income attributable to equity holders of the Parent	P 1,741,633,291	P 857,889,362	P 2,485,599,962
Weighted average number of shares	1,207,960,035	1,215,525,163	1,224,247,737

Earnings Per Share

Basic/diluted, for net income attributable to equity holders of the Parent	P 1.53	P 0.67	P 2.08
Basic/diluted, for net income from continuing operations attributable to equity holders of the Parent	P 1.53	P 0.67	P 2.12
Basic/diluted, for comprehensive income attributable to equity holders of the Parent	P 1.44	P 0.71	P 2.03

The Company does not have potentially dilutive common stock equivalents in 2019, 2018 and 2017.

28. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

All related party transactions exceeding P5.0 million in a single transaction or in aggregate transactions within the last twelve (12) months shall be disclosed to and evaluated by the Related Party Transaction Committee for approval by at least majority of the BOD.

All material related party transactions, representing 10% or more of the consolidated total assets of the Group, shall be approved by at least two-thirds (2/3) vote of the BOD, with at least majority of the independent directors voting to approve the material related party transactions. These transactions shall be disclosed with the SEC.

In the normal course of business and in addition to those disclosed in Notes 14 and 31, the Group grants/ receives cash advances to/from its associates and affiliates.

Compensation of the Group's key management personnel (in millions):

	2019	2018	2017
Short-term employee benefits (Notes 22 and 23)	P 116.1	P 166.8	P 172.3
Retirement benefits (Notes 22, 23 and 25)	5.7	6.9	7.7
Total	P 121.8	P 173.7	P 180.0

There are no termination benefits, share-based payments or other long-term employee benefits granted to key management personnel.

On November 4, 2019, the Company granted a five-year loan amounting to P363.5 million to A. Soriano Corporation Retirement Plan (the Retirement Plan) at 5% interest per annum. The loan is secured by the Company's shares of stock held by the Retirement Plan with a fair value of P359.2 million as of December 31, 2019. The balance of the loan amounted to P349.5 million as of December 31, 2019.

29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable, lease liabilities and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

- maintaining a bond portfolio that earns adequate cash yields, and,
- maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, price risk of mutual funds, foreign currency risk, copper rod price risk, and operating and regulatory risks. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer and Corporate Development Officer, and an independent consultant. Committee meets at least every quarter for the review and evaluation. The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk

The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

Credit risk management

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit risk exposures

The table below shows the gross maximum exposure for each class of financial assets before the effects of collateral, credit enhancements and other credit risk mitigation techniques:

	2019	2018
Cash in banks	₱ 1,514,820,487	₱ 1,600,596,372
Short-term investments	792,850,744	1,163,730,790
FVPL investments - bonds	793,929,295	655,218,123
FVOCI investments - bonds	330,484,513	694,323,218
Advances	647,572,036	565,623,718
	4,079,657,075	4,679,492,221
Receivables:		
Trade	1,782,362,910	1,837,485,963
Notes receivable	588,404,741	240,030,000
Interest receivable	24,518,133	33,693,522
Receivable from villa owners	17,341,766	15,179,905
Advances to employees	12,533,168	14,295,820
Dividend receivable	—	3,299,071
Others	17,071,649	19,390,178
	2,442,232,367	2,163,374,459
	₱ 6,521,889,442	₱ 6,842,866,680

Credit quality per class of financial assets

For the Group's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy.

Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix.

December 31, 2019	Current	Days Past Due But Not Impaired					Total
		Less than 30 days	31 to 60 days	91 to 120 days	61 to 90 days	More than 120 days	
Expected credit loss rate	0%-0.90%	0%-3.03%	0%-7.15%	0%-14.46%	0%-27.11%	0%-56.49%	
Estimated total gross carrying amount at default	₱ 1,092,381,017	₱ 346,870,324	₱ 116,292,945	₱ 63,710,057	₱ 61,779,281	₱ 101,329,286	₱ 1,782,362,910
Expected credit loss	₱ 9,629,208	₱ 10,515,683	₱ 8,313,714	₱ 9,212,078	₱ 16,749,058	₱ 57,240,180	₱ 111,659,921

December 31, 2018	Current	Days Past Due But Not Impaired					Total
		Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	
Expected credit loss rate	0%-0.37%	0%-2.99%	0%-6.87%	0%-13.49%	0%-27.11%	0%-57.70%	
Estimated total gross carrying amount at default	P 1,131,201,310	P 334,342,695	P 130,792,046	P 77,482,907	P 44,993,385	P 118,673,620	P 1,837,485,963
Expected credit loss	P 4,012,893	P 9,851,936	P 8,952,233	P 10,423,682	P 12,198,213	P 25,379,460	P 70,818,417

Other financial assets

Credit risk from balances with banks and financial institutions is managed by the Group in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group invests only on quoted debt securities with very low credit risk. The Group's debt instruments at fair value through OCI comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments.

The tables below present the summary of the Group's exposure to credit risk as of December 31 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

2019	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks	P 1,514,820,487	P —	P —	P 1,514,820,487
Short-term investments	792,850,744	—	—	792,850,744
FVOCI investments - bonds	330,484,513	—	—	330,484,513
Receivables:				
Notes receivable*	588,404,741	—	—	588,404,741
Interest receivable	23,927,038	—	591,095	24,518,133
Receivable from villa owners	17,341,766	—	—	17,341,766
Advances to employees	12,533,168	—	—	12,533,168
Others	15,238,491	—	1,833,158	17,071,649
Advances	82,772,036	—	564,800,000	647,572,036
	P 3,378,372,984	P —	P 567,224,253	P 3,945,597,237

* Including noncurrent portion amounting to P349.5 million.

2018	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks	P 1,600,596,372	P —	P —	P 1,600,596,372
Short-term investments	1,163,730,790	—	—	1,163,730,790
FVOCI investments - bonds	694,323,218	—	—	694,323,218
Receivables:				
Notes receivable	240,030,000	—	—	240,030,000
Interest receivable	33,102,427	—	591,095	33,693,522
Receivable from villa owners	15,179,905	—	—	15,179,905
Advances to employees	14,295,820	—	—	14,295,820
Dividend receivable	3,299,071	—	—	3,299,071
Others	17,557,020	—	1,833,158	19,390,178
Advances	823,718	—	564,800,000	565,623,718
	P 3,782,938,341	P —	P 567,224,253	P 4,350,162,594

Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The tables below summarize the maturity profile of the Group's financial liabilities based on undiscounted contractual payments as well as the financial assets used for liquidity management.

December 31, 2019	Within 6 Months	6 to 12 Months	Over 1 Year to 5 Years	Over 5 Years	Total
Cash on hand					
and in banks	P 1,516,027,511	P –	P –	P –	P 1,516,027,511
Short-term investments	792,850,744	–	–	–	792,850,744
FVPL investments - bonds	128,863,357	–	532,866,257	132,199,681	793,929,295
FVOCI investments - bonds	94,535,324	–	235,949,189	–	330,484,513
Receivables*	1,782,362,910	196,285,542	–	349,499,741	2,328,148,193
	P 4,314,639,846	P 196,285,542	P 768,815,446	P 481,699,422	P 5,761,440,256
Accounts payable and accrued expenses**	P 837,059,115	P 5,049,461	P –	P –	P 842,108,576
Lease liabilities	4,953,932	4,953,932	27,466,781	–	37,374,645
Long-term debt	143,302,711	132,862,035	227,142,857	–	503,307,603
Dividends payable	283,974,578	–	–	–	283,974,578
	P 1,269,290,336	P 142,865,428	P 254,609,638	P –	P 1,666,765,402

* Excluding non-financial assets amounting to P144.0 million. Notes receivables amounting to P349.5 million is included.

** Excluding non-financial liabilities amounting to P89.2 million.

December 31, 2018	Within 6 Months	6 to 12 Months	Over 1 Year to 5 Years	Over 5 Years	Total
Cash on hand					
and in banks	P 1,601,784,276	P –	P –	P –	P 1,601,784,276
Short-term investments	1,163,730,790	–	–	–	1,163,730,790
FVPL investments - bonds	57,875,395	30,613,128	368,872,650	197,856,950	655,218,123
FVOCI investments - bonds	–	15,419,085	544,898,560	134,005,573	694,323,218
Receivables*	1,837,104,070	249,660,423	3,367,296	–	2,090,131,789
	P 4,660,494,531	P 295,692,636	P 917,138,506	P 331,862,523	P 6,205,188,196
Accounts payable and accrued expenses**	P 730,401,669	P 5,049,461	P –	P –	P 735,451,130
Notes payable	250,000,000	–	–	–	250,000,000
Long-term debt	317,845,186	317,845,185	502,397,329	–	1,138,087,700
Dividends payable	285,828,593	–	–	–	285,828,593
	P 1,584,075,448	P 322,894,646	P 502,397,329	P –	P 2,409,367,423

* Excluding non-financial assets amounting to P180.1 million.

** Excluding non-financial liabilities amounting to P71.7 million.

The Group's total financial liabilities due to be settled within one year include notes payable that management considers as working capital. Accounts payable and accrued expenses, dividends payable, lease liabilities and current portion of long-term debt are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds, foreign currency risk, copper rod price risk and operating and regulatory risk.

Investments exposed to market risk are foreign and local currency-denominated quoted debt instruments, foreign and local currency-denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following table demonstrates management's best estimate of the sensitivity to reasonably possible change in interest rates, with all other variables held constant (in millions):

Floating Debt Instrument	Change in Interest Rates [in Basis Points (bps)]	Effect on Income Before Tax and Equity Increase (Decrease)
2019	+150	(P1.06)
	-150	1.06
2018	+150	(P7.30)
	-150	7.30

The sensitivity analysis shows the effect on the consolidated profit or loss of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets and financial liabilities held as at December 31, 2019 and 2018. There is no other impact on equity other than those affecting profit or loss.

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

The tables below show the impact on income before income tax and equity of the estimated future bond yields using a duration based sensitivity approach. Items affecting profit or loss are bonds classified as FVPL and items affecting equity account are bonds classified as FVOCI. The impact of change in interest rates are as follows (in millions):

	Change in Interest Rates (in bps)	Increase (Decrease)	
		Effect on Income Before Tax	Effect on Equity
2019			
FVOCI investments	+100	P –	(P 5.09)
	-100	–	5.31
FVPL investments	+100	(P 14.75)	P –
	-100	18.20	–
	Change in Interest Rates (in bps)	Increase (Decrease)	
		Effect on Income Before Tax	Effect on Equity
2018			
FVOCI investments	+100	P –	(P 14.89)
	-100	–	15.58
FVPL investments	+100	(P 19.00)	P –
	-100	21.51	–

b. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Group's investment in stock listed in the PSE and NASDAQ.

The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

The table below shows the impact on income before income tax and equity of the estimated future return of the stock investments using a Beta-based sensitivity approach. The impact of the change in equity prices are as follows (in millions):

	Change in PSE Price Index	Effect on Income Before Tax and Equity Increase (Decrease)
FVPL Investments		
2019	+14.47%	P 375.18
	-14.47%	(375.18)
2018	+17.70%	P 520.87
	-17.70%	(520.87)

The annual standard deviation of the PSE price index is approximately with 14.47% and 14.73% and with 99% confidence level, the possible change in PSE price index could be +/-14.47% and +/-17.70% in 2019 and 2018, respectively.

c. Price risk of mutual funds

The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

The sensitivity analysis demonstrates management's best estimate of the impact of reasonably possible change in NAV, with all other variables held constant.

The table below shows the impact on income before income tax and equity of assumed changes in NAV. A negative amount in the table reflects a potential reduction on income before income tax or equity while a positive amount reflects a potential increase on income before income tax or equity. The impact of the change in mutual fund prices are as follows (in millions):

Mutual funds	Change in NAV	Effect on Income Before Tax and Equity Increase (Decrease)	
2019	+10.00%	₱	81.10
	-10.00%		(81.10)
2018	+10.00%	₱	46.25
	-10.00%		(46.25)

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency-denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency-denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Australian dollar and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Group occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates to minimize any foreign exchange risks. Thus, all borrowings, whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI and SSRLI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

The analysis discloses management's best estimates of the effect of reasonably possible movement of the currency rate against the Philippine peso on income before tax. It assumes that all other variables remain constant. The impact of the change in currency rates are as follows (in millions):

	Change in Currency Rate	Effect on Income Before Tax and Equity Increase (Decrease)	
2019			
US Dollar	+5.60%	₱	6.82
	-5.60%		(6.82)
Indonesian Rupiah	+4.79%	(₱	8.53)
	-4.79%		8.53

	Change in Currency Rate	Effect on Income Before Tax and Equity Increase (Decrease)
2018		
US Dollar	+4.97%	(P 5.20)
	-4.97%	5.20
Indonesian Rupiah	+5.98%	(P 10.65)
	-5.98%	10.65

e. Copper rod price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced. Average monthly purchase of copper rods amounted to P427.1 million, with an average quantity of about 1,284 metric tons in 2019 and P493.3 million, with an average quantity of about 1,326 metric tons in 2018.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market. The following table represents the effect on income before tax and equity of the reasonably possible change in metal prices, as they affect prices of copper rods, with all other variables held constant.

The impact of the change in copper prices are as follows (in millions):

	% Change in Copper Rod Prices	Effect on Income Before Income Tax and Equity Increase (Decrease)
2019	+0.72%	(P 3.79)
	-0.72%	3.79
2018	+8.36%	(P 45.11)
	-8.36%	45.11

PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

Capital management

The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated balance sheet.

No changes were made in the objectives, policies or process for the years ended December 31, 2019 and 2018.

30. Financial Instruments

Categorization of Financial Instruments

December 31, 2019	At Amortized Cost	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and short-term investments	₱ 2,308,878,255	₱ –	₱ –	₱ 2,308,878,255
FVPL investments	–	11,130,248,073	–	11,130,248,073
FVOCI investments	–	–	330,484,513	330,484,513
Receivables*	2,328,148,193	–	–	2,328,148,193
	₱ 4,637,026,448	₱ 11,130,248,073	₱ 330,484,513	₱ 16,097,759,034

*Excluding non-financial assets amounting to ₱144.0 million. Notes receivable amounting to ₱349.5 million is included.

December 31, 2018	At Amortized Cost	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and short-term investments	₱ 2,765,515,066	₱ –	₱ –	₱ 2,765,515,066
FVPL investments	–	9,437,947,486	–	9,437,947,486
FVOCI investments	–	–	694,323,218	694,323,218
Receivables*	2,090,131,789	–	–	2,090,131,789
	₱ 4,855,646,855	₱ 9,437,947,486	₱ 694,323,218	₱ 14,987,917,559

* Excluding non-financial assets amounting to ₱180.1 million.

Fair Values of Financial Assets and Financial Liabilities

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable, current portion of lease liabilities and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

FVPL and FVOCI investments are carried at fair value. The following methods and assumptions were used to estimate the fair values:

- FVPL quoted equity shares, investments in bonds, funds and equities, proprietary shares and others are derived from quoted market prices in active markets.
- FVOCI investments in bonds are derived from quoted market prices in active markets.
- FVPL investment in KSA are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

- FVPL investments in private equity funds are valued using the adjusted net asset method. The underlying investments under these private equity funds are carried at fair value. Other FVPL investments in unquoted equity shares are based on prices and other relevant information generated by market transactions involving identical and comparable assets, liabilities or a group of assets and liabilities, such as business. The valuation requires management to use market multiples derived from a set of comparables. Multiples might be in ranges with a difference multiple for each comparable. The selection of the appropriate multiple within the range requires judgement, considering qualitative and quantitative factors specific to the measurement.

The following tables provide the Group's fair value measurement hierarchy of its assets:

As at December 31, 2019:

		Fair Value Measurement Using		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
FVPL investments:				
Quoted equity shares	P 7,616,776,828	P 7,616,776,828	P –	P –
Unquoted equity shares	1,137,142,219	–	115,433,145	1,021,709,074
Funds and equities	1,131,737,165	1,131,677,465	–	59,700
Bonds	793,929,295	793,929,295	–	–
Proprietary shares	367,437,073	367,437,073	–	–
Others	83,225,493	83,225,493	–	–
	11,130,248,073	9,993,046,154	115,433,145	1,021,768,774
FVOCI investments	330,484,513	330,484,513	–	–
	P11,460,732,586	P10,323,530,667	P 115,433,145	P 1,021,768,774

As at December 31, 2018:

		Fair Value Measurement Using		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
FVPL investments:				
Quoted equity shares	P 6,588,212,129	P 6,588,212,129	P –	P –
Unquoted equity shares	1,086,225,778	–	144,575,751	941,650,027
Bonds	766,122,276	766,062,576	–	59,700
Funds and equities	655,218,123	655,218,123	–	–
Proprietary shares	324,377,072	324,377,072	–	–
Others	17,792,108	17,792,108	–	–
	9,437,947,486	8,351,662,008	144,575,751	941,709,727
FVOCI investments	694,323,218	694,323,218	–	–
	P 10,132,270,704	P 9,045,985,226	P 144,575,751	P 941,709,727

Description of significant unobservable inputs to valuation of investment in KSA classified under Level 3 (amounts in millions):

2019	Valuation Technique	Significant Unobservable inputs	Range	Sensitivity of Input to Fair Value
KSA	DCF Model	Dividend payout is ₱120.0 million with 3% annual increase	0% to 5%	0%: fair value of ₱785 5%: fair value of ₱1,278
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱1,149 30%: fair value of ₱894
		Cost of equity of 12.99%	12% to 14%	12%: fair value of ₱1,030 14%: fair value of ₱940
2018	Valuation Technique	Significant Unobservable inputs	Range	Sensitivity of Input to Fair Value
KSA	DCF Model	Dividend payout is ₱120.0 million with 3% annual increase	0% to 5%	0%: fair value of ₱738 5%: fair value of ₱1,154
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱1,059 30%: fair value of ₱824
		Cost of equity of 13.88%	13% to 15%	13%: fair value of ₱1,021 15%: fair value of ₱858

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value of the investment in KSA (in millions):

As at 1 January 2018	₱	753.0
Unrealized gains in profit or loss (Note 10)		188.7
As at 31 December 2018		941.7
Unrealized gains in profit or loss (Note 10)		80.1
As at 31 December 2019	₱	1,021.8

In 2018, Y-mAbs was listed in NASDAQ which resulted to transfer from Level 2 to Level 1 fair value measurement.

For the years ended December 31, 2019 and 2018, there were no transfers other than those mentioned above.

31. Contracts and Agreements

Anscor

- a. On November 29, 2019, the Company entered into a lease agreement with ATR Asset Management, Inc., ATRAM Trust Corporation and MET Holdings, Inc. for the lease of its condominium unit commencing on the agreement date until April 30, 2021. The Company will receive monthly rental payments of ₱1.0 million.

The Company recognized rental income amounting to ₱1.0 million in 2019 (see Note 24).

Sutton

- a. In January 2016, CGI and IQHPC entered into a new Service Agreement where IQHPC will pay CGI the agreed specific rate that corresponds the type of medical staff deployed to a facility. The term of the agreement is valid for a period of 36 months from the commencement date. Fees shall be billed upon deployment and are due within 30 days. Interest shall accrue at the rate of 2% per month on any unpaid balance.
- b. In the ordinary course of business, IQHPC enters into Service Agreements with U.S. hospitals and/or staffing agencies to provide services in relation to the placement of qualified Filipino nurses for full time employment in the U.S. The Service Agreement sets forth the rights, responsibilities, terms and conditions governing IQHPC's services, which include among others, training and procedural assistance in obtaining all required licensure examinations, obtaining U.S. permanent residence status and eventual placement of the nurses to the U.S. hospitals and/or agency.

Service income recognized in 2019, 2018 and 2017 amounted to nil, ₱2.5 million and ₱7.4 million, respectively.

- c. CGI entered into a non-cancellable operating lease covering certain offices. The lease has terms ranging up to three years, with renewal options and includes annual escalation rates of 5% to 10%. In 2016 and 2017, the lease agreement was renewed for a one-year term.

Rent expense in 2018 and 2017 amounted to ₱2.7 million and ₱3.3 million, respectively (see Note 22).

- d. In 2017, CGI entered into an agreement to sublease a portion of its leased office space to Cirrus Global Services, Inc. for a period of one year commencing August 1, 2017. This was extended until December 31, 2018.

Rent income from the sublease agreement in 2018 and 2017 amounted ₱2.6 million and ₱0.9 million, respectively (see Note 24).

- e. In April 2012, CGI entered into a Service Agreement with Cleveland Clinic Abu Dhabi (CCAD) for CGI to provide nurses for deployment in Abu Dhabi. In consideration of the services provided by CGI, the Service Agreement provides that CCAD shall pay a lump-sum fee of 17% of the first year salary, exclusive of benefits, of each candidate that satisfactorily completes all legal and regulatory requirements to live and work at CCAD.

Permitted fees are to be invoiced in the following manner:

- 25% of fee upon signing the contract offer of employment;
- 50% of fee upon deployment; and
- 25% of fee upon completion of the probationary 90-day time period at CCAD.

CGI records deferred revenue equal to a percentage of service fee invoiced to CCAD. Portion of the deferred revenue were already advanced by CCAD and are refundable once the service agreements are not met. Total deferred revenues as at December 31, 2018 and 2017 amounted to nil and ₱9.5 million, respectively.

Service income recognized in 2018 and 2017 amounted to ₱12.9 million and ₱10.3 million, respectively. Service income recognized in 2018 is for the period ended September 28, 2018 (see Note 8).

Cirrus

- a. Cirrus Holdings USA, LLC and Cirrus Allied, LLC have various staffing contracts with their U.S. clients concerning certain rates and conditions, among others. Service income amounted to ₱2.0 billion in 2017. The service income recognized in 2017 is for the period ended October 19, 2017 (see Note 8).
- b. Cirrus has entered into a third party non-cancellable operating lease agreements for the rental of office space and equipment. The leases include options to renew, as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements.

Rent expense in 2017 amounted to ₱9.2 million.

- c. On June 30, 2017, Cirrus invested in Cirrus Global Services, Inc. (CGSI) which handles the general and administrative services of the nurse staffing entities. CGSI, as part of the Cirrus Group, was subsequently sold through a merger agreement on October 19, 2017 (see Note 8).

IAI

- a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of the engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary by a Honeywell authorized service center. Deposits for the MSP as at December 31, 2019 and 2018 amounted to ₱44.7 million and ₱81.3 million, respectively, and included as part of "Other noncurrent assets" account in the consolidated balance sheets (see Note 17).

- b. IAI entered into a lease or concessionaire agreement with Manila International Airport Authority (MIAA) which granted IAI to operate as an aircraft hangar and conduct fixed base operations within the leased premises. The agreement shall be effective for a period of one (1) year commencing on January 1, 2016. After the end of the first year, the lease is automatically renewed until IAI is permitted to stay in Ninoy Aquino International Airport (NAIA) Complex. IAI will continue to operate at NAIA Complex by virtue of the Certificate of Public Convenience and Necessity to operate Domestic Scheduled Air Transportation Services issued on January 31, 2017 and valid from March 1, 2017 up to February 28, 2022.

On October 15, 2019, MIAA issued a memorandum stating that all general aviation operations be transferred to other alternate airports to ease the traffic congestion at the NAIA Complex. MIAA gave general aviation companies until May 31, 2020 to vacate and turn over the leased premises.

IAI is still operating at NAIA Complex as of February 19, 2020.

Set out below is the carrying amount of right-of-use asset recognized in 2019 and the movements during the year.

Cost	
Beginning/Ending balance	₱ 10,605,283
Accumulated Amortization	
Beginning balance	—
Amortization for the year	3,569,833
Ending balance	3,569,833
Net Book Value	₱ 7,035,450

The carrying amount of PFRS 16 lease liability as at December 31, 2019 follows:

Beginning balance	₱ 10,605,283
Accretion of interest	201,791
Lease payments	(3,724,402)
	7,082,672
Less current portion of lease liability	4,606,460
Ending balance	₱ 2,476,212

The lease liability were measured at the present value of the remaining lease payments discounted at IAI's incremental borrowing rates as at January 1, 2019 for the lease with MIAA. The weighted average incremental borrowing rates applied to the lease liabilities on January 1, 2019 was 6.83%.

Shown below is the maturity analysis of lease liability pertaining to contractual undiscounted cash flows as at December 31, 2019:

Within one year	₱ 4,797,398
After one year but not more than five years	2,512,695
Total undiscounted lease liability	₱ 7,310,093

Rental expenses relating to short-term leases of office building amounted to ₱2.3 million in 2019.

- c. IAI conducts its operations from leased facilities with ASAC, which include the aircraft hangar or ramp, battery shop, parking lots, mechanics' quarters and the administrative office. The lease agreement is for a period of two years commencing on September 1, 2009 and was subsequently renewed. The renewed lease agreement was terminated on August 31, 2019. On September 1, 2019, IAI renewed the lease agreement valid for two years ending August 31, 2021.

Operating lease commitments - IAI as lessee (Effective Prior to January 1, 2019)

As at December 31, 2018, future minimum lease payments based on the agreed minimum rate as stated in the lease contract with ASAC amounted to ₱2.3 million that is due not later than one year.

Rent expense recognized in operations amounted to ₱3.5 million and ₱3.2 million in 2018 and 2017.

SSRLI and PRI

- a. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation of machineries and equipment on PEZA-covered registered activities under the Registration Agreement.

On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as a locator at the Pamalican Island Ecozone Tourism Zone. SSRLI also transferred in the name of PRI all resort operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank, except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is nontransferable.

On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for a period of 20 years beginning July 1, 2011. Annual lease rental amounted to ₱53.5 million payable within the first five days at the beginning of each quarter.

Effective January 1, 2016, the annual rental fee upon mutual agreement of both parties was decreased to ₱42.8 million.

- b. On February 18, 2011, the BOD of the Company approved the Company's acquisition of additional shares from the minority shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is US\$5.9 million (₱255.9 million) cash consideration plus the fair value of the 46.79% investment amounting to ₱302.7 million. Goodwill recognized from the acquisition amounted to ₱99.3 million (see Note 7).

- c. Since 1995, the Company charges a monthly fee amounting to US\$15,000 or its Peso equivalent for the Company's general, administrative, treasury, tax and legal services rendered to PRI.

Starting January 1, 2018, both parties mutually agreed to a monthly fee amounting to ₱650,000 (eliminated in the consolidated profit or loss), inclusive of VAT.

- d. PRI executed in the past an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (AMBV, the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of PRI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by PRI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of the resort and a reserve cash funding equivalent to 3% of gross revenues, which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment.

On June 24, 2013, both parties have mutually entered into a new OMA, effective on the same date, in which PRI will pay a basic fee amounting to 4% of gross revenue and an incentive fee of 10% based on the gross operating profit collectively known as "Management fee". In addition to the management fees discussed, PRI shall also reimburse AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

Likewise, a Marketing Service Agreement (MSA) was also entered by PRI with Amanresorts Services Limited (ASL) with marketing fee charges of 3% of PRI's annual gross hotel revenues. On June 24, 2013, both parties mutually entered into a new marketing services agreement of the same terms and conditions except for a lower marketing fee rate of 1% of gross revenue from 3%.

On June 24, 2011, PRI also executed a Reservation Service Agreement (RSA) with Hotel Sales Services Ltd. (HSSL), a company established in British Virgin Islands, in which PRI will pay the latter a monthly fee of 6.5% on gross accommodation charges for all realized bookings processed through HSSL's central sales and reservation offices with the exception of bookings made through the Global Distribution System (GDS) in which PRI will pay US\$100 per booking. An annual maintenance fee of US\$1,000 shall also be paid to HSSL.

On October 10, 2014, PRI and HSSL executed a new agreement effective January 1, 2015, with similar terms as the original agreement, except for a higher annual maintenance fee which increased to US\$3,000 from US\$1,000, and a lower transaction fee for GDS Network bookings for US\$100 from US\$300.

PRI also obtained from Amanresorts I.P.R.B.V. (AIPRBV), a company incorporated in Amsterdam, the Netherlands, the nonexclusive license to use the Amanresorts Marks in connection with the operation of the Resort for a monthly fee of US\$1,000.

The OMA, marketing and license contracts will expire on the thirty first (31st day) of December of the fifth full calendar year following their commencement. Further, AMBV has the option to extend the operating term for a period of five years from the date of its expiration.

On January 18, 2018 and March 9, 2018, the Aman Group notified PRI of the assignment of the OMA, MSA and RSA, among others, to Aman Group S.A.R.L., a company incorporated in Switzerland.

On November 28, 2018, Aman Group S.A.R.L. issued a Notice of Extension to PRI containing its election and intention to extend the operating term with PRI for a period of five (5) years from the date of expiration, which is on December 31, 2018, under the same terms and conditions as contained in the management agreement.

Total fees related to these agreements amounted to ₱109.7 million, ₱105.5 million and ₱76.0 million in 2019, 2018 and 2017, respectively.

- e. PRI entered into an agreement with IAI wherein the latter will provide regular air transport service. IAI shall charge PRI a fixed round trip rate, subject to an annual review by both parties, with a guarantee that all IAI's operating cost will be covered. The agreement has a duration of three (3) years and was executed effective July 1, 2011. The agreement was renewed for another 3 years on February 13, 2015. The duration of the contract may be extended upon such terms and condition as may be mutually agreed by both parties.

On February 15, 2018, both parties entered into a renewal agreement which shall have a duration of not less than three years unless, otherwise pre-terminated.

- f. PRI entered into a lease agreement with IAI for the Guest Lounge and Purchasing Office. The lease agreement has duration of two years. The lease agreement was renewed in 2019. The agreement provides that PRI is not allowed to sublease any part of the leased premises.
- g. On May 31, 2013, Anscor Property Holdings, Inc. (APHI) and SSRLI entered into a management contract in which APHI will provide technical advice, supervision and management services and general administration for various Phase 3-A villa projects, such as but not limited to other Amanpulo special capital expenditure projects. SSRLI shall pay a fixed monthly fee amounting to ₱0.6 million exclusive of VAT, effective June 1, 2013 until the projects have been completed, delivered and accepted by SSRLI. The monthly fee was reduced to ₱0.5 million, exclusive of VAT, from August 1, 2016 until March 21, 2017. On December 15, 2016, the agreement with APHI was transferred to AHI.

On January 3, 2017, the monthly fee was reduced to ₱0.3 million, exclusive of VAT, from January to March 31, 2017.

On May 31, 2017, AHI and SSRLI entered into a management contract in which SSRLI shall pay a fixed monthly fee amounting to ₱0.3 million, exclusive of VAT, effective June 1, 2017 until September 30, 2017. The monthly fee was reduced to ₱0.2 million, exclusive of VAT for October 2017.

- h. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein it shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities, which are not subject to handling fees), incurred in providing services to the villa guests. PRI's share in the net villa rental proceeds including handling fees amounted to ₱168.7 million, ₱163.4 million and ₱120.8 million in 2019, 2018 and 2017, respectively, and presented as "Services" revenue account in the consolidated profit or loss.

As part of the agreement, PRI will also receive a fund which shall be used for future maintenance requirements of the villas. As at December 31, 2019 and 2018, the restricted fund amounted to ₱85.3 million and ₱83.0 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 17).

- i. In November 2005, the DENR awarded to SSRLI the use of the foreshore land surrounding the Pamalican Island, where Amanpulo Resort is situated. The award has a duration of 25 years which may be renewed for another full period at the option of SSRLI. Annual rent shall be paid in advance on or before the 16th day of November every year.
- j. In 2014, SSRLI entered into a Construction Service Contract (Service Contract) with the PEZA-registered villa owners in which SSRLI shall provide project management general and specific administration and supervision over the preconstruction and construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. In 2018 and 2017, SSRLI recognized handling fee, included under "Services" revenue account which amounted to ₱0.7 million and ₱4.7 million, respectively (nil in 2019).
- k. Starting 2013, SSRLI has property development in progress, which pertains to the costs related to the development of various projects. As at December 31, 2019 and 2018, total property development in progress amounted to ₱3.7 million and ₱3.2 million, respectively. This is presented as part of "Other noncurrent assets" in the consolidated balance sheets (see Note 17).
- l. In 2017, SSRLI redeemed Class A preferred stock of 46,284,261 shares and Class B preferred stock of 30,915,739 shares amounting to ₱77.2 million.

PDIPI and Subsidiaries

- a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive), plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy (eliminated in the consolidated balance sheets) amounted to ₱23.6 million and ₱41.4 million as at December 31, 2019 and 2018, respectively. Management fees (eliminated in the consolidated profit or loss) amounted to ₱99.0 million, ₱77.6 million and ₱67.6 million in 2019, 2018 and 2017, respectively.
- b. In 2012, the PDP Energy entered into a contract of lease with a third party for the lease of its office building. The term is for a period of five years and renewable at the option of both parties. Set out below are the carrying amount of right-of-use assets recognized in 2019 and the movement during the period.

Cost	
Beginning/Ending balance	₱ 35,792,042
Accumulated Amortization	
Beginning balance	—
Amortization for the year	7,535,167
Ending balance	7,535,167
Net Book Value	₱ 28,256,875

Set out below is the carrying amount of lease liability and its movements in 2019:

Beginning balance	₱ 35,792,042
Accretion of interest	3,085,097
Lease payments	(8,585,166)
	30,291,973
Less current portion of lease liability	5,301,404
Ending balance	₱ 24,990,569

Operating lease commitments - PDP Energy as lessee (Effective prior to January 1, 2019)

The future aggregate minimum lease payments under the said lease are as follows:

	2019	2018
Not later than 1 year	₱ 8,865,270	₱ 7,481,987
More than 1 year but not later than 5 years	27,564,028	31,166,064
	₱ 36,429,298	₱ 38,648,051

Rental expense incurred amounted to ₱7.6 million and ₱6.7 million in 2018 and 2017, respectively.

- c. On December 19, 2014, PDIPI entered into a trademark licensing agreement with General Cable Technologies Corporation (GCTC) wherein GCTC will grant a perpetual and exclusive license to PDIPI to use the Phelps Dodge trademark in the manufacture and sale of wires and cables in the Philippines. On the same date, PDP Energy entered into a distributor and representative agreement with General Cable Industries Inc. (GCI) which provides, among others, the exclusive distributor, reseller and representative for the sale of GCI products to customers within the Philippines.

32. Changes in Liabilities Arising from Financing Activities

	January 1, 2019	Cash Flow for Availment	Cash Flow for Repayments	Dividend Declaration	Foreign Exchange Movement	Accretion of Interest	December 31, 2019
Notes payable	₱ 250,000,000	₱ -	(₱ 250,000,000)	₱ -	₱ -	₱ -	₱ -
Long-term debt	1,138,087,700	5,124,000	(635,732,071)	-	(4,172,026)	-	503,307,603
Dividends payable	285,828,593	-	(617,229,791)	615,375,776	-	-	283,974,578
Lease liabilities (Note 2)	46,397,325	-	(12,309,568)	-	-	3,286,888	37,374,645
Total liabilities from financing activities	₱ 1,720,313,618	₱ 5,124,000	(₱ 1,515,271,430)	₱ 615,375,776	(₱ 4,172,026)	₱ 3,286,888	₱ 824,656,826

	January 1, 2018	Cash Flow for Availment	Cash Flow for Repayments	Dividend Declaration	Foreign Exchange Movement	December 31, 2018
Notes payable	₱ -	₱ 450,000,000	(₱ 200,000,000)	₱ -	₱ -	₱ 250,000,000
Long-term debt	1,718,724,321	-	(640,036,621)	-	59,400,000	1,138,087,700
Dividends payable	252,554,370	-	(575,312,404)	608,586,627	-	285,828,593
Total liabilities from financing activities	₱ 1,971,278,691	₱ 450,000,000	(₱ 1,415,349,025)	₱ 608,586,627	₱ 59,400,000	₱ 1,673,916,293

	January 1, 2017	Cash Flow for Availment	Cash Flow for Repayments	Dividend Declaration	Foreign Exchange Movement	December 31, 2017
Notes payable	₱ 91,948,200	₱ –	(₱ 91,948,200)	₱ –	₱ –	–
Long-term debt	2,545,581,343	–	(838,534,464)	–	11,677,442	1,718,724,321
Dividends payable	242,208,406	–	(234,015,487)	244,361,451	–	252,554,370
Total liabilities from financing activities	₱ 2,879,737,949	₱ –	(₱ 1,164,498,151)	₱ 244,361,451	₱ 11,677,442	₱ 1,971,278,691

33. Other Matters

- a. ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As at December 31, 2019, the refund process has remained pending.
- b. ASAC is a defendant in labor lawsuits and claims. As at December 31, 2019 and 2018, management has recognized provisions for losses amounting to ₱5.7 million that may be incurred from these lawsuits (see Note 19).
- c. Some subsidiaries of the Group have claims, commitments, litigations and contingent liabilities that arise in the normal course of the operations which are not reflected in the consolidated financial statements. Management is of the opinion that as at December 31, 2019 and 2018, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.
- d. The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, are not disclosed as they may prejudice the Group's negotiations with third parties.

34. Subsequent Events

- a. On February 19, 2020, Anscor's BOD approved the amendment of its Articles of Incorporation wherein authorized capital stock of 5,000,000 common shares (par value of ₱1.00 per share) amounting to ₱5.0 million will be reclassified to 500,000,000 preferred shares (par value of ₱0.01 per share) amounting to ₱5.0 million.
- b. The wide spread in the beginning of 2020 of a new virus strain called 2019 coronavirus (COVID-19) which originated from Wuhan, China compelled the World Health Organization to declare a global health emergency. This led to travel restrictions and put health authorities on alert for both preventive and curative measures to contain and resolve its impact. The Group has initially assessed the impact of the outbreak and will continue to monitor the developments and take the necessary measures in the future.

BOARD OF DIRECTORS



1 **ANDRES SORIANO III**
Chairman of the Board/
Chief Executive Officer/President



2 **EDUARDO J. SORIANO**
Vice Chairman



3 **ERNEST K. CUYEGKENG**



4 **JOHNSON ROBERT G. GO, JR.**

5 **OSCAR J. HILADO**

6 **JOSE C. IBAZETA**

7 **ALFONSO S. YUCHENGCO III**



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CORPORATE DIRECTORY

Corporate Social Responsibility Arm

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Kapunan & Castillo
Picazo Buyco Tan Fider & Santos
Tan Acut Lopez & Pison

* Assigned to AHI

** Assigned to ASF

OFFICERS

ERNEST K. CUYEGKENG

Executive Vice President & Chief Financial Officer

WILLIAM H. OTTIGER

Senior Vice President & Corporate Development Officer/Treasurer

NARCISA M. VILLAFLOR

Vice President & Comptroller

LORENZO D. LASCO*

Vice President

JOSHUA L. CASTRO

Vice President & Assistant Corporate Secretary

SALOME M. BUHION

Assistant Vice President

MARIA VICTORIA L. CRUZ

Assistant Vice President

LEMIA L. SIMBULAN**

Executive Assistant

LORNA P. KAPUNAN

Corporate Secretary

SUBSIDIARIES

A. Soriano Air Corporation
AFC Agribusiness Corporation
Anscor Consolidated Corporation
Anscor Holdings, Inc. (AHI)
Anscor International, Inc.
IQ Healthcare Professional Connection, LLC
Island Aviation, Inc.
Minuet Realty Corporation
Pamalican Island Holdings, Inc.
Pamalican Resort, Inc.
PD Energy International Corporation
Phelps Dodge International Philippines, Inc.
Phelps Dodge Philippines Energy Products Corporation
Seven Seas Resorts and Leisure, Inc.
Sutton Place Holdings, Inc.

AFFILIATES

AGP International Holdings Pte Ltd.
ATRAM Investment Management Partners Corporation
DirectWithHotels, Inc.
Fremont Holdings, Inc.
KSA Realty Corporation
Navegar LP
Prople Limited
Sierra Madre Philippines I LP
Vicinetum Holdings, Inc.
Y-mAbs Therapeutics, Inc.



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