



SECURITIES & EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City, 1307

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **Aboitiz Equity Ventures, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, 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.

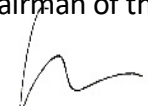
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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.

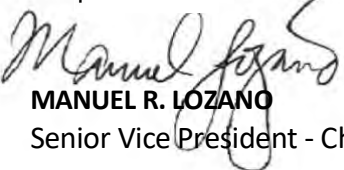
Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation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



ENRIQUE M. ABOITIZ JR.
Chairman of the Board



SABIN M. ABOITIZ
President & Chief Executive Officer



MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 6th day of March, 2020.



Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Enrique M. Aboitiz Jr.	P6213075A	February 28, 2018, Manila
	11046923	January 24, 2020, Cebu City
Sabin M. Aboitiz	P2003168A	February 23, 2017, Manila
	11079533	January 29, 2020, Cebu City
Manuel R. Lozano	P7066571A	May 6, 2018, Manila
	00859193	January 16, 2020, Taguig City

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this _____ day of _____ 2020.

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of 2020.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of income, 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

As of December 31, 2019, the goodwill amounted to ₱56.3 billion, which is attributable to several cash-generating units, is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rates, revenue assumptions, and material price inflation.

The Group's disclosures about goodwill are included in Notes 3, 9 and 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Business Combinations: Finalization of Purchase Price Allocation for the Acquisition of Gold Coin Management Holdings (GCMH)

In 2019, the Group finalized the fair value of the net assets acquired from its acquisition of ownership interest in GCMH on July 27, 2018. PFRS 3, *Business Combinations*, allows the fair value of the net assets acquired to be continually refined for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. The adjustments resulted in an increase in goodwill of ₱99.2 million. Based on the quantitative materiality of the adjustment and degree of management judgment in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about the finalization of the purchase price allocation for the acquisition of GCMH are included in Note 9 to the consolidated financial statements.

Audit Response

We obtained the understanding on the Group's process of purchase price allocation which includes the identification of the fair value of the net assets. We reviewed the measurement of the fair value of the net assets and adjustments made by the Group. Where the Group used an appraiser to perform valuation of its property, plant and equipment, we assessed the competence, capabilities and objectivity of the Group's specialist.

We involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the fair values of the property, plant and equipment. We compared the key assumptions used such as the list prices by reference to relevant market data, and obtained understanding of the sources and bases of adjustment and obsolescence factors through discussions with the external appraisers. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 23% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities.

The Group's disclosures related to this matter are provided in Notes 2 and 25 to the consolidated financial statements.

Audit Response

We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

Recoverability of Certain Segments of Property, Plant and Equipment

Based on the assessment of the Group as of December 31, 2019, certain segments of its property, plant and equipment totaling ₱3.6 billion, may be impaired. We considered the recoverability of certain segments of property, plant and equipment as a key audit matter because of the amount involved and significant management assumptions and judgment involved which include future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates.

The disclosure about the recoverability of certain segments of property, plant and equipment are included in Note 12 to the consolidated financial statements.

Audit Response

We involved our internal specialist in assessing the methodology and the assumptions used by the Group in estimating value-in-use. We compared the significant assumptions, such as future electricity generation levels and costs, fuel prices and electricity prices against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. The Group's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and other receivables, which requires significant management judgment.

The Group's disclosure on investments in associates is in Notes 2 and 10 to the consolidated financial statements.

Audit Response

We obtained the financial information of UBP for the year ended December 31, 2019 and recomputed the Group's share in net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

We obtained an understanding of the methodologies and models used for UBP's different credit exposures of its loans and other receivables and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information. We also inspected the results of the PFRS 9 model validation performed by management's specialist.

We (a) assessed UBP's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested UBP's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of UBP's lending portfolios and broader industry knowledge; and, (g) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we

traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data. We recalculated impairment provisions on a sample basis. We involved our internal specialists in the performance of the above procedures.

Consolidation Process

AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

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.

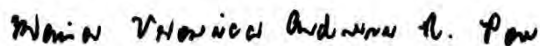
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.



Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-4 (Group A),

November 21, 2019, valid until November 20, 2022

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****(Amounts in Thousands)**

	December 31, 2019	December 31, 2018 (As Restated; Note 9)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱46,424,663	₱59,033,029
Trade and other receivables (Note 5)	35,195,594	35,099,504
Inventories (Note 6)	20,776,828	21,977,439
Land and improvements (Note 6)	2,570,892	2,340,113
Property held for sale (Notes 12 and 29)	–	675,819
Derivative asset (Note 36)	51,060	71,583
Other current assets (Notes 7 and 8)	19,406,255	18,290,868
Total Current Assets	124,425,292	137,488,355
Noncurrent Assets		
Property, plant and equipment (Notes 12 and 18)	225,558,765	221,689,945
Investments and advances (Note 10)	140,351,748	106,959,557
Intangible assets (Notes 9 and 13)	66,801,095	63,776,773
Investment properties (Notes 14 and 29)	11,291,880	8,224,667
Deferred income tax assets (Note 31)	3,127,072	2,324,773
Trade and other receivables - net of current portion (Note 5)	2,423,038	3,441,898
Derivative asset - net of current portion (Note 36)	82,327	221,245
Net pension assets (Note 30)	190,243	158,575
Other noncurrent assets (Notes 8 and 15)	14,134,641	10,208,281
Total Noncurrent Assets	463,960,809	417,005,714
TOTAL ASSETS	₱588,386,101	₱554,494,069

LIABILITIES AND EQUITY**Current Liabilities**

Trade and other payables (Notes 17, 34 and 39)	₱36,440,163	₱33,870,274
Bank loans (Note 16)	25,717,137	26,978,586
Current portions of:		
Long-term debts (Note 18)	27,126,918	10,702,974
Long-term obligation on Power Distribution System (PDS) (Note 13)	40,000	40,000
Lease liabilities (Notes 12 and 21)	5,656,226	4,131,059
Derivative liability (Note 36)	2,255,736	161,565
Income tax payable	776,596	535,233
Total Current Liabilities	98,012,776	76,419,691

(Forward)

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****(Amounts in Thousands)**

	December 31, 2019	December 31, 2018 (As Restated; Note 9)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱46,424,663	₱59,033,029
Trade and other receivables (Note 5)	35,195,594	35,099,504
Inventories (Note 6)	20,776,828	21,977,439
Land and improvements (Note 6)	2,570,892	2,340,113
Property held for sale (Notes 12 and 29)	–	675,819
Derivative asset (Note 36)	51,060	71,583
Other current assets (Notes 7 and 8)	19,406,255	18,290,868
Total Current Assets	124,425,292	137,488,355
Noncurrent Assets		
Property, plant and equipment (Notes 12 and 18)	225,558,765	221,689,945
Investments and advances (Note 10)	140,351,748	106,959,557
Intangible assets (Notes 9 and 13)	66,801,095	63,776,773
Investment properties (Notes 14 and 29)	11,291,880	8,224,667
Deferred income tax assets (Note 31)	3,127,072	2,324,773
Trade and other receivables - net of current portion (Note 5)	2,423,038	3,441,898
Derivative asset - net of current portion (Note 36)	82,327	221,245
Net pension assets (Note 30)	190,243	158,575
Other noncurrent assets (Notes 8 and 15)	14,134,641	10,208,281
Total Noncurrent Assets	463,960,809	417,005,714
TOTAL ASSETS	₱588,386,101	₱554,494,069

LIABILITIES AND EQUITY**Current Liabilities**

Trade and other payables (Notes 17, 34 and 39)	₱36,440,163	₱33,870,274
Bank loans (Note 16)	25,717,137	26,978,586
Current portions of:		
Long-term debts (Note 18)	27,126,918	10,702,974
Long-term obligation on Power Distribution System (PDS) (Note 13)	40,000	40,000
Lease liabilities (Notes 12 and 21)	5,656,226	4,131,059
Derivative liability (Note 36)	2,255,736	161,565
Income tax payable	776,596	535,233
Total Current Liabilities	98,012,776	76,419,691

(Forward)

	December 31, 2019	December 31, 2018 (As Restated; Note 9)
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 18)	₱212,452,620	₱200,729,393
Lease liabilities (Notes 12 and 21)	39,637,536	42,763,296
Trade and other payables (Notes 17 and 34)	7,206,837	3,695,261
Long-term obligation on PDS (Note 13)	159,350	173,496
Customers' deposits (Note 19)	6,721,156	6,127,788
Decommissioning liability (Note 20)	3,567,492	3,678,810
Deferred income tax liabilities (Note 31)	2,581,511	1,942,264
Net pension liability (Note 30)	639,155	486,232
Derivative liability - net of current portion (Note 36)	212,588	—
Total Noncurrent Liabilities	273,178,245	259,596,540
Total Liabilities	371,191,021	336,016,231
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 22)	5,694,600	5,694,600
Additional paid-in capital (Note 22)	13,013,197	13,013,197
Other equity reserves:		
Gain on dilution (Note 2)	5,043,152	5,043,152
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	469,540	469,540
Acquisition of non-controlling interests (Note 2)	(11,590,375)	(1,679,549)
Accumulated other comprehensive income (Note 24)	(2,648,022)	(27,076)
Retained earnings (Notes 10 and 23)		
Appropriated	4,200,000	4,200,000
Unappropriated	162,864,330	148,541,910
Treasury stock at cost (Note 22)	(565,246)	(565,246)
	176,481,176	174,690,528
Non-controlling Interests	40,713,904	43,787,310
Total Equity	217,195,080	218,477,838
TOTAL LIABILITIES AND EQUITY	₱588,386,101	₱554,494,069

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****(Amounts in Thousands, Except Earnings Per Share Amounts)**

	Years Ended December 31		
	2019	2018	2017
REVENUES			
Sale of:			
Power (Note 25)	₱124,605,660	₱130,734,557	₱118,759,149
Goods	69,625,434	47,751,035	23,819,250
Real estate (Notes 14 and 25)	4,116,175	3,925,308	3,613,388
Sale of swine at fair value (Note 8)	1,529,743	2,501,841	2,410,542
Service fees (Note 39)	1,153,570	1,883,506	1,620,401
Others (Note 34)	126,886	146,573	198,875
	201,157,468	186,942,820	150,421,605
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 26, 27, 34 and 39)	71,361,850	71,680,298	63,949,850
Cost of goods sold (Notes 6 and 27)	61,177,948	43,693,907	21,700,262
Operating expenses (Notes 27, 34, 38 and 39)	33,546,426	30,398,694	26,255,915
Cost of real estate sales (Note 6)	2,305,141	1,871,385	1,825,570
Overhead expenses (Note 27)	111,213	136,593	113,864
	168,502,578	147,780,877	113,845,461
OPERATING PROFIT	32,654,890	39,161,943	36,576,144
Share in net earnings of associates and joint ventures (Note 10)	11,502,090	7,727,663	9,053,733
Interest income (Notes 4, 34 and 35)	1,574,268	1,476,151	1,375,695
Interest expense (Notes 21 and 35)	(17,048,359)	(14,638,588)	(13,117,362)
Other income (expense) - net (Notes 5, 29 and 34)	5,517,803	1,410,826	(26,134)
INCOME BEFORE INCOME TAX	34,200,692	35,137,995	33,862,076
PROVISION FOR INCOME TAX (Note 31)	4,758,404	3,899,198	4,583,055
NET INCOME	₱29,442,288	₱31,238,797	₱29,279,021
ATTRIBUTABLE TO:			
Equity holders of the parent	₱22,036,129	₱22,232,977	₱21,608,695
Non-controlling interests	7,406,159	9,005,820	7,670,326
	₱29,442,288	₱31,238,797	₱29,279,021
EARNINGS PER SHARE (Note 32)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	₱3.912	₱3.947	₱3.836

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2019	Restated 2018	2017
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	₱22,036,129	₱22,232,977	₱21,608,695
Non-controlling interests	7,406,159	9,005,820	7,670,326
	29,442,288	31,238,797	29,279,021
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to consolidated statements of income:</i>			
Movement in cumulative translation adjustments, net of tax	(2,028,859)	639,746	199,556
Share in movement in cumulative translation adjustments of associates and joint ventures (Note 10)	(505,502)	464,139	(16,305)
Share in movement in net unrealized mark-to-market gains (losses) on FVOCI investments of associates (Note 10)	(2,382)	14,295	—
Movement in net unrealized mark-to-market losses on FVOCI investments	2,992	(17,136)	—
Movement in net unrealized mark-to-market losses on AFS investments	—	—	(2,413)
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of associates (Note 10)	—	—	702,564
	(2,533,751)	1,101,044	883,402
<i>Items that will not be reclassified to consolidated statements of income:</i>			
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	(394,994)	112,229	(22,788)
Movement in actuarial gains (losses) on defined benefit plans, net of tax	(185,103)	(10,633)	126,137
	(580,097)	101,596	103,349
TOTAL COMPREHENSIVE INCOME	₱26,328,440	₱32,441,437	₱30,265,772
ATTRIBUTABLE TO:			
Equity holders of the parent	₱19,415,184	₱23,247,913	₱22,562,144
Non-controlling interests	6,913,256	9,193,524	7,703,628
	₱26,328,440	₱32,441,437	₱30,265,772

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent											
	Capital Stock: Common (Note 22)	Additional Paid-in Capital (Note 22)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non- controlling Interest (Note 2)	Accumulated Other Comprehensive Income (Note 10)	Retained Earnings			Non-controlling Interest	Total	
							Appropriated (Note 23)	Unappropriated (Note 23)	Treasury Stock (Note 22)			
										Total		Total
Balances at January 1, 2019, as previously reported	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,679,549)	(₱27,076)	₱4,200,000	₱148,541,910	(₱565,246)	₱174,690,528	₱42,546,792	₱217,237,320
Effects of adoption of PFRS 16 (Notes 2 and 3)	—	—	—	—	—	—	—	(278,423)	—	(278,423)	(94,836)	(373,259)
Restatement of a subsidiary (Note 9)	—	—	—	—	—	(14,613)	—	—	—	(14,613)	1,228,919	1,214,306
Balances at January 1, 2019, as restated	5,694,600	13,013,197	5,043,152	469,540	(1,679,549)	(41,689)	4,200,000	148,263,487	(565,246)	174,397,492	43,680,875	218,078,367
Net income for the year	—	—	—	—	—	—	—	22,036,129	—	22,036,129	7,406,159	29,442,288
Other comprehensive loss	—	—	—	—	—	(2,620,945)	—	—	—	(2,620,945)	(492,903)	(3,113,848)
Total comprehensive income (loss) for the year	—	—	—	—	—	(2,620,945)	—	22,036,129	—	19,415,184	6,913,256	26,328,440
Cash dividends - ₱1.32 per share (Note 23)	—	—	—	—	—	—	—	(7,435,286)	—	(7,435,286)	—	(7,435,286)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(3,261,080)	(3,261,080)
Acquisition of non-controlling interests	—	—	—	—	(9,910,826)	—	—	—	—	(9,910,826)	(1,395,615)	(11,306,441)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	(5,235,131)	(5,235,131)
Balances at December 31, 2019	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱11,590,375)	(₱2,662,634)	₱4,200,000	₱162,864,330	(₱565,246)	₱176,466,564	₱40,702,305	₱217,168,869
Balances at January 1, 2018, as previously reported	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,577,075)	(₱4,334,008)	₱1,622,000	₱135,288,145	(₱521,132)	₱154,698,419	₱37,572,509	₱192,270,928
Effects of adoption of new accounting standards	—	—	—	—	—	3,306,608	—	810,043	—	4,116,651	—	4,116,651
Balances at January 1, 2018, as restated	5,694,600	13,013,197	5,043,152	469,540	(1,577,075)	(1,027,400)	1,622,000	136,098,188	(521,132)	158,815,070	37,572,509	196,387,579
Net income for the year	—	—	—	—	—	—	—	22,232,977	—	22,232,977	9,005,820	31,238,797
Other comprehensive income	—	—	—	—	—	1,000,324	—	—	—	1,000,324	176,105	1,176,429
Total comprehensive income for the year	—	—	—	—	—	1,000,324	—	22,232,977	—	23,233,301	9,181,925	32,415,226
Cash dividends - ₱1.28 per share (Note 23)	—	—	—	—	—	—	—	(7,211,255)	—	(7,211,255)	—	(7,211,255)
Acquisition of treasury shares	—	—	—	—	—	—	—	—	(44,114)	(44,114)	—	(44,114)
Reversal of appropriation	—	—	—	—	—	—	(1,622,000)	1,622,000	—	—	—	—
Appropriation during the year	—	—	—	—	—	—	4,200,000	(4,200,000)	—	—	—	—
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(5,831,777)	(5,831,777)
Acquisition of non-controlling interests	—	—	—	—	(102,474)	—	—	—	—	(102,474)	246	(102,228)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	1,623,889	1,623,889
Balances at December 31, 2018	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,679,549)	(₱27,076)	₱4,200,000	₱148,541,910	(₱565,246)	₱174,690,528	₱42,546,792	₱217,237,320
Balances at January 1, 2017	₱5,694,600	₱13,013,197	₱5,376,176	₱469,540	(₱1,577,075)	(₱5,287,457)	₱2,717,000	₱120,077,394	(₱521,132)	₱139,962,243	₱33,700,381	₱173,662,624
Net income for the year	—	—	—	—	—	—	—	21,608,695	—	21,608,695	7,670,326	29,279,021
Other comprehensive income	—	—	—	—	—	953,449	—	—	—	953,449	33,302	986,751
Total comprehensive income for the year	—	—	—	—	—	953,449	—	21,608,695	—	22,562,144	7,703,628	30,265,772
Gain on dilution	—	—	(333,024)	—	—	—	—	—	—	(333,024)	—	(333,024)
Cash dividends - ₱1.33 per share (Note 23)	—	—	—	—	—	—	—	(7,492,944)	—	(7,492,944)	—	(7,492,944)
Reversal of appropriation	—	—	—	—	—	—	(1,095,000)	1,095,000	—	—	—	—
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(3,077,223)	(3,077,223)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	(754,277)	(754,277)
Balances at December 31, 2017	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,577,075)	(₱4,334,008)	₱1,622,000	₱135,288,145	(₱521,132)	₱154,698,419	₱37,572,509	₱192,270,928

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱34,200,692	₱35,137,995	₱33,862,076
Adjustments for:			
Interest expense (Note 35)	17,048,358	14,638,588	13,117,362
Depreciation and amortization (Note 27)	11,536,837	9,818,432	8,455,978
Net unrealized foreign exchange losses	(1,951,509)	1,319,008	746,648
Impairment loss on property, plant and equipment, goodwill and other assets (Notes 2, 12, 13 and 15)	(245,489)	847,620	3,191,786
Write-off of project costs and other assets	71,802	179,225	143,613
Loss (gain) on sale of:			
Property, plant and equipment (Note 12)	301,228	292,194	52,164
FVTPL and FVOCI investments (Note 3)	(834)	8,830	–
Investment in a subsidiary (Note 9)	(4,382)	(165,876)	–
AFS investments (Note 3)	–	–	(1,549)
Unrealized mark-to-market losses (gains) on derivatives	3,889	196,096	(367,868)
Unrealized mark-to-market losses on FVTPL investments	(57,998)	13,518	–
Dividend income (Note 29)	(10,651)	(19,060)	(5,946)
Net unrealized valuation gains on investment property (Notes 14 and 29)	(1,829,732)	(511,820)	(862,219)
Interest income (Note 35)	(1,574,268)	(1,476,151)	(1,375,695)
Share in net earnings of associates and joint ventures (Note 10)	(11,502,090)	(7,727,663)	(9,053,733)
Unrealized excess of fair value over historical acquisition cost (Notes 9 and 29)	–	–	(392,340)
Operating income before working capital changes	45,985,853	52,550,936	47,510,277
Decrease (increase) in:			
Trade and other receivables	(7,383,477)	(5,046,239)	(4,444,457)
Inventories	1,327,976	(2,404,398)	(1,565,400)
Land and improvements	(360,626)	(387,780)	(444,907)
Pension asset	–	–	(82,030)
Other current assets	960,381	(3,764,697)	(2,426,441)
Increase (decrease) in:			
Trade and other payables (Note 9)	6,339,594	1,840,197	(1,235,398)
Pension liability	(15,156)	(12,940)	(98,406)
Customers' deposits	513,105	(86,326)	(708,720)
Net cash generated from operations	47,367,650	42,688,753	36,504,518
Income and final taxes paid	(4,610,604)	(4,271,404)	(4,267,206)
Net cash flows from operating activities	42,757,046	38,417,349	32,237,312
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	4,948,019	5,355,297	6,060,299
Interest received	1,724,033	1,618,973	1,480,887
Proceeds from sale of:			
FVTPL and FVOCI investments (Note 3)	506,419	156,062	–
Property, plant and equipment	85,015	35,694	414,606
AFS investments	–	–	26,731

(Forward)

	Years Ended December 31		
	2019	2018	2017
Acquisition through business combination, net of cash acquired (Note 9)	(P368,169)	(P16,211,727)	P747,150
Disposal of a subsidiary, net of cash disposed (Note 9)	–	296,441	–
Additions to:			
FVTPL and FVOCI	(554,485)	(276,062)	–
Property, plant and equipment and investment properties (Notes 12 and 14)	(12,575,634)	(10,687,679)	(18,317,445)
Investments in and advances to associates (Note 10)	(28,281,257)	(7,873,129)	(1,766,819)
AFS investments	–	–	(417,987)
Increase in intangible assets (Note 13)	(2,934,395)	(774,441)	(131,502)
Decrease (increase) in other noncurrent assets	(2,432,692)	(2,401,683)	599,306
Net cash flows used in investing activities	(39,883,146)	(30,762,254)	(11,304,774)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts - net of transaction costs (Note 18)	44,962,947	39,157,476	43,968,605
Net proceeds from (settlements of) bank loans	(1,261,449)	1,054,387	15,424,292
Proceeds from issuance (acquisition) of treasury shares (Note 22)	–	(44,114)	–
Acquisition of non-controlling interests (Note 2)	(13,114,048)	(220,200)	–
Cash dividends paid and other changes to non-controlling interest	(5,235,131)	(5,831,777)	(3,077,223)
Cash dividends paid to equity holders of the parent (Note 23)	(7,435,286)	(7,211,255)	(7,492,944)
Interest paid	(10,400,954)	(10,935,378)	(8,858,875)
Payments of:			
Long-term debts (Note 18)	(15,494,718)	(21,388,035)	(51,545,504)
Lease liabilities (Note 21)	(7,638,946)	(7,804,460)	(7,877,292)
Net cash flows used in financing activities	(15,617,585)	(13,223,356)	(19,458,941)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,743,685)	(5,568,261)	1,473,597
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	135,319	(268,924)	(460,911)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	59,033,029	64,870,214	63,857,528
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P46,424,663	P59,033,029	P64,870,214

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Philippine Securities and Exchange Commission (SEC) on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994 (see Note 22).

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in various business activities mainly in the Philippines, including power generation, retail electricity supply and power distribution, food manufacturing, banking and financial services, real estate development, and infrastructure (see Note 33). The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 6, 2020.

2. Group Information, Basis of Preparation and Summary of Significant Accounting Policies

a. Group Information

The consolidated financial statements comprise the financial statements of the Company, subsidiaries controlled by the Company and a joint operation that is subject to joint control (collectively referred to as the Group). The following are the subsidiaries as of as of December 31 of each year:

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			2019		2018	
			Direct	Indirect	Direct	Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	76.98	–	76.98	–
AboitizPower International Pte. Ltd.	Holding	Singapore	–	100.00	–	100.00
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	–	100.00	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	–	100.00	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	–	100.00	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	–	100.00	–	100.00
Malvar Enerzone Corporation (MVEZ)	Power	Philippines	–	100.00	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	–	100.00	–	100.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	–	100.00	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	–	100.00	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	–	99.94	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	–	100.00	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	–	99.93	–	99.93
Maaraw Holdings San Carlos, Inc. (MHSCI, see Note 9)	Holding	Philippines	–	100.00	–	100.00

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			2019		2018	
			Direct	Indirect	Direct	Indirect
San Carlos Sun Power, Inc. (Sacasan, see Note 9)	Power	Philippines	–	100.00	–	100.00
AboitizPower International B.V. (see Note 9)	Holding	Netherlands	–	100.00	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	–	60.00	–	60.00
Prism Energy, Inc. (PEI)	Power	Philippines	–	60.00	–	60.00
Visayan Electric Co., Inc. (VECO)	Power	Philippines	–	55.26	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power	Philippines	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power	Philippines	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	–	100.00	–	100.00
PV Sinag Power, Inc. (formerly Hedcor Ifugao, Inc.)*	Power	Philippines	–	100.00	–	100.00
Amihan Power, Inc. (formerly Hedcor Kalinga, Inc.)*	Power	Philippines	–	100.00	–	100.00
Aboitiz Solar Power, Inc. (formerly Hedcor Itogon Inc.)*	Power	Philippines	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	–	100.00	–	100.00
Hedcor Tamugan, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power	Philippines	–	100.00	–	100.00
AP Renewable Energy Corporation*	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power	Philippines	–	100.00	–	100.00
Mt. Apo Geopower, Inc.*	Power	Philippines	–	100.00	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	–	100.00	–	100.00
Hydro Electric Development Corporation*	Power	Philippines	–	99.97	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	–	100.00	–	100.00
Bakun Power Line Corporation*	Power	Philippines	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	–	100.00	–	100.00
Retensol, Inc.*	Power	Philippines	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	–	100.00	–	100.00
Cordillera Hydro Corporation (CHC)*	Power	Philippines	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc.*	Power	Philippines	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	–	100.00	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
Mindanao Sustainable Solutions, Inc.*	Services	Philippines	–	100.00	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	–	100.00	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	–	100.00	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	–	100.00	–	100.00
Therma Power-Visayas, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Central Visayas, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Subic, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Mariveles Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP) (A,C)	Power	Philippines	–	78.33	–	66.07
Therma Dinginin Holding Cooperatief U.A. (B, D)	Holding	Netherlands	–	–	–	100.00
Therma Dinginin B.V. (B, D)	Holding	Netherlands	–	–	–	100.00
Therma Dinginin Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
Therma Visayas, Inc. (TVI)*	Power	Philippines	–	80.00	–	80.00
Abovant Holdings, Inc.	Holding	Philippines	–	60.00	–	60.00
Pilmico Foods Corporation (PFC) and Subsidiaries	Food manufacturing	Philippines	100.00	–	100.00	–
Filagri Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	–	100.00	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	–	100.00	–	100.00
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	100.00	–	100.00	–
Lima Land, Inc. (LLI)	Real estate	Philippines	–	100.00	–	100.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	–	100.00	–	100.00

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			2019		2018	
			Direct	Indirect	Direct	Indirect
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	–	60.00	–	60.00
Cebu Industrial Park Services, Inc.	Services	Philippines	–	100.00	–	100.00
Misamis Oriental Land Development Corporation	Real estate	Philippines	–	60.00	–	60.00
A2 Airports, Inc. (A2) and Subsidiaries	Real estate	Philippines	–	50.00	–	100.00
78 Point Blue, Inc.	Real estate	Philippines	–	100.00	–	–
Triplecrown Properties, Inc. (TCP)	Real estate	Philippines	–	100.00	–	–
Firmwall Systems, Inc.	Real estate	Philippines	–	100.00	–	–
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	–	100.00	–	100.00
Pilmico International Pte. Ltd. (PIPL)	Holding	Singapore	–	100.00	–	100.00
Pilmico Vietnam Company Limited (formerly, Pilmico Vietnam Feeds Joint Stock Company)	Food manufacturing	Vietnam	–	100.00	–	100.00
Pilmico Viet Nam Trading Company, Ltd.	Trading	Vietnam	–	–	–	100.00
PT PILMICO Foods Indonesia	Trading	Indonesia	–	–	–	67.00
Gold Coin Management Holdings Ltd. (GCMH) (E)	Holding	British Virgin Island	–	100.00	–	75.00
GC Investment Holdings Limited	Holding	Hong Kong	–	100.00	–	100.00
Gold Coin (ZhangJiang) Company Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin (Zhangzhou) Company Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin (Zhuhai) Company Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin Feedmill (Kunming) Co. Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin Feedmill (Dongguan) Co. Ltd.	Feedmills	China	–	100.00	–	100.00
Gold Coin Management (Shenzhen) Co. Ltd.	Holding	China	–	100.00	–	100.00
Gold Coin Sabah Sdn. Bhd.	Holding	Malaysia	–	100.00	–	100.00
Gold Coin Feedmill (Dong Nai) Co. Ltd.	Feedmills	Vietnam	–	100.00	–	100.00
American Feeds Company Limited	Feedmills	Vietnam	–	100.00	–	100.00
Gold Coin Feedmill Ha Nam Co. Ltd.	Feedmills	Vietnam	–	100.00	–	100.00
Gold Coin Feed Mills (Lanka) Ltd.	Feedmills	Sri Lanka	–	60.00	–	60.00
Comfez Limited	Trading	Hong Kong	–	100.00	–	100.00
APAC Commodities Pte. Ltd.	Trading	Singapore	–	–	–	100.00
Gold Coin Group Limited	Holding	Hong Kong	–	100.00	–	100.00
Gold Coin Holdings Sdn Bhd	Holding	Malaysia	–	100.00	–	100.00
Gold Coin Services Singapore Pte Limited (GCSS)	Holding	Singapore	–	100.00	–	100.00
Gold Coin Feedmill Bing Duong Company (formerly, Pilmico Animal Nutrition Joint Stock Company (PAN JSC), see Note 9)	Feedmills	Vietnam	–	100.00	–	70.00
Comfez Pte. Ltd. (CPL)	Trading	Singapore	–	100.00	–	100.00
Myanmar Gold Coin International Co. Ltd.	Feedmills	Myanmar	–	100.00	–	100.00
KLEAN Greentech Co. Ltd.	Feedmills	Thailand	–	49.00	–	49.00
Gold Coin Vietnam Holdings Pte. Ltd.	Holding	Singapore	–	100.00	–	–
Gold Coin Aqua Feed Incorporated (formerly, Syaqua Group Incorporated)	Holding	British Virgin Island	–	100.00	–	100.00
Gold Coin Aqua Feed (Hong Kong) Ltd. (formerly, Syaqua Holdings (Hong Kong) Ltd)	Holding	Hong Kong	–	100.00	–	100.00
Gold Coin Aqua Feed (Singapore) Pte. Ltd. (formerly, SYAQUA Singapore Pte Ltd)	Holding	Singapore	–	100.00	–	100.00
Gold Coin Specialities Sdn. Bhd.	Feedmills	Malaysia	–	70.00	–	70.00
Gold Coin Specialities (Thailand) Co. Ltd.	Feedmills	Thailand	–	93.90	–	93.90
P.T. Gold Coin Trading Indonesia	Feedmills	Indonesia	–	100.00	–	100.00
P.T. Gold Coin Indonesia	Feedmills	Indonesia	–	100.00	–	100.00
P.T. Gold Coin Specialities	Feedmills	Indonesia	–	99.90	–	99.90
PT Ayam Unggul	Feedmills	Indonesia	–	60.00	–	60.00
FEZ Animal Nutrition Pte Ltd	Holding	Singapore	–	100.00	–	100.00
FEZ Animal Nutrition Philippines, Inc.	Holding	Philippines	–	40.00	–	40.00
FEZ Animal Nutrition Pakistan (Private Limited)	Holding	Pakistan	–	100.00	–	100.00
FEZ Animal Nutrition (Malaysia) Sdn. Bhd.	Holding	Malaysia	–	100.00	–	100.00
Gold Coin Malaysia Group Sdn. Bhd.	Holding	Malaysia	–	70.00	–	70.00
Gold Coin Feedmills (Malaysia) Sdn. Bhd.	Feedmills	Malaysia	–	100.00	–	100.00
Gold Coin Feedmill (Sabah) Sdn. Bhd.	Feedmills	Malaysia	–	100.00	–	100.00
Gold Coin Sarawak Sdn. Bhd.	Feedmills	Malaysia	–	72.80	–	72.80
Bintawa Fishmeal Factory Sdn. Bhd.	Feedmills	Malaysia	–	72.80	–	72.80
Golden Livestock Sdn Bhd.	Holding	Malaysia	–	100.00	–	100.00

	Nature of Business	Place of Incorporation	Percentage of Ownership			
			2019		2018	
			Direct	Indirect	Direct	Indirect
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	100.00	–	100.00	–
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	73.31	26.69	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	100.00	–	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	100.00	–	100.00	–
Aboitiz Infracapital, Inc. (Aboitiz Infracapital)	Holding	Philippines	100.00	–	100.00	–
Lima Water Corporation (LWC)	Water Infrastructure	Philippines	–	100.00	–	100.00
Apo Agua Infraestructura, Inc. (Apo Agua)*	Water Infrastructure	Philippines	22.22	47.78	22.22	47.78

a) Part of Therma Mariveles Group

b) Part of Therma Dinginin Group

c) In 2019, ownership increased in relation to AA Thermal, Inc. (ATI) acquisition (see Note 10)

d) Dissolved and liquidated in 2019 as part of TPI's restructuring of its offshore intermediary companies acquired as part of the GNPowder acquisition

e) In 2019, ownership increased in relation to the acquisition of the noncontrolling interest in GCMH (see Note 10)

* No commercial operations as of December 31, 2019.

b. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, investments in certain debt and equity securities, and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and joint operation that are subject to joint control. The Group controls an investee if and only if the Group has:

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

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

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

The Group 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 when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of

during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. 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 non-controlling 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; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income 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

Interest in Joint Operations

On May 15, 2014, the Group, through TPI, entered into a shareholders' agreement with TPEC Holdings Corporation (TPEC) for the development, construction and operation of the 400 MW Pagbilao Unit III in Pagbilao, Quezon through Pagbilao Energy Corporation (PEC). TPI and TPEC both agreed to provide their respective capital contributions and subscribe to common shares such that each stockholder owns 50% of the issued and outstanding shares of stock of PEC.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis.

Transactions with Non-controlling Interests

Non-controlling interests represent the portion of total comprehensive income or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied PFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but did not have any significant impact on the Group's consolidated financial statements:

- PFRS 16, *Leases*

PFRS 16 was issued in January 2016 and it replaces Philippine Accounting Standard (PAS) 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. 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*.

Lessor accounting under PFRS 16 is substantially unchanged from 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. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative information.

The Group has elected to apply PFRS 16 transition relief to contracts that were previously identified as leases applying PAS 17 and IFRIC 4. The Group will therefore not apply PFRS 16 to contracts that were not previously identified as containing a lease applying PAS 17 and IFRIC 4. The Group also elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The effects of adoption on the consolidated financial statements are as follows:

	As of January 1, 2019
Increase (decrease) in consolidated balance sheets:	
Property, plant and equipment	₱4,165,866
Investments in and advances in associates and joint ventures	(18,692)
Other noncurrent assets	(1,628,060)
Total Assets	<u>₱2,519,114</u>

	As of January 1, 2019
Lease liabilities	₱49,786,728
Finance lease obligation	(46,894,355)
Retained earnings	(278,423)
Non-controlling interests	(94,836)
Total Liabilities and Equity	<u>₱2,519,114</u>

Prior to adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the consolidated statement income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under “Other current assets” or “Other noncurrent assets” and “Trade and other payables”, respectively.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 was applied to these leases from January 1, 2019. The Group reclassified amounts previously recognized under the “Finance lease obligations” account to “Lease liabilities” account in the consolidated balance sheet.

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 most 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. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. 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.

The Group also applied the following practical expedients provided by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Apply the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application,
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as of December 31, 2018	₱8,431,080
Incremental borrowing rate as of January 1, 2019	3.40% to 14.51%
Discounted operating lease commitments at January 1, 2019	2,990,670
Less: Commitments relating to short-term leases and low-value assets	(96,869)
Others	(1,428)
Add: Commitments to leases previously classified as finance leases	46,894,355
Lease liabilities as of January 1, 2019	₱49,786,728

- IFRIC Agenda Decision on Over Time Transfer of Constructed Good (PAS 23, *Borrowing Costs*) for the Real Estate Industry

In March 2019, the IFRS Interpretations Committee (the Committee) issued IFRIC Update summarizing the decisions reached by the Committee in its public meetings. The March 2019 IFRIC Update includes the Committee's Agenda Decision on the capitalization of borrowing cost on over time transfer of constructed goods. The IFRIC Agenda Decision clarified whether borrowing costs may be capitalized in relation to the construction of a residential multi-unit real estate development (building) which are sold to customers prior to start of construction or completion of the development.

Applying paragraph 8 of PAS 23, an entity capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Paragraph 5 of PAS 23 defines a qualifying asset as "an asset that necessarily takes a substantial period of time to get ready for its intended use or sale". Under the March 2019 IFRIC Update, the Committee clarified that the related assets that might be recognized in the real estate company's financial statements (i.e., installment contract receivable, contract asset, or inventory) will not qualify as a qualifying asset and the corresponding borrowing cost may no longer be capitalized.

The agenda decision did not have a significant effect on the consolidated financial statements as there were no material borrowing costs capitalized.

- 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.

This amendment does not have an impact on the consolidated financial statements.

- 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:

- 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
- 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.

Since the Group's current practice is in line with these amendments, these amendments do not have any effect on its consolidated financial statements.

- 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*.

Since the Group does not have such long-term interests in its associate and joint venture, the amendments do not have an impact on its consolidated financial statements.

- 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*, and 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:

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, that it is probable that its uncertain tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements.

- *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.

These amendments are currently not applicable to the Group but may apply to future transactions.

- 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.

These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Income Tax Consequences of 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.

Since the Group's current practice is in line with these amendments, these amendments do not have any effect on its consolidated financial statements.

New Standards and Interpretation Issued and Effective after December 31, 2019

The Group will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements.

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*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

A fair value measurement of a 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 re-assessing 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.

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.

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties, and property, plant and equipment. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the Valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen valuers, which valuation techniques and inputs to use for each case.

At each balance sheet date, the Team analyzes the movements in the values of the investment properties, and property, plant and equipment which are required to be re-measured or re-assessed in accordance with the subsidiary's accounting policies. The Team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Instruments - Classification and Measurement in Accordance with PFRS 9 (applicable in 2019 and 2018)

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss (FVTPL)
- financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Business model

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at amortized cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially

recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the consolidated statement of income.

The Group's debt financial assets as of December 31, 2019 and 2018 consist of cash in banks, including restricted cash, cash equivalents, trade and other receivables and the Power Sector Assets and Liabilities Management Corporation (PSALM) deferred adjustment - net of current portion included in "Other noncurrent assets" in the consolidated balance sheet. The Group assessed that the contractual cash flows of its debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

Financial assets at FVOCI

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

Financial assets at FVTPL

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

statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of income.

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

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

The Group's investments in quoted equity securities and in unquoted equity shares are measured at FVTPL as of December 31, 2019 and 2018.

Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at FVTPL
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement
- financial guarantee contracts
- commitments to provide a loan at a below-market interest rate
- contingent consideration recognized by an acquirer in accordance with PFRS 3

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income. The Group's financial liabilities measured at amortized cost as of December 31, 2019 and 2018 include trade and other payables, customers' deposits, bank loans, lease liabilities, long-term obligation on PDS and long-term debts (see Note 35).

Reclassifications of financial instruments

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

The Group does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and

- There is a change in measurement on credit exposures measured at FVTPL.

Financial Instruments - Initial Recognition and Subsequent Measurement in Accordance with PAS 39 (applicable in 2017)

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS investments. For financial liabilities, the Group also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every balance sheet date.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value of 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 statement of income 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 only recognized in the consolidated statement of income 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 amount.

(a) Financial assets or financial liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated and considered as hedging instruments in an effective hedge.

Financial assets and liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) 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; (ii) the assets and liabilities are part of a group of financial assets, liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk managing strategy; or (iii) the financial

instruments contains an embedded derivative that would need to be recorded separately, unless the embedded derivative does not significantly modify the cash flow or it is clear, with little or no analysis, that it would not be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset or financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded at the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payments has been established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. Loans and receivables are carried at amortized cost less allowance for impairment. Amortization is determined using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(c) HTM investments

HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and would have to be reclassified as AFS investments. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process.

(d) AFS investments

AFS investments are non-derivative financial assets that are either designated as AFS or not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Quoted AFS investments are measured at fair value with gains or losses being recognized as other comprehensive income, until the investments are derecognized or until the investments are determined to be impaired at which time, the accumulated gains or losses previously reported in other comprehensive income are included in the consolidated statement of income. Unquoted AFS investments are carried at cost, net of impairment. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate.

Dividends earned on investments are recognized in the consolidated statement of income when the right of payment has been established.

(e) Other financial liabilities

This category pertains to issued financial liabilities or their components that are neither held for trading nor designated as at FVPL upon the inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of income when liabilities are derecognized, as well as through amortization process.

Derivative Financial Instruments

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVPL, unless designated as effective hedge. Changes in fair values of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVTPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVTPL.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Under PAS 39, the documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period for which they were designated.

Under PFRS 9, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Group's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses foreign currency forward contracts as hedges of its exposure to foreign currency risk in forecast transactions, as well as commodity swap contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency forward contracts and the commodity contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Group designated all of the foreign currency forward and commodity swap contracts as hedging instrument. The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a nonfinancial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a nonfinancial asset or nonfinancial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to the statement of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Classification of Financial Instruments Between Liability and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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

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

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

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

Derecognition of Financial Assets and 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 when, and only when:

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

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and

- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, 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 or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Impairment of Financial Assets in Accordance with PFRS 9 (applicable in 2019 and 2018)

PFRS 9 introduces the single, forward-looking "expected loss" impairment model. The Group recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the balance sheet date are recognized.

Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the balance sheet date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

Determining the stage for impairment

At each balance sheet date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the balance sheet date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost

or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to trade receivables. The Group has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Guarantee Contracts and Loan Commitments

Financial guarantees are contracts issued by the Group that require it to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value. Subsequently, these are measured at the higher of:

- the amount of the loss allowance determined in accordance with the ECL model; and
- the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of PFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans that can be settled net in cash or by delivering or issuing another financial instrument or that are issued at below-market interest rates.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for financial instruments that include both a loan and an undrawn commitment (i.e. loan commitment) component where the Group cannot separately identify the expected credit losses on the loan commitment component from those on the loan component, the expected credit losses on the loan commitment should be recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognized as a provision.

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 generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

Redeemable Preferred Shares (RPS)

The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the consolidated statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-

convertible bond; and this amount is carried as a long-term liability on the amortized cost basis until extinguished on redemption.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- | | | |
|--|---|---|
| Wheat grains and trading inventories | - | purchase cost on a specific identification basis; |
| Other raw materials and production supplies, materials, parts and supplies | - | purchase cost on a moving average method |
| Finished goods | - | cost of direct materials, labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs; |
| Fuel | - | purchase cost on a first-in, first-out basis; |

NRV of wheat grains and other raw materials and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. An allowance for inventory losses and inventory shrinkage is provided, when necessary, based on management's review of inventory turnover in accordance with prescribed policies. NRV of fuel and lubricants and materials, parts and supplies is the current replacement costs.

Real estate inventories include land and condominium units, land and land improvements and residential lots for sale. Real estate inventories are carried at the lower of cost and NRV (i.e., estimated selling price less estimated costs to complete and sell). Cost includes costs incurred for the acquisition, development and improvement of the properties as well as the borrowing costs allowed to be capitalized. The costs of inventory recognized in the consolidated statement of income is determined with reference to the specific costs incurred on the real estate sold and an allocation on a pro-rata basis on any non-specific costs.

Land and Improvements

Land and improvements consist of properties for future development and are carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties. Cost of land and improvements is transferred to real estate inventories upon commencement of the real estate project.

Agricultural Activity

Agricultural produce

Agricultural produce (livestock and poultry) are measured at fair value less estimated costs to sell at point of harvest.

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated costs to sell except when, on initial recognition, market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly

unreliable. In such cases, those biological assets are measured at accumulated costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such biological assets becomes reliably measurable, those biological assets are measured at fair value less estimated costs to sell.

Gains or losses arising on initial recognition of a biological asset (for market hogs, piglets, growing stock, broilers and others) at fair value less estimated costs to sell and from changes in their fair values less estimated costs to sell are included in the consolidated statement of income for the period in which they arise.

Biological assets measured at fair value less estimated costs to sell continue to be measured as such until disposed. Expenditures on biological assets subsequent to initial recognition, excluding the costs of day-to-day servicing, are capitalized.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each balance sheet date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

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

Interest in Joint Operations

A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRSs.

Business Combination 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 non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at 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. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest (based on the proportionate share of the Group in the identifiable net assets of the acquiree) over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as "bargain purchase gain" in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. 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 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.

Impairment of goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Common control business combination

Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Property, Plant and Equipment

Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and

nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred and the recognition criteria are met. Cost also include decommissioning liability relating to the decommissioning of power plant, if any. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Depreciation and amortization of the Group's property, plant and equipment and assets under finance leases is calculated on a straight-line basis over the useful lives of the assets as follows:

Category	Estimated Useful Life (in years)
Buildings, warehouses and improvements	10 - 50
Power plant and equipment	2 - 50
Steam field assets	20 - 25
Transmission, distribution and substation equipment:	
Power transformers	30
Poles and wires	20 - 40
Other components	12 - 30
Machinery and equipment	2 - 40
Transportation equipment	2 - 15
Office furniture, fixtures and equipment	1 - 25
Office furnitures and fixtures	2 - 5
Communication and computer equipments	2-5
Electrical equipment	5 - 25
Meters and laboratory equipment	25
Leasehold improvements	3 - 20
Tools and others	2 - 30

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and depreciation and amortization methods are reviewed and adjusted, if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria satisfied.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Leases (prior to adoption of PFRS 16)

Arrangement Containing a Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement 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:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- 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 gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Finance lease

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Obligations arising from plant assets under finance lease agreement are classified in the consolidated balance sheet as lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are charged directly against profit or loss.

Capitalized leased assets are depreciated over the estimated useful life of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease

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

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.

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.

Right-of-use assets

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
Land	10-50
Building	2-50
Power plant	20-25
Manufacturing Plant, Equipment and others	2-20

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, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating 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 leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and 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.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PFRS 15 (PAS 18 in 2017) for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PFRS 15 (PAS 18 in 2017). Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract. The applicable entities account for revenue and costs relating to operation services in accordance with PFRS 15.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right

The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated economic useful life is ranging from 18 to 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts

The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method are reviewed at least at each financial year end. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise

The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses

Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs

Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Research and Development Expenditure

The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Investment Properties

Investment properties, which pertain to land, land improvements and buildings, are measured initially 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, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Decommissioning liability

The decommissioning liability arose from the Group's obligation, under its contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding

of the discount is expensed as incurred and recognized in the consolidated statement of income as an "Accretion of decommissioning liability" under the "Interest expense" account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the steam field asset. The amount deducted from the cost of the steam field asset, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the steam field asset, the excess shall be recognized immediately in the consolidated statement of income.

Impairment of Nonfinancial Assets

Property, plant and equipment, intangible assets, investments and advances and other current and noncurrent assets excluding restricted cash and PSALM deferred adjustment

The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset 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. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet 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 accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be

measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account, net of tax. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings

Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial balance sheet date are dealt with as an event after the financial balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares

The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Foreign Currency Translation

The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. 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 the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

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

As at the balance sheet date, the assets and liabilities of subsidiaries and associates whose functional currencies are not the Philippine peso, are translated into the Group's presentation currency at the rate of exchange ruling at the balance sheet date, and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income as cumulative translation adjustment. On disposal of any of these subsidiaries or associates, the deferred cumulative amount recognized in other comprehensive income relating to the disposed entity is recognized in the consolidated statement of income.

Revenue Recognition

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

Sale of Power

Contracts with customers for the Power Group generally include power generation and ancillary services and power distribution and retail supply.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Revenue from power generation and ancillary services is recognized in the period actual capacity is generated. Revenue is recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

Under PAS 18, revenue from power generation is recognized in the period actual capacity is generated. Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefit as the seller supplies power.

In contracts with fixed capacity payments which are determined at contract inception, the fixed capacity payments for the entire contract period is determined at day 1 and is recognized over time. Specifically, on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices, the fixed escalation is recognized on a straight-line basis over the contract period.

Some contracts with customers provide unspecified quantity of energy, includes provisional Energy Regulatory Commission (ERC) rates, and volume and prompt payment discounts that give rise to variable consideration. Under PFRS 15, the variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of constraint on variable consideration resulted in the same revenue recognition under PAS 18.

Power distribution and retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue is recognized over time based on amounts billed.

Sale of Goods

Revenue from the sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods before transferring them to the customer.

Sale of Real Estate

Contracts with customers for the Real Estate Group's real estate segment generally include sale of lot, sale of house and lot and sale of unfurnished and fully furnished condominium units.

For the sale of lot, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the development of lot is used as an input to deliver a combined output.

For the sale of house and lot, the house and lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan.

If the sale of lot, house and lot and unfurnished and fully furnished condominium units occurs at completion, the Real Estate Group shall recognize revenue at a point in time when control of the asset is transferred to the customer, generally on delivery of the properties. Otherwise, if the sale occurs prior to completion, the Real Estate Group shall recognize over time, using the output method (i.e., POC) as the appropriate measure of progress, satisfying the criterion of which the Real Estate Group's performance does not create an asset with an alternative use and the Real Estate Group has an enforceable right to payment for performance completed to date.

The buyer could enforce its rights to the promised property if the developer seeks to sell the unit to another buyer. This contractual restriction on the developer's ability to direct the promised property for another use is considered substantive as the property is not interchangeable with other properties that the entity could transfer to the buyer without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. The Real Estate Group also has enforceable right to payment for performance completed to date notwithstanding contract terminations.

In determining the transaction price for real estate sales, the Real Estate Group considers the existence of significant financing component. Contracts with real estate customers provide two alternative payment options, spot cash and installment payments, after the contracts are signed. For both payment options, the Real Estate Group concluded that there is a significant financing component because the timing between when the customer pays for the property and when the Real Estate Group transfers the property to the customer do not match and the period between transfers are more than a year. The transaction price for such contracts is determined by discounting the amount of promised consideration using the appropriate discount rate. The Real Estate Group also concluded that there is a significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of property to the customer, as well as the prevailing interest rates in the market.

However, pursuant to the said SEC Memorandum Circular No. 14, series of 2018, the Real Estate Group opted to avail of the relief for the deferral of the accounting for the significant financing component in recognizing revenue from its real estate sales.

Rendering of services

Service revenues are recognized when the related services are rendered. Customer payments for which services have not yet been rendered are classified as unearned revenue under "Trade and other payables" account in the consolidated balance sheets.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the related lease terms.

Dividend income

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

Interest income

Interest income is recognized as it accrues taking into account the effective yield on the asset.

Costs and Expenses

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

Pension Benefits

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 statement of income. 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 statement of income.

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

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

benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

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 amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in OCI is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on 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, except:

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

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

Value-added Tax (VAT)

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 statement of financial position. 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.

Input VAT, which is presented as part of “Other current assets” and/or “Other noncurrent assets” in the consolidated balance sheet, is recognized as an asset and will be used to offset the Group’s current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, 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 statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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 a borrowing cost.

Contingencies

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

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share

Basic earnings per common share are computed by dividing net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive common stock equivalents.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Group and its subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting period.

Operating Segments

For management purposes, effective September 2015, the Group is organized into five major operating segments (power, food manufacturing, financial services, real estate and infrastructure) according to the nature of the products and the services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on operating segments is presented in Note 33.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual financial statements, except for those that relate to the adoption of PFRS 16.

Judgments

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

Determining functional currency

Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine peso, except for certain subsidiaries and associates whose functional currencies are the US dollar (US\$), Singapore dollar, Vietnamese Dong, Indonesian Rupiah, Renminbi, Malaysian Ringgit, Sri Lanka Rupee, Pakistani Rupee, Myanmar Kyat, or Thai Baht. The Philippine peso is the currency of the primary economic environment in which most of the companies in the Group operate and it is the currency that mainly influences their revenues and costs.

Determination of control or joint control over an investee company

Control is presumed to exist when an investor 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. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as of December 31, 2019 and 2018, the Company had the ability to exercise control over these investees (see Note 2).

Nonconsolidation of certain investees

The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat (SNAP-Magat), Inc., SN Aboitiz Power-Benguet

(SNAP-Benguet), Inc., SN Aboitiz Power-RES, Inc. (SNAP-RES), and SN Aboitiz Power-Generation, Inc. (SNAP-Generation).

The Group has 60% and 72.5% interest in AA Thermal and GNPD respectively.

The Group does not consolidate MORE, AA Thermal and GNPD since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees, AA Thermal and GNPD, and their respective investees. This is a result of the partnership and shareholders' agreements which, among others, stipulate the management and operation of MORE, AA Thermal and GNPD. Management of MORE, AA Thermal and GNPD are vested in their respective BOD or "Management Committee" and the affirmative vote of the other shareholder or partners is required for the approval of certain company actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc. (RCBMI), 99.63% ownership interest in Republic Cement Mindanao, Inc. (RCMI), 94.63% ownership interest in Republic Cement Iligan, Inc. (RCII) and 100% ownership interest in Luzon Continental Land Corporation (LCLC).

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH and MORE as associates that are accounted for using the equity method in the consolidated financial statements.

Determining a joint operation

The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

Service concession arrangements - Companies in the Group as Operators

Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer agreement with Mactan Cebu International Airport Authority (MCIAA); LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC) and Apo Agua's Treated Bulk Water concession agreement with Davao City Water District (DCWD). SEZ, MEZ, LHC and Apo Agua's service concession agreements were accounted for under the intangible asset model.

The Company's associate, STEAG, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

*Finance lease - Group as the lessee, applicable under Philippine Interpretation IFRIC 4 and PAS 17
(see Note 2 on application of the transition relief)*

In accounting for its Independent Power Producer Administration Agreement (IPP Administration Agreement) with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of the power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a finance lease and recognized the power plant and lease liability at the present value of the agreed monthly payments to PSALM (see Note 21).

The power plant is depreciated over its estimated useful life as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2019 and 2018, the carrying value of the power plant amounted to ₱33.6 billion and ₱34.7 billion, respectively (see Note 12). The carrying value of the lease liability amounted to ₱42.1 billion and ₱46.9 billion as of December 31, 2019 and 2018, respectively (see Note 21).

Identifying performance obligations under PFRS 15 applicable in 2019 and 2018

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Power distribution and retail supply also qualify as a series of distinct goods or services which is accounted for as one performance obligation since the delivery of energy every month are distinct services which are recognized over time and have the same measure of progress.

For sale of developed lots, the lot and the development made on the lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract as the lot development is used as an input to deliver a combined output. For

the sale of house and lot, the house and lot are separately identifiable promises but are combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan.

Revenue recognition under PFRS 15 applicable in 2019 and 2018

The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group concludes that:

- revenue from power generation, power distribution, ancillary services and retail supply are to be recognized over time, since customers simultaneously receives and consumes the benefits as the Group supplies power;
- when a contract is judged to be for the construction of a property, revenue is recognized using the POC method as construction progresses. The POC is made reference to the stage of completion of projects and contracts determined on the basis of the estimated completion of physical proportion of the contract work;
- for sale of goods, revenue is recognized at a point in time, generally on the delivery of goods.

Identifying methods for measuring progress of revenue recognized over time under PFRS 15 applicable in 2019 and 2018

The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation and ancillary services, the Group determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on:

For power generation and ancillary services:

- a. For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
- b. For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

For power distribution and retail supply, the Group uses the actual kilowatt hours consumed, which are also billed on a monthly basis.

The Group recognizes revenues from real estate sales over time using output method in measuring progress. The use of output method is the best method in measuring progress since the entitlement of the customers to the output performed as of date is easily measured and observed on the basis that POC for the construction of real estate properties is determined using the estimated completion of physical proportion of the contract work.

Determining method to estimate variable consideration and assessing the constraint under PFRS 15 applicable in 2019 and 2018

The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

For Power Group, some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. It is determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Allocation of variable consideration under PFRS 15 applicable in 2019 and 2018

Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power distribution, ancillary services and retail supply revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

Distinction among real estate inventories, land and improvements, and investment properties

The Group determines whether a property is classified as real estate inventories, land and improvements or investment properties:

- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.
- Land and improvements comprise land and related improvements that are part of the Group's strategic land banking activities for development or sale in the medium or long-term. These properties are neither developed nor available for sale and therefore not yet considered as part of real estate inventories.
- Investment properties comprise land, land improvements and buildings (principally composed of offices, commercial warehouses and retail properties) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.

The Group considers each property separately in making its judgment.

Determining fair value of customers' deposits

In applying PFRS 9 on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using alternative valuation techniques since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits amounted to ₱6.7 billion and ₱6.1 billion as of December 31, 2019 and 2018, respectively (see Notes 19 and 36).

Classification of financial instruments

The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either 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.

Contractual cash flows assessment

For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of business model in managing financial instruments

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the

classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation 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 as follows:

Acquisition accounting

The Group accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition date (see Note 9).

Estimating allowance for impairment losses on investments and advances

Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairment indicators in 2019 and 2018 based on management's assessment. The carrying amounts of the investments in and advances to associates and joint ventures amounted to ₱140.4 billion and ₱107.0 billion as of December 31, 2019 and 2018, respectively. The allowance for impairment losses amounted to ₱680.7 million as of December 31, 2019 and 2018 (see Note 10).

Assessing impairment of 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. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2019 and 2018 amounted to ₱56.3 billion and ₱56.4 billion, respectively (see Note 13). Goodwill impairment recognized in 2018 amounted to ₱45.9 million (see Note 29). No impairment of goodwill was recognized in 2019 and 2017.

Estimating useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment 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 property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of

December 31, 2019 and 2018, the net book values of property, plant and equipment, excluding land and construction in progress, amounted to ₱178.9 billion and ₱181.8 billion, respectively (see Note 12).

Estimating residual value of property, plant and equipment

The residual value of the Group's property, plant and equipment is estimated based on the amount that the entity would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates. As of December 31, 2019 and 2018, the net book values of property, plant and equipment, excluding land, amounted to ₱222.5 billion and ₱218.7 billion, respectively (see Note 12).

Estimating useful lives of intangible asset - service concession rights

The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 18 to 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2019 and 2018, the net book value of intangible asset - service concession rights amounted to ₱6.5 billion and ₱3.8 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - customer contracts

The Group estimates the useful lives of intangible asset arising from customer contracts based on the period over which the asset is expected to be available for use which is six years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of December 31, 2019 and 2018, the net book values of intangible assets - customer contracts amounted to ₱14.9 million and ₱27.4 million, respectively (see Note 13).

Estimating useful life of franchise

The Group estimates the useful life of VECO's distribution franchise based on the period over which the asset is estimated to be available for use which is 40 years, consisting of 15 years remaining contract period from date of business combination and expected probable renewal covering another 25 years. As of December 31, 2019 and 2018, the carrying value of franchise amounted to ₱2.6 billion (see Note 13).

Assessing impairment of nonfinancial assets

The Group assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (other current assets, property, plant and equipment, intangible assets (excluding goodwill), and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the other current assets, property, plant and equipment, intangible assets (excluding goodwill) and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the

consolidated balance sheets and consolidated statements of income. The aggregate net book values of these assets as of December 31 are as follows:

	2019	2018
Property, plant and equipment (see Notes 12 and 21)	₱225,558,765	₱221,689,945
Other current assets (see Note 7)	14,956,539	13,001,723
Intangible assets (see Note 13)	10,478,363	7,415,640
Other noncurrent assets (see Note 15)	8,319,366	9,175,124
	₱259,313,033	₱251,282,432

Impairment losses recognized on these nonfinancial assets in 2019, 2018 and 2017 amounted to nil, ₱847.6 million and ₱3.2 billion, respectively.

Measurement of ECL under PFRS 9, applicable in 2019 and 2018

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the balance sheet date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- *Financial assets that are credit-impaired at the balance sheet date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- *Undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- *Financial guarantee contracts:* as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Group to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques under PFRS 9, applicable in 2019 and 2018

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*

The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the

next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default*

Loss Given Default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.

- *Exposure at default*

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the balance sheet date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by customer segment.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables and contract assets under PFRS 9, applicable in 2019 and 2018

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every balance sheet date, the

historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information under PFRS 9, applicable in 2019 and 2018

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates, gross domestic product growth and net personal income growth.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Group's allowance for ECL of trade and other receivables will increase the Group's recorded expenses and decrease current assets. As of December 31, 2019 and 2018, allowance for ECL amounted to ₱2.8 billion and ₱2.5 billion, respectively. Trade and other receivables, net of allowance for ECL, amounted to ₱35.2 billion and ₱35.1 billion as of December 31, 2019 and 2018, respectively (see Note 5).

Estimating allowance for inventory obsolescence

The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2019 and 2018, allowance for

inventory obsolescence amounted to ₱103.1 million and ₱103.4 million, respectively. The carrying amount of inventories, net of valuation allowance, amounted to ₱20.8 billion and ₱22.0 billion as of December 31, 2019 and 2018, respectively (see Note 6).

Estimating the incremental borrowing rate (IBR)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The carrying amount of the lease liabilities amounted to ₱45.3 billion and ₱46.9 billion as of December 31, 2019 and 2018, respectively (see Note 21).

Estimating decommissioning liability

Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of its lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under "Interest expense" in the consolidated statements of income.

Changes in the decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Decommissioning liability amounted to ₱3.6 billion and ₱3.7 billion as of December 31, 2019 and 2018, respectively (see Note 20).

Recognition of deferred income tax assets

The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting ₱3.1 billion and ₱2.3 billion as of December 31, 2019 and 2018, respectively (see Note 31).

The Group did not recognize its deferred income tax assets on NOLCO generated in 2019 and 2018 amounting to ₱9.7 billion and ₱6.2 billion, respectively, and on MCIT paid in 2019 and 2018 amounting to ₱80.9 million and ₱90.2 million, respectively (see Note 31).

Pension benefits

The costs of defined benefit pension plans, as well as the present value of the pension obligation, are 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 balance sheet date.

Net benefit expense amounted to ₱315.8 million in 2019, ₱318.7 million in 2018 and ₱350.9 million in 2017. The net benefit asset as of December 31, 2019 and 2018 amounted to ₱190.2 million and ₱158.6 million, respectively (see Note 30). Net pension liabilities as of December 31, 2019 and 2018 amounted to ₱639.2 million and ₱486.2 million, respectively (see Note 30).

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 30.

Fair value less estimated costs to sell of biological assets

The Group determines the most reliable estimate of fair value less estimated costs to sell of its biological assets. Fair value reflects the most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Point-of-sale cost is estimated based on recent transactions and is deducted from the fair value in order to measure the biological assets at balance sheet date.

As of December 31, 2019 and 2018, the carrying value of the biological assets amounted to ₱1.1 billion and ₱1.2 billion, respectively (see Note 8).

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree

of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each balance sheet date. The determination of the fair value is based on discounted cash flows.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statements of income. The Group engaged an independent valuation specialist to assess the fair values of these properties. For these assets, the valuation methodology used was Sales Comparison Approach. This method considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison (see Note 14).

Legal contingencies

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2019, 2018 and 2017.

4. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	₱18,151,459	₱14,866,870
Short-term deposits	28,273,204	44,166,159
	₱46,424,663	₱59,033,029

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Interest income earned from cash and cash equivalents amounted to ₱1.5 billion in 2019 and 2018 and ₱1.4 billion in 2017 (see Note 35).

5. Trade and Other Receivables

	2019	2018 (As restated; see Note 9)
Trade receivables (see Note 35)		
Power	₱14,931,949	₱14,717,574
Food manufacturing	7,492,861	9,087,857
Real estate	5,196,331	3,982,424
Holding and others	1,222,026	742,550
	28,843,167	28,530,405
Nontrade receivables	5,926,179	6,967,769
Accrued revenues	3,463,904	3,493,246
Dividends receivable (see Note 10)	1,199,068	665,783
Advances to contractors	63,339	148,300
Others	901,201	1,191,295
	40,396,858	40,996,798
Less allowance for expected credit losses	2,778,226	2,455,396
	37,618,632	38,541,402
Less noncurrent portion	2,423,038	3,441,898
	₱35,195,594	₱35,099,504

Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

For terms and conditions relating to related party receivables, refer to Note 34.

Non-trade receivables include advances to partners in GMCP and PSALM adjustment recoverable from the customers of distribution subsidiaries. These advances are subject to offset against any cash dividends declared by GMCP and due to the partners. PSALM adjustment refers to the current and non-current portions of the amounts pertaining to Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA) which, as granted by the ERC, are to be recovered from the customers and to be remitted to PSALM.

Other receivables include accrued interest income.

Trade Receivables of Real Estate Group

Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱4.9 billion and ₱282.8 million, respectively, as of December 31, 2019, and ₱3.7 billion and ₱258.8 million, respectively, as of December 31, 2018.

Trade receivables include contract assets amounting to ₱1.1 billion and ₱754.9 million as of December 31, 2019 and 2018, respectively.

Contract assets represent excess of recognized revenues from contracts with real estate customers determined based on percentage-of-completion, against amounts billed to customers. The movements of this account are shown below:

	2019	2018
At January 1	₱754,893	₱3,043,770
Unbilled revenues for the year	348,305	98,479
Provision for expected credit losses for the year	(3,681)	(147)
Billed revenues recognized in prior years	-	(2,387,210)
At December 31	₱1,099,517	₱754,892

The rollforward analysis of allowance for expected credit losses as of December 31, 2019 and 2018 is presented below:

December 31, 2019

	Trade Receivables			Total
	Power	Food Manufacturing	Real Estate	
At beginning of year	₱1,749,991	₱602,570	₱102,835	₱2,455,396
Provisions (see Note 27)	87,086	191,680	-	278,766
Write-off	(89,496)	(30,294)	-	(119,790)
Reversals/recovery/others	225,939	(62,085)	-	163,854
At end of year	₱1,973,520	₱701,871	₱102,835	₱2,778,226

December 31, 2018

	Trade Receivables			Total
	Power	Food Manufacturing	Real Estate	
At beginning of year	₱1,861,774	₱114,813	₱102,231	₱2,078,818
Acquisition of a subsidiary	-	620,454	-	620,454
Provisions (see Note 27)	235,818	71,446	2,556	309,820
Write-off	(347,601)	(3,953)	(216)	(351,770)
Reversals/recovery/others	-	(200,190)	(1,736)	(201,926)
At end of year	₱1,749,991	₱602,570	₱102,835	₱2,455,396

Reversals of allowance for impairment losses are presented as part of “Others - net” under “Other income (expense) - net” account in the consolidated statements of income.

6. Inventories and Land and Improvements

Inventories

	2019	2018 (as restated; see Note 9)
At cost:		
Real estate inventories	₱4,891,197	₱4,417,009
Materials, parts and supplies	4,245,715	3,297,723
Fuel and lubricants	2,514,447	3,521,390
Raw materials	2,058,603	2,336,914
Finished goods (see Note 27)	1,468,608	1,752,729
At NRV:		
Wheat grains and other raw materials	4,600,943	5,544,440
Materials, parts and supplies	997,315	1,107,234
	₱20,776,828	₱21,977,439

A summary of the movement in real estate inventories is set out below:

	2019	2018 (as restated; see Note 9)
Real estate inventories:		
At January 1	₱4,417,009	₱2,445,692
Construction/development costs incurred	2,086,632	2,252,236
Land acquired during the year	413,803	—
Contract cost asset related to capitalized sales commissions	165,123	91,825
Land costs transferred from land and improvements	130,466	1,423,378
Cost of real estate inventories sold	(2,234,746)	(1,793,729)
Amortization of capitalized contract cost asset (recognized as cost of real estate inventories sold)	(70,395)	(77,656)
Reversal of capitalized commission related to forfeited units	(16,695)	(13,859)
Borrowing costs capitalized	—	127,482
Transfers to other noncurrent assets	—	(2,665)
Transfers to investments properties	—	(35,695)
At December 31	₱4,891,197	₱4,417,009

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱29.4 billion in 2019 and 2018 and ₱22.3 billion in 2017 (see Note 27). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱353.7 million in 2019, ₱286.7 million in 2018 and ₱412.1 million in 2017 (see Note 27).

Allowance for inventory obsolescence amounted to ₱103.1 million and ₱103.4 million as of December 31, 2019 and 2018, respectively. The amount of provision for inventory obsolescence and losses recognized as expense amounted to ₱3.0 million in 2019, ₱1.0 million in 2018 and ₱11.9 million in 2017 (see Note 27).

Cost of inventories carried at NRV amounted to ₱5.6 billion and ₱6.8 billion as of December 31, 2019 and 2018, respectively.

Land and Improvements

	2019	2018
Cost		
At January 1	₱2,340,113	₱3,689,677
Additions	360,626	387,780
Transfers to real estate inventories	(130,466)	(1,423,378)
Transfers to investment properties	(2,911)	(264,569)
Disposal	—	(1,524)
Other transfers/adjustments	3,530	(47,873)
At December 31	₱2,570,892	₱2,340,113

7. Other Current Assets

	2019	2018 (as restated; see Note 9)
Restricted cash	₱4,449,716	₱5,289,145
Prepaid expenses	4,874,810	4,896,331
Input VAT	2,722,595	3,043,641
Insurance assets	2,298,702	534,947
Advances to NGCP	1,727,028	1,725,176
Deposits for land acquisition	1,107,693	43,440
Biological assets (see Note 8)	942,820	1,033,992
Advances to suppliers	671,783	662,760
Others	611,108	1,061,436
	₱19,406,255	₱18,290,868

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement (see Note 18). The asset will be used to pay the current portion of loans payable and interest payments in the following period.

Advances to NGCP pertain to the cost of construction and installation of substation and transmission facilities which are subject for reimbursement after completion of the project.

Prepaid expenses mainly include prepaid taxes and prepayments for insurance.

“Others” include prepayments to regulatory agencies.

8. Biological Assets

	2019	2018
Presented under Other Current Assets (see Note 7):		
Market hogs	₱498,722	₱660,851
Piglets	230,255	251,825
Growing stocks	196,250	119,258
Others	17,593	2,058
	942,820	1,033,992
Presented under Other Noncurrent Assets:		
Bearers (breeders) (see Note 15)	140,304	134,144
	₱1,083,124	₱1,168,136

As of December 31, 2019 and 2018, biological assets are measured at fair value under Level 3 input. Fair values are determined based on average market selling prices at balance sheet date. Market hogs, piglets, growing stocks, bearers (breeders), and others are measured at fair value less estimated costs to sell.

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The reconciliation of changes in the carrying amount of consumable biological assets follows:

	2019	2018
At beginning of year	₱1,168,136	₱1,061,826
Additions	1,896,643	1,968,022
Sales at fair value	(1,529,743)	(2,501,841)
Transferred to breeding herd	(184,152)	(168,481)
Changes in fair value (see Notes 27 and 29)	(267,760)	752,560
Additions due to acquisition of a subsidiary (see Note 9)	–	56,050
At end of year	₱1,083,124	₱1,168,136

Consumable biological assets are included under “Other current assets” account while bearers are included under “Other noncurrent assets” account in the consolidated balance sheets (see Notes 7 and 15).

9. Acquisitions and Disposals of Shares of Stock

a. Acquisition of AA Thermal, Inc. (ATI)

On May 2, 2019, AP completed its acquisition of a 49% voting stake and a 60% economic stake in ATI, AC Energy’s thermal platform in the Philippines. Total consideration was USD572.9 million or ₱29.8 billion.

AA Thermal has interests in GMCP, the owner and operator of an operating 2x316 MW coal plant in Mariveles, Bataan, and in GNPD, the developer and owner of a 2x668 MW supercritical coal plant project in Dinginin, Mariveles, Bataan, which is currently under construction.

The completion of the transaction increased AP's economic interests in GMCP and GNPD to 78.3%, and 75.0%, respectively.

b. Acquisition of Gold Coin Management Holdings Ltd. (GCMH)

On July 27, 2018, Pilmico International Pte. Ltd. (PIPL), a 100%-owned subsidiary of AEV, acquired 75% equity interest in GCMH at a final cash consideration of USD333.8 million or ₱17.8 billion.

GCMH is engaged in the business of animal feeds manufacturing, which it carries out through various subsidiaries operating 21 feed mills situated in seven countries in the Asia Pacific.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The following are the final fair values of the identifiable assets and liabilities on acquisition date (in thousands):

Assets:

Cash and cash equivalents	₱1,913,264
Trade and other receivables	8,903,080
Inventories	5,613,473
Other current assets	588,819
Property, plant, and equipment	5,020,582
Other noncurrent assets	674,576
	<u>22,713,794</u>

Liabilities:

Trade and other payables	7,927,914
Bank loans	2,352,961
Other current liabilities	72,398
Long-term debt	2,366,786
Other noncurrent liabilities	316,387
	<u>13,036,446</u>

Total identifiable net assets at fair value	<u>₱9,677,348</u>
---	-------------------

Total consideration	₱21,766,326
Fair value of noncontrolling interest	3,533,265
	<u>25,299,591</u>
Goodwill	<u>₱15,622,243</u>

Cash flow on acquisition:

Net cash acquired with the subsidiary	₱1,913,264
Cash paid	(18,096,617)
Net cash outflow	<u>(₱16,183,353)</u>

The accounting for this business combination was determined provisionally as PIPL was still finalizing the fair valuation of the assets and liabilities acquired on the date the 2018 financial statements were approved for issue by the BOD.

In July 2019, the valuation was completed and several adjustments were made on the provisional values. Accordingly, the 2018 comparative information was restated to reflect the adjustments to the provisional amounts. In the Group's consolidated financial statements as of December 31, 2018, there was an increase in the trade and other receivables of ₱1.3 billion, a decrease in inventory of ₱126.0 million, a decrease in other current assets of ₱37.4 million, an increase in property, plant and equipment of ₱259.1 million, a decrease in other noncurrent assets of ₱1.9 billion, a decrease in trade and other payable of ₱1.2 billion, a decrease in deferred tax liabilities of ₱452.9 million, a decrease in cumulative translation adjustment of ₱14.6 million and an increase in the non-controlling interest of ₱1.2 billion. In addition, total consideration increased by ₱3.6 billion, and the goodwill arising from the acquisition amounted to ₱15.6 billion, an increase of ₱99.2 million from the provisional amount.

The goodwill arising from this acquisition is attributed to business synergies that will materialize with one of the Group's subsidiaries engaged in similar business.

In 2018, GCMH contributed ₱18.1 billion to the consolidated revenue and ₱513.2 million to the net income of the Group from the date of acquisition. If the combination had taken place at the beginning of 2018, the Group's revenue would have been ₱211.2 billion and consolidated net income would have been ₱22.8 billion.

Acquisition of additional interest in GCMH

On May 28, 2019, PIPL acquired the remaining 25% equity interest in GCMH for a total cash consideration of USD144.8 million or ₱7.6 billion. The carrying value of non-controlling interest acquired is ₱2.3 billion and as a result, PIPL recognized the ₱5.3 billion difference between the consideration and carrying value of the additional interest acquired as "Acquisition of non-controlling interests", an equity reserve account.

c. Dilution of Interest in A2 Airports, Inc. (A2) and Acquisition of Triplecrown Properties, Inc. (TCP) and 78 PointBlue, Inc. (PB)

Prior to 2019, A2 is a wholly-owned subsidiary of AboitizLand. In September 2019, E360, Inc. (E360) and AboitizLand contributed capital in A2, which resulted in the ownership interest of E360 and ALand to be at 50% each. The capital contribution of E360 resulted in AboitizLand's recognition of non-controlling interest.

On September 18, 2019, A2 acquired 100% equity interest in TCP and PB at a cash consideration of ₱340.0 million and ₱63.8 million, respectively. TCP and PB are engaged in the business of leasing microstudios located in the business districts of Makati and Taguig.

The following are the fair values of the identifiable assets and liabilities assumed on acquisition date (in thousands):

Assets:	
Cash and cash equivalents	₱35,582
Trade and other receivables	3,003
Other current assets	3,321
Investment properties	552,257
Property and equipment	32,690
Other noncurrent assets	13,066
	639,919
Liabilities:	
Trade and other payables	32,219
Long-term debt	207,941
Deferred income tax liabilities	9,098
	249,258
Total identifiable net assets at fair value	₱390,661
Total consideration	403,751
Goodwill	₱13,090
Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱35,582
Cash paid	(403,751)
Net cash outflow	(₱368,169)

For the year ended December 31, 2019, TCP and PB have contributed ₱37.2 million and ₱11.0 million in revenues and net losses to the consolidated revenue and net income of the Group.

d. Acquisition PAN JSC

On July 29, 2017, PILMICO International acquired 70% equity interest in PAN JSC, an animal feeds company organized under the laws of Vietnam, for a total consideration of ₱162.7 million.

The purchase of PAN JSC was treated as a business combination accounted for under the acquisition method. PILMICO International elected to measure the non-controlling interest at its proportionate share in PAN JSC's identifiable net assets.

In 2018, the purchase price allocation in the acquisition of PAN JSC was finalized. No changes were made on the provisional accounting done in 2017.

e. Step-acquisition of Sacasun

In 2014, ARI and SunEdison Inc. (SEI), entered into a joint framework agreement to develop solar photovoltaic projects in the Philippines. Pursuant to their agreement, SEI, the ultimate parent company of SunE Solar B.V. (SunE BV) and Sunedison Philippines Helios B.V. (Helios BV), and ARI

invested in MHSCI and Sacasun for the 59-MWp solar project in San Carlos City, Negros Occidental.

On December 27, 2017, API completed its acquisition of 100% equity interest in Helios BV from SunE BV. The transaction resulted in API owning all the issued and outstanding shares of Helios BV, which owns a 40% equity interest in each of MHSCI and Sacasun. MHSCI owns 25% of Sacasun. This increased the Company's indirect ownership interest in MHSCI and Sacasun to 100%.

The transaction was accounted for as a business combination achieved in stages. The purchase price allocation in the step-acquisition of Sacasun was finalized in 2018. The fair value of the previously-held interest as at the date of acquisition is ₱330.9 million. The resulting bargain purchase gain of ₱328.7 million and the loss on remeasurement of previously held interest of ₱18.5 million are included in other income as "Bargain purchase gain" in the 2017 consolidated statement of income (see Note 29). The bargain purchase gain is mainly due to the purchase price reflecting the ongoing difficulty of SEI as confirmed by its bankruptcy declaration which affected its ability to fulfill loan obligations.

f. Sale of PETNET in 2018

On February 9, 2018, AEV signed a Share Purchase Agreement for the sale of its 51% stake in PETNET Inc. (PETNET) to City Savings Bank, Inc. (CitySavings) and Union Properties, Inc. (UPI). CitySavings and UPI are 99.77% and 100% owned by Union Bank of the Philippines (UnionBank), respectively. UnionBank is a banking associate of AEV. The sale and the resulting consolidation of all of AEV's existing interests in banking and financial services will unlock shareholder value from the synergies between the core businesses of CitySavings and PETNET.

After securing the Bangko Sentral ng Pilipinas approval on December 12, 2018, the parties signed on December 17, 2018 the Deeds of Absolute Sale setting forth the final terms and conditions of the sale, including the total consideration of ₱1.2 billion, which was settled in cash. The sale was approved by the Philippine Competition Commission on May 8, 2018.

Accordingly, PETNET was deconsolidated from the December 31, 2018 consolidated financial statements of the Group, and a gain on sale of PETNET amounting to ₱166.9 million was reported under "Other income (expense) - net" in the 2018 consolidated statement of income (see Note 29).

10. Investments and Advances

	2019	2018
Acquisition cost:		
Balance at beginning of year	₱71,388,350	₱63,458,834
Additions during the year	28,281,257	7,875,182
Acquisition of a subsidiary (see Note 9)	—	54,334
Balance at end of year	99,669,607	71,388,350

(Forward)

	2019	2018
Accumulated share in net earnings:		
Balances at beginning of year, as previously reported	₱35,214,517	₱32,631,335
Cumulative share in adoption of new standards by associates	(18,692)	—
Balances at beginning of year, as restated	35,195,825	32,631,335
Share in net earnings for the year	11,502,090	7,727,663
Cash dividends received and receivable	(5,469,585)	(5,144,481)
Balance at end of year, as restated	41,228,330	35,214,517
Gain on dilution (see Note 2)	1,014,136	1,014,136
Share in net unrealized mark-to-market gains on FVOCI investments of associates:		
At beginning of year	138,109	123,816
Additions during the year	(2,381)	14,293
Balance at end of year	135,728	138,109
Share in cumulative translation adjustments of associates and joint ventures	(185,871)	319,631
Share in actuarial losses on retirement benefit plan of associates and joint ventures	(852,012)	(457,017)
	141,009,917	107,617,726
Less allowance for impairment losses (see Note 3)	680,731	680,731
	140,329,186	106,936,995
Advances to associates	22,562	22,562
	₱140,351,748	₱106,959,557

The Group's investees and the corresponding equity ownership are as follows:

	Nature of Business	Percentage of ownership	
		2019	2018
MORE ¹ (see Note 3)	Holding	83.33	83.33
AEV CRH (see Note 3)	Holding	60.00	60.00
ATI ³ (see Note 3)	Holding	60.00	—
Cebu District Property Enterprise, Inc. (CDPEI) ¹ **	Real estate	50.00	50.00
Cebu Homegrown Developers, Inc. (CHDI) ^{1**}	Real estate	50.00	—
AA Infrastructure Projects Corp. ⁴	Holding	—	50.00
Accuria, Inc. ⁴	Holding	—	49.54
Union Bank of the Philippines (UBP)	Banking	49.34	49.36
Hijos de F. Escañó, Inc.	Holding	46.73	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	45.00	45.00
Mazzaraty Energy Corporation	Retail electricity supplier	44.87	44.87
Gold Coin Feed Mills (B) Sdn. Bhd. (see Note 9) ***	Feedmills	20.00	20.00
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	42.84	42.84
GNPD ^{2**}	Power generation	72.50	45.00
La Filipina ElektriKA, Inc. **	Power generation	40.00	40.00
STEAG	Power generation	34.00	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	26.40	26.40
Redondo Peninsula Energy, Inc. (RP Energy) **	Power generation	25.00	25.00
SPPC	Power generation	20.00	20.00
WMPC	Power distribution	20.00	20.00
Balibago Water Systems, Inc. (BWSI) ⁵	Water infrastructure	15.94	11.14
Singapore Life (Philippines), Inc. (SLPI) ⁵ **	Insurance	15.00	—

¹Joint ventures.

²GNPD change in ownership based on the Partnership Agreement and acquisition of ATI in 2019 (see Notes 3 and 9)

³Economic interest.

⁴Liquidated.

⁵Significant influence by virtue of the board seat held by the Group

**No commercial operations as of December 31, 2019.

***Registered in Malaysia and is part of GCMH Group that was acquired by PIPL in 2018.

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

All ownership percentages presented in the table above are direct ownership of the Group except for GNPD and SFELAPCO. As of December 31, 2019, ATI has an indirect ownership in GNPD of 50% while the Group's direct ownership in GNPD is 42.50% resulting to the Group's effective ownership in GNPD of 72.50%. PEVI has direct ownership in SFELAPCO of 54.83% while the Group's direct ownership in SFELAPCO is 20.29% resulting to the Group's effective ownership in SFELAPCO of 43.78%.

As of December 31, 2019 and 2018, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings are not available for distribution to the stockholders unless declared by the associates and joint ventures (see Note 23).

2019

GNPD

In 2019, the Group, through TPI and ATI, made capital contributions to GNPD amounting to US\$81.5 million (₱4.2 billion).

CHDI

In December 2019, CHDI was incorporated as a joint venture vehicle with certain companies and individuals. Aboitizland made an initial capital contribution to CHDI amounting to ₱230.0 million.

SLPI

In December 2019, the Company purchased 1.95 million shares of SLPI from Singapore Life Pte. Ltd. and Di-Firm Capital Pte. Ltd. for a total consideration of ₱195.0 million. As a result, AEV owns 15% of the outstanding shares of SLPI.

2018

UBP

In 2018, the Company purchased, through stock rights offer, 80.8 million shares at ₱62.97 per share in UBP for a total consideration of ₱5.1 billion. Additional shares were acquired at various dates in 2018 for 3.2 million shares for a total consideration of ₱289.9 million. As a result, its ownership in UBP increased from 48.83% in 2017 to 49.36% in 2018.

In 2018, UBP has changed the accounting for certain upfront fees on loans and discounts from outright income recognition as services charges, fees and commissions to amortizing the fees to interest income over the expected life of the loans using the effective interest rate method. The changes have been accounted for retroactively and resulted to a decrease in the investments and advances and retained earnings accounts in the consolidated financial statements amounting to ₱312.8 million as of December 31, 2017/January 1, 2018 and December 31, 2016/January 1, 2017.

GNPD

In 2018, the Group, through TPI, made capital contributions to GNPD amounting to US\$47.0 million (₱2.5 billion).

The detailed carrying values of investees, which are accounted for under the equity method, follow:

	2019	2018
UBP	₱51,837,773	₱46,025,202
AEV CRH	23,853,892	24,450,287
GNPD/ATI	41,257,477	14,789,971
MORE	10,180,552	10,235,695
STEAG	4,032,405	4,185,758
CEDC	3,447,491	3,192,609
CDPEI	1,443,212	1,464,124
CRH ABOITIZ	1,411,852	492,464
SFELAPCO/PEVI	881,812	857,367
BWSI	567,451	295,889
RP Energy	525,769	528,383
CHDI	230,000	—
WMPC	142,577	106,524
SPPC	61,497	81,856
Others	455,426	230,866
	₱140,329,186	₱106,936,995

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱34.7 billion and ₱38.4 billion as of December 31, 2019 and 2018, respectively.

Following is the summarized financial information of significant associates and joint ventures:

	2019	2018	2017
UBP			
Total current assets	₱164,085,694	₱90,653,142	₱132,590,855
Total noncurrent assets	611,326,747	583,129,543	482,460,244
Total current liabilities	(623,292,442)	(538,299,718)	(515,959,783)
Total noncurrent liabilities	(49,373,397)	(44,522,066)	(32,165,000)
Equity attributable to equity holders of			
UBP Parent Company	₱102,224,491	₱90,417,723	₱66,871,569
Gross revenue	₱38,355,155	₱31,629,220	₱24,586,366
Operating profit	15,082,156	8,497,725	10,679,786
Net income attributable			
to equity holders of the parent	14,492,636	7,316,102	8,405,016
Other comprehensive income attributable			
to equity holders of the parent	14,089,679	7,581,026	9,904,656
Group's share in net income	₱7,150,667	₱3,599,941	₱4,103,964
AEV CRH			
Total current assets	₱7,641,829	₱7,184,970	₱8,777,452
Total noncurrent assets	88,563,173	83,802,263	79,788,878
Total current liabilities	(10,153,092)	(29,392,890)	(25,575,956)
Total noncurrent liabilities	(46,636,497)	(21,384,054)	(21,844,669)
Equity attributable to equity holders of			
AEV CRH Parent Company	₱39,457,293	₱40,233,724	₱41,145,705

(Forward)

	2019	2018	2017
Gross revenue	₱23,937,863	₱25,810,769	₱24,853,225
Operating profit	1,760,626	2,775,116	4,041,005
Net income (loss) attributable to equity holders of the parent	(756,190)	(690,801)	360,992
Group's share in net income (loss)	(₱453,714)	(₱414,481)	₱216,595
GNPD			
Total current assets	₱1,612,549	₱1,705,863	₱2,486,668
Total noncurrent assets	67,043,356	40,707,048	16,762,108
Total current liabilities	(5,623,202)	(3,342,924)	(539,651)
Total noncurrent liabilities	(48,514,482)	(29,473,440)	(14,242,279)
Equity	₱14,518,221	₱9,596,547	₱4,466,846
Operating loss	(₱1,161,098)	(₱352,858)	(₱251,703)
Net loss	(1,160,004)	(68,174)	(376,336)
Group's share in net loss	(841,003)	(₱15,435)	(₱188,167)
Additional information:			
Cash and cash equivalents	₱1,093,991	₱911,642	₱1,869,486
Noncurrent financial liabilities	48,514,482	29,473,440	14,019,562
MORE			
Total current assets	₱681,925	₱141,293	₱126,125
Total noncurrent assets	12,222,826	12,196,002	11,889,592
Total current liabilities	(610,443)	(54,462)	(56,336)
Total noncurrent liabilities	(75,721)	—	—
Equity	₱12,218,587	₱12,282,833	₱11,959,381
Gross revenue	₱198,636	₱180,236	₱170,236
Operating profit	3,750,522	4,133,911	4,893,753
Net income	3,732,874	4,125,996	4,891,630
Other comprehensive income (loss)	(152,630)	96,116	55,115
Group's share in net income	₱3,110,603	₱3,439,589	₱4,160,480
Additional information:			
Cash and cash equivalents	₱34,480	₱31,873	₱16,134
STEAG			
Total current assets	₱3,107,046	₱3,459,931	₱2,688,544
Total noncurrent assets	9,967,406	10,477,098	10,348,729
Total current liabilities	(1,379,138)	(1,672,896)	(1,394,855)
Total noncurrent liabilities	(2,840,129)	(3,262,770)	(3,453,496)
Equity	₱8,855,185	₱9,001,363	₱8,188,922
Gross revenue	₱4,812,414	₱4,468,016	₱4,502,920
Operating profit	1,250,028	1,115,567	1,020,846
Net income	1,150,501	687,186	516,893
Other comprehensive income (loss)	(29,106)	(37,173)	4,750
Group's share in net income	₱249,432	₱87,508	₱25,744

(Forward)

	2019	2018	2017
CEDC			
Total current assets	₱5,199,140	₱4,986,619	₱5,419,700
Total noncurrent assets	12,842,201	13,371,586	14,308,208
Total current liabilities	(2,496,096)	(2,158,754)	(2,444,036)
Total noncurrent liabilities	(7,672,244)	(8,943,522)	(10,422,073)
Equity	₱7,873,001	₱7,255,929	₱6,861,799
Gross revenue	₱8,578,452	₱9,728,163	₱8,751,540
Operating profit	3,017,831	3,300,164	3,183,144
Net income	2,317,071	1,880,853	1,686,941
Other comprehensive income	29,483	13,277	2,451
Group's share in net income	₱611,707	₱827,576	₱742,254
SFELAPCO*			
Total current assets	₱1,135,431	₱1,104,307	₱1,576,530
Total noncurrent assets	2,691,104	2,567,663	2,215,130
Total current liabilities	(868,787)	(763,966)	(770,041)
Total noncurrent liabilities	(784,368)	(699,175)	(751,789)
Equity	₱2,173,380	₱2,208,829	₱2,269,830
Gross revenue	₱4,448,624	₱4,088,124	₱4,211,674
Operating profit	479,553	408,160	366,492
Net income	342,199	302,677	671,268
Other comprehensive income (loss)	(51,500)	(63,679)	334,246
Group's share in net income	₱149,815	₱168,307	₱323,674
CRH ABOITIZ			
Total current assets	₱2,282,852	₱1,641,152	₱411,074
Total noncurrent assets	2,018,183	947,134	900,780
Total current liabilities	(1,207,635)	(1,820,630)	(889,385)
Total noncurrent liabilities	(311,037)	(28,379)	(85,308)
Equity attributable to equity holders of CRH ABOITIZ Parent Company	₱2,782,363	₱739,277	₱337,161
Gross revenue	₱22,381,756	₱11,606,618	₱-
Operating profit (loss)	2,006,089	882,680	(1,443,313)
Net income attributable to equity holders of the parent	2,123,380	402,116	89,242
Group's share in net income	₱955,521	₱180,952	₱40,159
BWSI			
Total current assets	₱873,394	₱809,074	₱1,012,347
Total noncurrent assets	1,985,934	1,843,428	1,374,552
Total current liabilities	(376,229)	(496,344)	(140,734)
Total noncurrent liabilities	(655,607)	(629,689)	(639,673)
Equity	₱1,827,492	₱1,526,470	₱1,606,492
Gross revenue	₱1,542,971	₱1,335,975	₱1,191,595
Gross profit	879,122	752,553	705,341
Net income	287,131	259,858	465,737
Group's share in net income	₱44,129	₱15,130	₱17,763

(Forward)

	2019	2018	2017
WMPC			
Total current assets	₱643,983	₱717,162	₱695,571
Total noncurrent assets	348,174	454,108	418,807
Total current liabilities	(193,157)	(551,781)	(457,032)
Total noncurrent liabilities	(83,804)	(74,341)	(82,718)
Equity	₱715,196	₱545,148	₱574,628
Gross revenue	₱1,157,772	₱1,393,417	₱1,439,482
Operating profit	280,417	13,006	98,838
Net income	196,693	20,521	71,933
Other comprehensive loss	—	—	—
Group's share in net income	₱31,353	₱4,104	₱14,387
SPPC			
Total current assets	₱148,228	₱182,303	₱344,105
Total noncurrent assets	265,422	311,472	364,649
Total current liabilities	(39,137)	(36,361)	(221,096)
Total noncurrent liabilities	(76,324)	(58,491)	(68,326)
Equity	₱298,189	₱398,923	₱419,332
Gross revenue	₱—	₱160,831	₱523,854
Operating profit	(88,013)	(19,307)	133,508
Net income (loss)	(77,296)	(23,407)	272,756
Other comprehensive income	—	—	—
Group's share in net income (loss)	(₱15,459)	(₱4,681)	₱19,101
ATI			
Total current assets	₱75,243	₱—	₱—
Total noncurrent assets	14,827,626	—	—
Total current liabilities	(7,762)	—	—
Total noncurrent liabilities	—	—	—
Equity	₱14,895,107	₱—	₱—
Gross revenue	₱—	₱—	₱—
Operating loss	(1,264,626)	—	—
Net loss	(1,263,317)	—	—
Other comprehensive loss	—	—	—
Group's share in net loss	₱—	₱—	₱—
Additional information:			
Cash and cash equivalents	₱75,215	₱—	₱—
Others**			
Total current assets	₱777,850	₱757,343	₱1,371,605
Total noncurrent assets	10,180,503	7,402,800	7,235,633
Total current liabilities	(910,703)	(157,380)	(467,440)
Total noncurrent liabilities	(3,591,416)	(1,952,041)	(697,480)
Gross revenue	₱154,018	₱163,497	₱137,560
Net income (loss)	(57,732)	(751,707)	(9,136)

* Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment, net income amounted to ₱374.8 million, ₱952.8 million and ₱745.1 million in 2019, 2018, and 2017, respectively, for SFELAPCO.

**The financial information of insignificant associates and joint ventures is indicated under "Others".

11. Material partly - owned subsidiary

As of December 31, 2019, the Company has 76.98% interest in AP, a holding company incorporated in the Philippines.

The summarized consolidated financial information of AP as of December 31, 2019, 2018 and 2017 is provided below:

	2019	2018	2017
<i>Summarized comprehensive income information</i>			
Revenue	₱125,635,157	₱131,572,084	₱119,391,303
Cost of sales	71,361,850	71,680,298	63,949,850
Operating expenses	25,417,433	23,395,104	21,267,724
Finance costs - net	12,755,943	11,202,073	10,320,768
Other income - net	7,297,349	3,064,514	2,993,864
Profit before tax	23,397,280	28,359,123	26,846,825
Income tax	3,215,498	2,925,623	3,858,398
Profit for the year from continuing operations	₱20,181,782	₱25,433,500	₱22,988,427
Total comprehensive income	₱17,566,603	₱26,494,498	₱23,366,919
<i>Summarized other financial information</i>			
Attributable to non-controlling interests	₱2,619,313	₱3,892,404	₱2,749,732
Dividends paid to non-controlling interests	2,490,288	2,364,492	2,313,460
<i>Summarized balance sheet information</i>			
Total current assets	₱76,896,785	₱88,708,607	
Total noncurrent assets	333,572,572	300,953,569	
Total current liabilities	51,390,469	46,815,020	
Total noncurrent liabilities	225,435,877	206,270,489	
Equity	₱133,643,011	₱136,576,667	
<i>Summarized cash flow information</i>			
Operating cash flows	₱39,356,962	₱37,287,900	
Investing cash flows	(34,060,584)	(7,243,119)	
Financing cash flows	(14,376,055)	(19,155,753)	

12. Property, Plant and Equipment

	2019	2018
Property, plant and equipment	₱187,974,887	₱221,689,945
Right-of-use asset (see Note 21)	37,583,878	—
	₱225,558,765	₱221,689,945

	December 31, 2019										
	Building, Warehouses and Improvements	Power Plant Equipment and Steam Field Assets (see Note 21)	Transmission, Distribution and Substation Equipment	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land and Land Improvements	Construction in Progress	Tools and others	Total
Cost											
At January 1, as previously stated	₱28,738,498	₱168,443,359	₱19,458,140	₱9,354,817	₱2,702,556	₱9,831,153	₱3,033,342	₱3,489,652	₱39,193,075	₱2,440,081	₱286,684,673
Effect of adoption of PFRS 16 (see Note 2)	—	(34,669,713)	—	—	—	—	—	—	—	—	(34,669,713)
At January 1, 2019, as restated	28,738,498	133,773,646	19,458,140	9,354,817	2,702,556	9,831,153	3,033,342	3,489,652	39,193,075	2,440,081	252,014,960
Acquisition of subsidiaries (see Note 9)	274	—	—	17,525	2,110	29,132	—	—	—	—	49,041
Additions	273,584	1,032,129	—	181,900	314,534	243,057	9,528	209,599	9,435,565	42,696	11,742,592
Disposals	(8,045)	(413,521)	(29,432)	(22,586)	(194,668)	(47,422)	(170)	—	(4,763)	(1,510)	(722,117)
Reclassifications/transfers	16,253,758	7,556,007	1,867,104	99,244	(28,202)	2,603,084	13,178	55,313	(40,529,024)	(137,173)	(12,246,711)
At December 31	45,258,069	141,948,261	21,295,812	9,630,900	2,796,330	12,659,004	3,055,878	3,754,564	8,094,853	2,344,094	250,837,765
Accumulated depreciation and amortization											
At January 1	7,046,812	37,378,911	5,227,736	4,573,573	1,508,023	4,293,735	677,765	127,847	—	1,025,886	61,860,288
Acquisition of a subsidiary (see Note 9)	249	—	—	2,469	1,653	5,216	—	—	—	—	9,587
Depreciation and amortization	1,152,650	5,970,481	598,759	622,172	298,587	650,865	147,394	19,544	—	124,985	9,585,437
Disposals	(6,475)	(70,556)	(29,432)	(22,353)	(157,806)	(46,794)	(141)	—	—	(2,072)	(335,629)
Reclassifications/transfers	(311,387)	(11,181,920)	(58,465)	(98,304)	(6,631)	425,031	(45,250)	(289)	—	(114,030)	(11,391,245)
At December 31	7,881,849	32,096,916	5,738,598	5,077,557	1,643,826	5,328,053	779,768	147,102	—	1,034,769	59,728,438
Impairment (see Note 29)	—	486,280	—	—	2,088	792	251	—	2,645,029	—	3,134,440
Net Book Value	₱37,376,220	₱109,365,065	₱15,557,214	₱4,553,343	₱1,150,416	₱7,330,159	₱2,275,859	₱3,607,462	₱5,449,824	₱1,309,325	₱187,974,887

	December 31, 2018 (as restated; see Note 9)										
	Building, Warehouses and Improvements	Power Plant Equipment and Steam Field Assets (see Note 21)	Transmission, Distribution and Substation Equipment	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land and Land Improvements	Construction in Progress	Tools and others	Total
Cost											
At January 1	₱26,193,431	₱141,329,134	₱17,438,847	₱6,723,759	₱2,293,513	₱6,893,434	₱3,614,646	₱2,262,109	₱57,029,925	₱2,629,876	₱266,408,674
Acquisition of subsidiaries (see Note 9)	2,475,003	—	—	4,404,924	246,160	257,914	—	1,068,451	155,930	—	8,608,382
Additions	139,649	1,496,624	1,121,508	119,083	297,780	576,289	36,193	71,165	8,925,356	97,941	12,881,588
Disposals	(181,486)	(461,778)	(18,163)	(17,914)	(113,343)	(95,663)	(1,802)	(4,316)	—	(40)	(894,505)
Reclassifications/transfers	111,901	26,079,379	915,948	(1,875,035)	(21,554)	2,199,179	(615,695)	92,243	(26,918,136)	(287,696)	(319,466)
At December 31	28,738,498	168,443,359	19,458,140	9,354,817	2,702,556	9,831,153	3,033,342	3,489,652	39,193,075	2,440,081	286,684,673
Accumulated depreciation and amortization											
At January 1	5,304,436	31,991,703	4,671,132	2,927,918	1,149,352	3,090,014	729,448	132,107	(722,768)	1,254,632	50,527,974
Acquisition of subsidiaries (see Note 9)	1,008,387	—	—	2,192,329	181,804	199,671	—	5,609	—	—	3,587,800
Depreciation and amortization	1,085,407	5,958,157	585,036	426,263	288,111	639,303	135,520	16,363	—	108,434	9,242,594
Disposals	(154,943)	(225,945)	(24,020)	(17,914)	(86,190)	(55,551)	(1,492)	—	—	(562)	(566,617)
Reclassifications/transfers	(196,475)	(345,004)	(4,412)	(955,023)	(25,055)	420,298	(185,711)	(26,232)	722,768	(336,617)	(931,463)
At December 31	7,046,812	37,378,911	5,227,736	4,573,573	1,508,023	4,293,735	677,765	127,847	—	1,025,886	61,860,288
Impairment (see Note 29)	—	486,280	—	—	2,088	792	251	—	2,645,029	—	3,134,440
Net Book Value	₱21,691,686	₱130,578,168	₱14,230,404	₱4,781,244	₱1,192,445	₱5,536,626	₱2,355,326	₱3,361,805	₱36,548,046	₱1,414,195	₱221,689,945

In 2019 and 2018, the Group has determined that an impairment test has to be performed on certain segments of its property, plant and equipment amounting to ₱3.6 billion and ₱5.4 billion respectively. In performing an impairment test calculation, the Group determined the recoverable amount of the relevant property, plant and equipment through value in use (VIU). VIU is derived based on financial budgets prepared by senior management covering the project's entire life. Pre-tax discount rate of 9.83% in 2019 and 13.00% - 16.14% in 2018 was used.

The calculation of value in use of these property, plant and equipment are most sensitive to the following assumptions:

- Discount rate - Discount rate reflects the management's estimate of risks applicable to these projects. The benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, consideration has been given to various market information, including, but not limited to, government bond yield, bank lending rates and market risk premium.
- Material price inflation - Estimates are obtained from published indices from which the materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement.
- Growth rate - The long-term rate used to extrapolate future cash flows excludes expansions and potential improvements in the future. Management also recognized the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecasts included in the financial budget.

The impairment test calculation has not resulted to any recognition of an impairment loss in 2019 and 2018.

In 2019 and 2018, movements to power plant equipment and steam field assets include adjustments in the decommissioning liability due to change in accounting estimates amounting to ₱321.9 million (decrease) and ₱560.0 million (increase), respectively (see Note 20).

In 2019 and 2018, additions to "Construction in progress" include capitalized borrowing costs, net of interest income earned from short-term deposits, amounting to ₱890.0 million and ₱2.5 billion, respectively (see Note 18). The rate used to determine the amount of borrowing costs eligible for capitalization ranged from 5.7% to 9.4% and 4.9% to 9.4% which are the effective interest rate of the specific borrowings in 2019 and 2018, respectively.

Property, plant and equipment with carrying amounts of ₱124.0 billion and ₱126.9 billion as of December 31, 2019 and 2018, respectively, are used to secure the Group's long-term debts (see Note 18).

Fully depreciated property, plant and equipment with cost amounting to ₱5.9 billion and ₱5.0 billion as of December 31, 2019 and 2018, respectively, are still in use.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction-in-progress" as of December 31, 2019 and 2018, as shown below:

Project Company	Estimated Cost to Complete (in millions Php)		% of Completion	
	2019	2018	2019	2018
TVI	₱114	₱7,246	99.7%	81.0%

As of December 31, 2018, the Group classifies its transmission assets as property held for sale as an ongoing negotiation for the sale of these assets with NGCP which is expected to be consummated in 2019. The property held for sale was recorded at its recoverable amount of ₱675.8 million. In 2019, the Deed of Sale was signed and executed.

13. Intangible Assets

December 31, 2019

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of year	₱56,361,133	₱6,480,374	₱3,078,431	₱583,095	₱99,746	₱678,887	₱67,281,666
Additions during the year	–	3,187,814	–	419,637	–	191,312	3,798,763
Acquisition of subsidiaries	13,089	–	–	–	–	–	13,089
Impairment (see Note 29)	–	–	–	(40,371)	–	–	(40,371)
Exchange differences	(51,490)	(82,316)	–	(50,761)	–	(2,370)	(186,937)
Balances at end of year	56,322,732	9,585,872	3,078,431	911,600	99,746	867,829	70,866,210
Accumulated amortization:							
Balances at beginning of year	–	2,688,997	429,699	–	72,317	313,880	3,504,893
Amortization	–	361,599	76,960	–	12,550	109,113	560,222
Balances at end of year	–	3,050,596	506,659	–	84,867	422,993	4,065,115
Net book values	₱56,322,732	₱6,535,276	₱2,571,772	₱911,600	₱14,879	₱444,836	₱66,801,095

December 31, 2018

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of year	₱41,308,689	₱5,389,820	₱3,078,431	₱395,419	₱99,746	₱382,024	₱50,654,129
Additions during the year	–	961,827	–	593,279	–	86,949	1,642,055
Acquisition of a subsidiary	15,622,243	–	–	–	–	208,867	15,831,110
Disposal of a subsidiary	(523,866)	–	–	–	–	–	(523,866)
Impairment (see Note 29)	(45,933)	–	–	(405,603)	–	–	(451,536)
Exchange differences	–	128,727	–	–	–	1,047	129,774
Balances at end of year	56,361,133	6,480,374	3,078,431	583,095	99,746	678,887	67,281,666
Accumulated amortization:							
Balances at beginning of year	–	2,327,513	352,738	–	56,908	219,952	2,957,111
Amortization	–	361,484	76,961	–	15,409	93,928	547,782
Balances at end of year	–	2,688,997	429,699	–	72,317	313,880	3,504,893
Net book values	₱56,361,133	₱3,791,377	₱2,648,732	₱583,095	₱27,429	₱365,007	₱63,776,773

Goodwill

Goodwill acquired through business combinations have been attributed to each business considered as cash-generating unit (CGU).

The carrying amount of goodwill follows:

	2019	2018 (as restated; see Note 9)
GMCP	₱39,996,797	₱39,345,126
GCMH (see Note 9)	14,898,432	15,622,243
LEZ	467,586	467,586
PILMICO FEEDS	416,225	394,217
HI	220,228	220,228
BEZ	191,471	191,471
LLI	61,202	61,202
PAN JSC	57,702	59,060
TCP and PB	13,089	—
	₱56,322,732	₱56,361,133

The recoverable amount of the investments has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value in use calculation for December 31, 2019 and 2018

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates

The discount rate applied to cash flow projections are from 9.87% to 16.82% in 2019 and from 10.63% to 18.14% in 2018, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions

Revenue assumptions are based on the expected electricity to be sold. In 2019, revenue growth of 10% in year 1, 0% in year 2 and 4% in the next three years was applied for LEZ; 4% in year 1, -6% in year 2, 1% in year 3, -3% in year 4 and -2% in year 5 for BEZ; 0% in year 1, 2% in year 2, 7% in year 3, 3% in year 4 and 10% in year 5 for GMCP; and -6% in year 1, 16% in year 2, 15% in year 3, 12% in year 4, and 5% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (47% in year 1, -17% in year 2, -3% in year 3, 1% in year 4, and 12% in year 5). VHF revenue assumptions are based on projected aqua feeds sales (23% in year 1, 11% in year 2, 6% in year 3, and 3% in years 4 and 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (10% in the first 4 years, and 8% in the last year). GCMH revenue assumptions are based on forecast animal feeds sales (19% in year 1, 9% in the next two years, 7% in year 4 and 5% in year 5).

In 2018, revenue growth of 6% in year 1, 4% for the next two years, 3% in year 4 and 5% in year 5 was applied for LEZ; 9% in year 1, 5% in year 2 and 2% in the next three years for BEZ; 4% in year 1, 0% in year 2, 2% in year 3, 7% in year 4 and 3% in year 5 for GMCP; and 45% in year 1, -1% in year 2, 0% in year 3, 11% in year 4, and -4% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (-49% in year 1, -19% in year 2, 11% in year 3, 5% in year 4, and -6% in year 5). VHF revenue assumptions are based on projected aqua feeds sales (26% in year 1, 6% in years 2 and 4, 11% in year 3, and 2% in year 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (347% in year 1, and 4% in the next four years). GCMH revenue assumptions are based on forecast animal feeds sales (9% in year 1, and 7% in the next four years).

Materials price inflation

In 2019, the assumption used to determine the value assigned to the materials price inflation is 3.30% in 2020, decreases to 3.20% in 2021 and settles at 3.00% for the next 3 years until 2024. The starting point of 2020 is consistent with external information sources.

In 2018, the assumption used to determine the value assigned to the materials price inflation is 3.47% in 2019 and decreases to 3.37% in 2020 and 3.10% in 2021. It then settles at 3.00% for the next 2 years until 2023.

Foreign exchange rates

In 2019, the assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱54.70 to a dollar in 2020 and depreciates annually at an average of 2.67% until 2024. In 2018, the assumption used to determine foreign exchange rate is a steady Philippine peso at a rate of ₱55.00 to a dollar from 2019 until 2023.

Based on the impairment testing, no impairment of goodwill was recognized in 2019 and 2017. In 2018, an impairment loss on goodwill amounting to ₱45.9 million on the investment in BEZ was recognized.

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

Service Concession Rights

Service concession arrangements entered into by the Group are as follows:

- On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.

On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period in accordance with Philippine Interpretation IFRIC 12. The intangible asset with a carrying value of ₱1.6 billion and ₱2.0 billion as of December 31, 2019 and 2018 was used as collateral to secure LHC's long-term debt (see Note 18).

- On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA to privatize SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures, and machineries in the Subic Bay Freeport Zone (SBFZ).

Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for a 25-year period commencing on the turnover date.

For and in consideration of the services and expenditures of SEZ, it shall be paid by the SBMA the service fees equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period, regardless of the earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱700.3 million and ₱720.3 million as of December 31, 2019 and 2018, respectively.

- The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱85.4 million and ₱97.2 million as of December 31, 2019 and 2018, respectively.

- Service concession rights consist of the costs of construction of the treated bulk water supply facility that is still in construction phase, required for the delivery of treated bulk water to the DCWD, pursuant to the concession agreement.

The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱4.1 billion and ₱1.0 million as of December 31, 2019 and 2018, respectively.

The amortization of intangible assets is included in “Depreciation and amortization” under “Operating Expenses” in the consolidated statements of income (see Note 27).

14. Investment Properties

December 31, 2019

	Land	Buildings	Land Improvements	Construction-in-Progress	Total
At January 1	₱5,158,082	₱2,816,225	₱250,360	₱–	₱8,224,667
Acquisition of subsidiaries	156,407	178,711	–	210,556	545,674
Additions	400,597	9,923	2,896	419,626	833,042
Gain on fair valuation	1,916,027	(86,295)	–	–	1,829,732
Transfers/ adjustments	156,341	(231,901)	–	(65,675)	(141,235)
At December 31	₱7,787,454	₱2,686,663	₱253,256	₱564,507	₱11,291,880

December 31, 2018

	Land	Buildings	Land Improvements	Construction-In-Progress	Total
At January 1	₱4,895,188	₱895,258	₱245,690	₱808,497	₱6,844,633
Additions	5,301	559,123	6,034	–	570,458
Gain on fair valuation	–	511,820	–	–	511,820
Transfers/ adjustments	257,593	850,024	(1,364)	(808,497)	297,756
At December 31	₱5,158,082	₱2,816,225	₱250,360	₱–	₱8,224,667

Rental income earned from and direct operating expenses of investment properties amounted to ₱539.8 million and ₱71.8 million, respectively, in 2019; ₱475.4 million and ₱68.9 million, respectively, in 2018; and ₱445.6 million and ₱64.0 million, respectively, in 2017 (see Note 25).

As of December 31, 2019 and 2018, the fair values of the properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair values of the Group’s investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

- The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item.

- In valuing the land improvements and buildings, the Group used the Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. In the context of asset valuation, depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration, functional (technical) obsolescence and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. Sound value of an asset is determined by applying the two types of depreciation such as physical deterioration and functional obsolescence. Market Value reflects all the three types of depreciation.

Fair value investment properties are estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Fair value at December 31, 2019	Valuation technique	Significant unobservable inputs	Range (weighted average)
		Sales Comparison	Price per	
Land	₱7,787,454	Approach	square meter	₱7,600 - ₱33,400
Buildings and land			Estimated cost,	
Improvements	2,939,919	Cost Approach	remaining economic life	15 - 38 years
	Fair value at December 31, 2018	Valuation technique	Significant unobservable inputs	Range (weighted average)
		Sales Comparison	Price per	
Land	₱5,158,082	Approach	square meter	₱480 - ₱270,000
Buildings and land			Estimated cost,	
Improvements	3,066,585	Cost Approach	remaining economic life	15 - 38 years

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

For buildings and land improvements, significant increases (decreases) in estimated replacement cost and remaining economic life would result in a significantly higher (lower) fair value of the properties.

15. Other Noncurrent Assets

	2019	2018 (as restated; see Note 9)
Restricted cash	₱4,672,031	₱—
Input VAT and tax credit receivable, net of allowance for impairment loss of ₱253.2 million (see Note 29)	4,501,086	5,462,983
Financial assets at FVTPL	731,797	353,734
Financial assets at FVOCI	176,479	225,552
Debt investments at amortized cost	234,968	453,871
Prepaid rent and other deposits	1,291,152	1,979,024
Advances to contractors and projects	1,452,272	1,098,747
Biological assets (see Note 8)	140,304	134,144
Others	934,552	500,226
	₱14,134,641	₱10,208,281

Restricted cash pertains to the amount drawn by TVI on June 11, 2019 on the performance securities under its Engineering, Procurement and Construction agreement with the contractors. The contractors have disputed the draw on the securities in dispute resolution proceedings.

16. Bank Loans

	2019	2018
Philippine peso loans	₱23,026,701	₱24,567,200
Chinese yuan loans	1,175,412	906,726
Vietnamese dong loans	715,950	726,187
US dollar loans	455,715	341,770
Indonesia rupia loans	25,876	250,591
Other foreign currency-denominated loans	317,483	186,112
	₱25,717,137	₱26,978,586

The bank loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 2.69% to 8.55% and 2.4% to 13.5% in 2019 and 2018, respectively. These loans will mature on various dates within 12 months after each balance sheet date.

The loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

The Chinese yuan, Indonesia rupia and a portion of the Vietnamese dong loans are loans of GCMH.

Total interest expense on bank loans recognized in 2019, 2018 and 2017 amounted to ₱1.2 billion, ₱765.3 million and ₱246.8 million, respectively (see Note 35).

17. Trade and Other Payables

	2019	Restated 2018
Trade payables (see Notes 20 and 39)	₱19,517,546	₱19,628,410
Nontrade and other payables	3,252,202	2,178,792
Accrued expenses		
Interest	2,735,860	2,402,919
Taxes and fees	1,288,214	1,205,416
Energy fees and fuel purchase	1,508,801	725,406
Others	1,677,452	1,608,006
Output VAT	3,129,901	2,924,074
Amounts due to contractors and other third parties	7,312,999	2,626,792
PSALM deferred adjustment (see Note 41k)	3,183,080	4,225,950
Unearned revenue	40,945	39,770
	43,647,000	37,565,535
Less noncurrent portion (see Note 34)	7,206,837	3,695,261
	₱36,440,163	₱33,870,274

Trade payables are non-interest bearing and are usually on 30-90 days' terms.

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

Accrued expenses include interest on borrowings, fuel and lubricant costs, taxes and licenses, freight expense, materials and supplies, and energy fees that are due within 12 months.

Amounts due to contractors and other third parties include liabilities arising from construction projects (see Notes 12 and 13).

18. Long-term Debts

	2019		2018	
	Annual Interest Rate	Amount	Annual Interest Rate	Amount
Company:				
Financial and nonfinancial institutions - unsecured	4.41% - 6.32%	₱37,000,000	4.41% - 6.02%	₱32,000,000
Subsidiaries:				
GMCP				
Financial institutions - unsecured	LIBOR + 1.7% - 4.00%	37,247,830	LIBOR + 1.7% - 4.85%	41,375,202
TVI				
Financial institutions – secured	5.56% - 9.00%	31,520,000	5.50% - 9.00%	31,520,000
AP				
Financial and nonfinancial institutions - Philippine peso - unsecured	5.21% - 8.51%	35,450,000	5.21% - 8.51%	23,200,000
Financial and nonfinancial institutions - Foreign currency - unsecured	LIBOR + 1.20%	15,190,500	—	—
TSI				
Financial institutions - secured	5.05% - 5.70%	20,039,365	5.05% - 5.69%	21,349,704
APRI				
Financial institutions - secured	4.48% to 5.20%	8,124,160	4.48% to 5.20%	9,374,400
Hedcor Bukidnon				
Financial institutions - secured	4.75% - 7.36%	9,416,666	4.75% - 6.78%	9,327,700
Hedcor Sibulan				
Fixed rate corporate notes - unsecured	4.05% to 5.42%	3,801,400	4.05% to 5.42%	3,900,400
PILMICO				
Financial institutions - secured	4.18% - 5.16%	2,885,000	4.18% - 4.50%	2,808,500
PANC				
Financial institutions - secured	4.50%	2,640,000	4.50%	2,680,000
VECO				
Financial institution - unsecured	4.59% - 4.81%	776,000	4.58% - 4.81%	975,000
LHC				
Financial institutions - secured	3.94% to 4.81%	564,580	3.63% to 4.81%	875,458
DLP				
Financial institution - unsecured	4.59% - 4.81%	582,000	4.58% - 4.81%	731,250
HI				
Financial institution - secured	5.25%-7.87%	1,750,000	5.25%-7.87%	1,840,000
SEZ				
Financial institution - unsecured	5.00%	113,000	5.00%	169,500
CLP				
Financial institution - unsecured	4.59% - 4.81%	116,400	4.58% - 4.81%	146,250
TPVI				
Financial institution - unsecured	5.06% - 5.25%	1,300,000	—	—
Apo Agua				
Financial institutions:				
Philippine peso - secured	6.50% - 8.26%	5,999,773	8.26%	2,848,227
AEV International				
Financial institutions:				
Foreign currency - secured	3.24% - 6.00%	13,550,225	3.46% - 3.72%	11,725,340
GCMH and Subsidiaries				
Financial institutions:				
Foreign currency - unsecured	—	—	LIBOR + 2.55%-3.50%	2,034,835
TCP				
Financial institution - secured	7.80% - 9.18%	248,680	—	—
Joint Operation - PEC				
Financial institution - secured	5.50% - 8.31%	13,380,097	5.50% - 8.31%	14,473,052
Total		241,695,676		213,354,818
Deferred financing costs		(2,116,138)		(1,922,451)
		239,579,538		211,432,367
Less current portion		27,126,918		10,702,974
Noncurrent portion		₱212,452,620		₱200,729,393

The Company

In June 2019, the Company issued a total of ₱5.0 billion bonds, broken down into ₱3.4 billion 5-year and ₱1.6 billion 10-year bonds at fixed interest rates ranging from 6.02% to 6.32%.

In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at annual fixed interest rates ranging from 4.47% to 6.02%.

In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

GMCP

On August 29, 2017, GMCP entered into a Notes Facility Agreement (NFA) with local banks with BDO Capital and Investment Corporation as Lead Arranger, with the maximum principal amount of US\$800.0 million, the proceeds of which will be used to refinance GMCP's existing loan obligation and for other general corporate purposes.

On September 29, 2017, US\$600.0 million was drawn from the NFA, out of which US\$462.4 million was used to prepay the outstanding loans. In February 2018, the remaining principal amount of \$200.0 million was drawn from the NFA.

Loans payable consist of the following dollar denominated loans as of December 31, 2018 and 2017 (in thousands):

	2019	2018	Interest Rate Per Annum	Payment Schedule
<i>NFA</i>				
Fixed Rate Loan	\$448,164	\$483,450	(i) Fixed rates of 2.5514% and 3.4049% plus 1.45% margin for the first seven-year period and (ii) Fixed Rate Loan Benchmark plus 1.45% margin for the subsequent five-year period	24 semi-annual payments starting from the first Interest Payment Date
LIBOR Loan	267,450	288,450	Six-month LIBOR plus 1.70% margin	
<i>Working Capital</i>				
BDO	20,000	15,000	LIBOR plus 1.7% applicable margin	Payable within 3 months
Total borrowings	735,614	786,900		
Less unamortized portion of deferred financing costs	(4,017)	(4,049)		
	731,597	782,851		
Less current portion	63,583	70,229		
Loans payable - net of current portion	\$668,014	\$712,622		

TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱32.0 billion. As of December 31, 2019, ₱31.5 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱26.0 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱6.0 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 22 equal semi-annual installments, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱50.8 billion as of December 31, 2019, and a pledge of TVI's shares of stock held by its shareholders.

AP

In September 2014, AP issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.4 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

In July 2017, AP issued a ₱3.0 billion 10-year bond due 2027 at an annual fixed rate equivalent to 5.34%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2018, AP issued a total of ₱10.20 billion bonds, broken down into a ₱7.7 billion 5.25-year bond due 2024 at an annual fixed rate equivalent to 7.51% and a ₱2.5 billion 7-year bond due 2028 at an annual fixed rate equivalent to 8.51%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2019, AP issued ₱7.3 billion 7-year bond due 2026 at an annual fixed rate equivalent to 5.28%. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by AP based on stipulated early redemption option dates and on agreed early redemption price.

In April 2019, AP executed and availed a US\$300.0 million syndicated bridge loan facility loan agreement with foreign banks to finance the AA Thermal, Inc. acquisition. The loan bears a floating interest based on applicable LIBOR plus 1.2%. The loan will mature on the 5th anniversary of the first utilization date.

In November 2019, AP obtained a ₱5.0 billion 7-year long term loan from a local bank at an annual fixed rate of 5.28%.

TSI

On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.0 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.7 billion, which was fully drawn in 2016.

The loan is secured by a mortgage of all its assets with carrying amount of ₱36.4 billion as of December 31, 2019, and a pledge of TSI's shares of stock held by AP and TPI.

Interest rate ranging from 4.50% - 5.15% is fixed for the first seven years and will be repriced and fixed for another five years. In 2018, upon release of AP guarantee, interest was increased by 0.5%.

Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

APRI

On February 29, 2016, APRI entered into an omnibus agreement with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). This has been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:

- a. The Notes Facility Agreement, in the amount of ₱10.7 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments;
- b. The ADB Facility Agreement, in the amount of ₱1.8 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

The loan is secured by mortgage of its assets with carrying amount of ₱25.2 billion as of December 31, 2019, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

Hedcor Bukidnon

On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.0 billion. As of December 31, 2019, ₱9.3 billion has been drawn from the loan facility based on the agreed schedule.

The term of the loan is 15 years, and the first principal repayment will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments, with a balloon payment not to exceed 30% of the loan amount.

Interest rate on the loan is computed at the time of each drawdown, as designated under the agreement.

The loan is secured by an assignment of trade receivables, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-In-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.

Hedcor Sibulan

On November 17, 2016, Hedcor Sibulan entered into a NFA with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.1 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	96.8 million
3	Three (3) years from issue date	84.0 million
4	Four (4) years from issue date	84.0 million
5	Five (5) years from issue date	284.0 million
6 (Series A&B)	Six (6) years from issue date	388.4 million
7 (Series A&B)	Seven (7) years from issue date	445.8 million
8	Eight (8) years from issue date	451.4 million
9	Nine (9) years from issue date	508.1 million
10 (Series A&B)	Ten (10) years from issue date	1,660.7 million

Prior to maturity date, HSI may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

PILMICO

PILMICO availed ₱1.0 billion and ₱500.0 million loans from the NFA it signed on May 5, 2015, with Land Bank of the Philippines (LBP) as the Note Holder on May 11, 2015 and July 13, 2015, respectively. As provided for in the NFA, the 12-year corporate notes are issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the Securities Regulation Code (SRC) ("exempt security").

In October 2012, PILMICO availed ₱1.4 billion loan from the NFA it signed on September 25, 2012, with LBP as the Note Holder. The NFA provided for the issuance of 5-year corporate notes issued as an exempt security. In October 2019, PILMICO made a final repayment of ₱1.3 billion.

In October 2019, PILMICO availed ₱1.4 billion from the NFA it signed with LBP as the Note Holder. The NFA provided for the issuance of 10-year corporate notes issued as an exempt security.

PILMICO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

PANC

On December 28, 2016, PANC availed of a total of ₱700.0 million loan from NFA signed on December 28, 2016 with Security Bank Corporation as Note Holder.

On September 17, 2014, PANC availed of a total of ₱2.0 billion loan from NFA signed on September 17, 2014 with LBP as Note Holder.

The 2016 and 2014 notes are redeemable on a lump sum basis on their respective maturity dates at December 29, 2029 and September 27, 2026, respectively, at its face value. PANC may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

VECO

On December 20, 2013, VECO availed of a ₱2.0 billion loan from the NFA it signed on December 17, 2013 with the LBP. The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at fixed annual rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

Prior to maturity date, VECO may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

LHC

On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow US\$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually.

Intangible asset arising from service concession arrangement with carrying value of ₱1.6 billion as of December 31, 2019, was used as collateral to secure LHC's long-term debts (see Note 13).

DLP

On December 20, 2013, DLP availed of a ₱1.5 billion loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150.0 million with interest payable semi-annually at annual fixed rates and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

Prior to maturity date, DLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

HI

On August 6, 2013, HI availed of a ten-year ₱900.0 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

On December 14, 2018, HI entered into a Notes Facility Agreement with a local bank to borrow ₱1.4 billion, which will mature on August 31, 2033, to finance the rehabilitation and/or expansion of the Bineng hydropower plant, refinance its short-term loans and for other general corporate purposes. This loan is subject to a semi-annual principal payment with annual interest fixed at 7.8747% for the first 5 years. For the next five years, interest rate will be repriced and fixed one banking day prior to August 31, 2023. For the remaining five years, interest rate will be repriced and fixed one banking day prior to August 31, 2028. The debt is secured by a continuing suretyship from ARI.

SEZ

On July 7, 2011, SEZ issued ₱565.0 million worth of fixed-rate notes to Metropolitan Bank and Trust Company. Interest on the notes is subject to quarterly payment at 5% annual fixed interest rate. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million.

CLP

On December 20, 2013, CLP availed of ₱300.0 million notes from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates.

Principal is amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱30M balloon payment on maturity date
C	December 20, 2016	₱0.15M each on first 2 years; ₱29.7M on maturity date
D	December 20, 2017	₱0.15M each on first 3 years; ₱29.6M on maturity date
E	December 20, 2018	₱0.15M each on first 4 years; ₱29.4M on maturity date
F	December 20, 2019	₱0.15M each on first 5 years; ₱29.2M on maturity date
G	December 20, 2020	₱0.15M each on first 6 years; ₱29.1M on maturity date
H	December 20, 2021	₱0.15M each on first 7 years; ₱29M on maturity date
I	December 20, 2022	₱0.15M each on first 8 years; ₱28.8M on maturity date
J	December 20, 2023	₱0.15M each on first 9 years; ₱28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

Apo Agua

On November 29, 2018, Apo Agua entered into an Omnibus Notes Facility and Security Agreement with various banks for a project loan facility in the aggregate principal amount of up to ₱9.0 billion to design, develop, procure, construct, operate and maintain a water treatment plant facility at Brgy. Gumalang, Davao City. Apo Agua's loan drawdown amounted to ₱3.2 billion and ₱2.8 billion in 2019 and 2018, respectively. The loan drawdown mode is staggered based on an agreed schedule.

The loan is secured by a mortgage of all the assets of Apo Agua and a pledge of Apo Agua's shares held by its pledgors: AEV, the Parent Company, JVACC and JVAGHC. The term of the loan is 15 years and the first principal payment will be made at the earlier of fifty-four (54) months after the date of issuance of the agreement or six (6) months after commercial operation date whichever comes earlier. The remaining principal balance shall be paid in semi-annual equal installments. No payment shall be made to the principal during the grace period.

AEV International

On July 20, 2018, AEV International availed of a syndicated loan facility with the amount of US\$338.0 million (₱18.6 billion). The loan bears a floating interest rate computed based on applicable spread over libor and will mature in five (5) years.

On December 28, 2018, the loan was partially prepaid in the amount of US\$115.0 million (₱6.3 billion).

TCP

TCP entered into a various loan agreement with a local bank whereby the latter agreed to provide TCP an aggregate principal amount of loan up to ₱250.0 million to finance the construction of TCP's real estate projects. Interest is payable quarterly and was initially set at 8.65% per annum for the first 3 months, subject to reset thereafter.

Drawdown Date	Maturity Date	Outstanding as of December 31, 2019
July 26, 2019	October 12, 2028	₱20,000
September 17, 2019	October 12, 2028	20,000
July 25, 2019	September 11, 2028	24,700
September 30, 2019	September 11, 2028	19,760
August 20, 2019	December 27, 2028	20,000
March 6, 2019	December 27, 2028	25,000
February 7, 2019	February 2, 2029	10,000
September 27, 2019	February 2, 2029	20,000
June 19, 2018	June 16, 2028	19,520
September 13, 2018	September 11, 2028	24,700
October 15, 2018	October 12, 2028	20,000
December 27, 2018	December 27, 2028	25,000
		₱248,680

GCMH and Subsidiaries

GCMH Group obtained loans from various lenders with floating interest rates ranging from 3.24% to 6.00% and from 2.55% to 3.50% in 2019 and 2018, respectively.

Long-term debt of Joint Operation

This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an omnibus agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.3 billion with maturity period of 15 years.

The loan facility is subject to a semi-annual interest payment with annual fixed interest ranging from 5.50% - 8.31%. The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of substantially all its assets with carrying amount of ₱38.7 billion as of December 31, 2019, and a pledge of the shares of stock held by the joint operators.

Loan covenants

The loan agreements on long-term debts of the Group provide for certain restrictions with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of December 31, 2019 and 2018.

19. Customers' Deposits

	2019	2018
Bill and load	₱4,294,742	₱3,862,663
Lines and poles	1,149,552	1,101,664
Transformers	1,077,175	1,044,037
Others	199,687	119,424
	₱6,721,156	₱6,127,788

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

Effective April 1, 2010, the Amended Distribution Services and Open Access Rules (Amended DSOAR), increased the refund rate from 25% to 75% of the gross distribution revenue generated from the extension lines and facilities until such amounts are fully refunded.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility.

Other customer deposits pertain mainly to deposits from real estate buyers.

Interest expense on customers' deposits amounted to ₱4.4 million in 2019, ₱2.1 million in 2018, and ₱3.2 million in 2017 (see Note 35).

The Group classified customers' deposits under noncurrent liabilities due to the expected long-term nature of these accounts. The portion of customers' deposit to be refunded amounted to ₱19.4 million and ₱6.6 million as of December 31, 2019 and 2018, respectively, and are presented as part of "Trade and other payables" (see Note 17).

20. Decommissioning liability

Decommissioning liability includes the estimated costs to decommission, abandon and perform surface rehabilitation on the subsidiary's steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 12).

	2019	2018
Balances at beginning of year	₱3,678,810	₱2,959,060
Changes in accounting estimate (see Note 12)	(321,948)	559,996
Accretion of decommissioning liability (see Note 35)	210,630	159,754
Balances at end of year	₱3,567,492	₱3,678,810

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

21. Leases

TLI

TLI was appointed by PSALM as Administrator of the coal-fired power plant in Pagbilao, Quezon under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a finance lease (the Group applied the transition relief, as such, not assessed whether a lease or not under PFRS 16; see Notes 2 and 3). Accordingly, TLI recognized the capitalized asset and related liability of ₱44.8 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the consolidated financial statement as part of "Property, plant and equipment" and "Lease liabilities" accounts, respectively (see Notes 3 and 12). The discount determined at inception of the agreement is amortized over the period of the IPP Administration Agreement and is recognized as interest expense in the consolidated statements of income. Interest expense amounted to ₱4.4 billion in 2019 and ₱4.8 billion in 2018 and 2017 (see Note 35).

Future minimum monthly dollar and peso payments under the IPP Administration Agreement and their present values as of December 31, 2018 are as follows:

December 31, 2018

	US dollar payments	Philippine peso equivalent of dollar payments ¹	Philippine peso payments	Total
Within one year	\$90,000	₱4,732,200	₱4,320,000	₱9,052,200
After one year but not more than five years	415,500	21,846,990	19,944,000	41,790,990
More than five years	155,000	8,149,900	7,440,000	15,589,900
Total contractual payments	660,500	34,729,090	31,704,000	66,433,090
Unamortized discount	193,770	9,516,320	10,022,415	19,538,735
Present value	466,730	25,212,770	21,681,585	46,894,355
Less current portion				4,131,059
Noncurrent portion of finance lease obligation				₱42,763,296

¹USD1= ₱52.58

- *APRI*

On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the Asset Purchase Agreement (APA) is situated. The lease term is for a period of twenty-five (25) years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease. Total land lease charged to operations amounted to ₱19.7 million in 2018 and 2017.

- *GMCP*

In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMCP, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMCP entered into another lease agreement with PGRPI for land to be used for staff house.

- *Sacasun*

Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱51.5 million as of December 31, 2018 (see Note 7).

- *HI, HTI and HSI*

HI, HTI and HSI entered into contracts with various lot owners for lease of land where their power plants are located. Terms of contract are for a period of 1 to 50 years renewable upon mutual agreement by the parties.

- *Therma Mobile*

On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines.

- **EAUC**
Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities.
- **TPVI**
TPVI entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱516.0 million as of December 31, 2018 (see Notes 7, 15 and 41g).

Lease Disclosure in Accordance with PAS 17 (applicable prior to January 1, 2019)

Future minimum lease payments under the non-cancellable operating leases of GMCP, Sacasun, HI, HTI, HSI, Therma Mobile, EAUC and TPVI as of December 31, 2018 are as follows (amounts in millions):

	Amounts
Not later than 1 year	₱292.9
Later than 1 year but not later than 5 years	749.5
Later than 5 years	6,039.2

Total lease charged to operations related to these contracts amounted to in ₱263.5 million in 2018 and ₱163.7 million in 2017 (see Note 27).

Lease Disclosure in Accordance with PFRS 16 (applicable as of January 1, 2019)

The Group's right-of-use assets are presented as part of "Property, plant and equipment" account (see Note 2). The movements in the Group's lease liabilities for the year ended December 31, 2019 are as follows:

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities as of December 31, 2019 and the movements during the year:

2019

	Right-of-use assets					
	Land	Building	Power Plant	Manufacturing Plant, Equipment and Others	Total	Lease Liability
As at January 1, upon adoption of PFRS 16 (see Note 3)	₱3,279,969	₱714,672	₱34,669,713	₱201,463	₱38,865,817	₱49,786,728
Additions	49,478	84,817	—	4,421	138,716	93,839
Amortization expense	(92,580)	(175,001)	(1,094,513)	(29,663)	(1,391,757)	—
Capitalized amortization	(1,871)	—	—	—	(1,871)	—
Interest expense	—	—	—	—	—	4,381,935
Capitalized interest	—	—	—	—	—	1,805
Payments	—	—	—	—	—	(7,638,946)
Others	7,614	(46,056)	—	11,416	(27,026)	(1,331,599)
As at December 31	₱3,242,610	₱578,432	₱33,575,200	₱187,637	₱37,583,879	₱45,293,762

Set out below, are the amounts recognized in the consolidated statement of income for the year ended December 31, 2019:

Amortization expense of right-of-use assets	₱1,391,757
Interest expense on lease liabilities	4,381,935
Rent expense - low value assets	25,750
Rent expense - short-term leases	67,168
	₱5,866,610

22. Capital Stock

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock are as follows:

	Number of Shares	
	2019	2018
Common shares issued	5,694,599,621	5,694,599,621
Less treasury shares	61,807,064	61,807,064
Balance at end of year	5,632,792,557	5,632,792,557

On November 16, 1994, the Company listed with the Philippine Securities Exchange its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the consolidated balance sheets.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2019 and 2018.

As of December 31, 2019, and 2018, the Company has 8,893 and 8,921 shareholders, respectively.

Treasury Shares

In November 2018, AEV purchased 1 million treasury shares amounting to ₱44.1 million. As of December 31, 2019 and 2018, treasury shares held by AEV totaled 61.8 million, with corresponding acquisition cost of ₱565.2 million.

23. Retained Earnings

On March 7, 2019, the BOD approved the declaration of a regular cash dividend of ₱1.32 per share (₱7.44 billion) to all stockholders of record as of March 21, 2019. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2019, and were paid on April 5, 2019.

On March 8, 2018, the BOD approved the following:

- a. Declaration of a regular cash dividend of ₱1.28 per share (₱7.21 billion) to all stockholders of record as of March 22, 2018. These dividends were taken out of the unrestricted retained earnings as of December 31, 2017, and were paid on April 12, 2018.
- b. Appropriation of ₱4.20 billion of the retained earnings as of December 31, 2018 for the additional capital infusion into Aboitiz Infracapital, Inc. to finance its capital infusion into Apo Agua Infraestructura, Inc. for the funding of the construction of a bulk water treatment facility, as follows:

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
Apo Agua Infraestructura, Inc.	Plant Construction	January 2018	2nd quarter of 2018	1st quarter of 2021	₱4,200,000

- c. Reversal of ₱1.62 billion retained earnings appropriation that was set up in 2016 for the funding of the ₱1.0 billion purchase price adjustment for the acquisition of the Philippine business of Lafarge S.A. and the ₱622 million capital infusion into Apo Agua.

On March 7, 2017, the BOD approved the following:

- a. Declaration of a regular cash dividend of ₱1.33 per share (₱7.49 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.
- b. Reversal of ₱1.095 billion retained earnings appropriations for funding of additional capital infusions into the following investees (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
AboitizLand, Inc. and Subsidiaries	Land acquisition	July 2013	First quarter of 2014	End of fourth quarter of 2017	₱500,000
Aseagas, Inc.	Plant construction	March 2015	August 2014	Start of third quarter of 2016	345,000
PETNET, Inc.	Business expansion	May 2015	June 2015	December 2016	250,000
Total					₱1,095,000

As mentioned in Note 18, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company's year-end debt and consolidated equity.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱135.2 billion and ₱122.4 billion as of December 31, 2019 and 2018, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements (see Note 10).

24. Other Comprehensive Income

	2019	2018
Cumulative Translation Adjustments		
Balance at beginning of year	₱719,792	₱189,465
Movements	(1,664,278)	530,327
Balance at end of year	(944,486)	719,792
Actuarial Losses on Defined Benefit Plans		
Balances at beginning of year	(676,765)	(666,132)
Movements	(185,103)	(10,633)
Balance at end of year	(861,868)	(676,765)
Net Unrealized Gains (Losses) on Financial Assets at FVOCI		
At beginning of year	143	(798)
Movements	2,992	941
Balance at end of year	3,135	143
Share in Cumulative Translation Adjustments of Associates and Joint Ventures		
Balance at beginning of year	250,295	(107,913)
Movements	(387,315)	358,208
Balance at end of year	(137,020)	250,295
Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures		
Balance at beginning of year	(435,068)	(537,099)
Movements	(384,860)	102,031
Balance at end of year	(819,928)	(435,068)
Share in Fair Value Changes on Financial Assets at FVOCI of Associates and Joint Ventures		
At beginning of year	114,527	95,077
Movements	(2,382)	19,450
Balance at end of year	112,145	114,527
	(2,648,022)	(₱27,076)

25. Revenues

a. Power

Sale from Distribution of Power

The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.

Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

The reset process for the Third Regulatory Period to adjust the previously approved distribution supply and metering charges were deferred due to the changes on PBR rules.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the RDWR. Based on this Resolution, the Fourth Regulatory Period shall be as follows:

- i. CLP: April 1, 2017 to March 31, 2021
- ii. DLP and VECO: July 1, 2018 to June 30, 2022
- iii. SEZ: October 1, 2019 to September 30, 2023

The reset process for the Fourth Regulatory Period has not started for all private DUs as the above-mentioned ERC rules have not been published, which is a condition for their effectivity.

Total sale from distribution of power amounted to ₱46.1 billion, ₱44.9 billion and ₱43.5 billion in 2019, 2018 and 2017, respectively.

Sale from Generation of Power and Retail Electricity

Certain subsidiaries are trading participants and direct members under the generator sector of the Wholesale Electricity Spot Market (WESM). These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱6.4 billion, ₱6.8 billion and ₱3.8 billion in 2019, 2018 and 2017, respectively.

Revenue recognition for customers under the power supply contracts assumed under the APA and IPP Administration Agreements are billed based on the contract price which is calculated based on the pricing structure approved by the ERC. Rates are calculated based on the time-of-use pricing schedule with corresponding adjustments using the GRAM and the ICERA.

Certain subsidiaries have negotiated contracts with NPC, Private Distribution Utilities, Electric Cooperatives and Commercial and Industrial Consumers referred to as PPA/PSA or ESA. These contracts provide a tariff that allows these companies to charge for capacity fees, fixed operating fees and energy fees.

Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱46.8 billion in 2019, ₱54.9 billion in 2018 and ₱53.4 billion in 2017.

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱22.8 billion, ₱24.2 billion and ₱18.1 billion in 2019, 2018 and 2017, respectively.

b. Real estate revenues consist of the following:

	2019	2018	2017
Real estate sales	₱3,296,910	₱3,219,565	₱2,915,830
Rental income	539,761	475,429	445,558
Service fees and others	279,504	230,314	252,000
	₱4,116,175	₱3,925,308	₱3,613,388

26. Purchased Power

Distribution

The Group's distribution utilities entered into contracts with NPC/PSALM and generation companies for the purchase of electricity, and into Transmission Service Agreements with NGCP for the transmission of electricity.

To avail of opportunities in the competitive electricity market, some of the Group's distribution utilities registered as direct participants of the WESM.

Total purchased power amounted to ₱21.8 billion, ₱23.6 billion, ₱22.5 billion in 2019, 2018 and 2017, respectively.

Generation

Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers' required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from WESM to ensure uninterrupted supply of power and meet the requirements in the power supply contracts.

The Group entered into Replacement Power Contracts with certain related parties (see Note 34). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Total purchased power amounted to ₱7.6 billion, ₱4.9 billion, ₱6.6 billion in 2019, 2018 and 2017, respectively.

Retail Electricity Supply

AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. In October 2019, a compromise agreement with PSALM was effected, which includes the termination of supply and ₱125.0 million payment of AESI as termination fee.

The Group also purchases from WESM in order to supply its contestable customers.

Total purchased power amounted to ₱6.4 billion, ₱7.6 billion, ₱6.3 billion in 2019, 2018 and 2017, respectively.

27. Costs and Expenses

Cost of generated power consists of:

	2019	2018	2017
Fuel costs (see Note 6)	₱29,394,773	₱29,423,013	₱22,324,825
Steam supply costs (see Note 39)	5,008,607	5,227,807	4,981,187
Energy fees	694,696	646,317	668,558
Ancillary charges	360,095	355,260	547,291
Wheeling expenses	68,535	21,821	35,895
	₱35,526,706	₱35,674,218	₱28,557,756

Cost of goods sold consists of:

	2019	2018	2017
Raw materials used, purchases and changes in biological assets and inventories (see Notes 6 and 8)	₱55,809,698	₱41,184,394	₱19,406,752
Direct labor (see Note 28)	384,488	302,993	238,647
Manufacturing overhead			
Depreciation (see Note 12)	1,070,930	763,488	524,660
Power	739,874	517,010	344,656
Indirect labor (see Note 28)	774,055	494,370	240,484
Repairs and maintenance	573,206	380,606	254,772
Outside services	384,525	185,932	99,817
Fuel and lubricants	311,971	193,061	94,775
Employees' benefits (see Notes 28 and 30)	199,841	86,863	11,687
Insurance	99,625	59,697	29,859
Freight and handling	72,642	60,075	61,005
Taxes and licenses	71,784	69,866	55,253
Office and general supplies	70,210	57,092	35,506
Medicines and vaccines	56,529	43,553	39,707
Toll milling expenses	54,049	26,873	—
Rental	41,027	66,012	33,931
Pest control	19,251	21,658	21,026
Royalty fee	10,520	11,472	9,711
Others	149,602	118,516	153,164
	4,699,641	3,156,144	2,010,013
Cost of goods manufactured	60,893,827	44,643,531	21,655,412
Finished goods inventory (see Note 6)			
Beginning of year	1,752,729	317,007	361,857
Acquisition of subsidiaries (see Note 9)	—	486,098	—
End of year	(1,468,608)	(1,752,729)	(317,007)
	₱61,177,948	₱43,693,907	₱21,700,262

Operating expenses consist of:

	2019	2018	2017
Depreciation and amortization (see Notes 12 and 13)	₱10,434,429	₱9,021,735	₱7,869,255
Personnel costs (see Notes 28 and 30)	7,565,163	7,183,608	6,279,900
Taxes and licenses	3,132,133	2,546,058	2,196,046
Repairs and maintenance	2,559,198	2,170,396	1,704,853
Outside services (see Note 34)	2,670,470	1,770,689	2,383,152
Freight and handling	1,342,422	1,143,709	834,893
Insurance	1,057,165	1,015,790	1,058,377
Management and professional fees (see Note 34)	918,395	724,422	288,343

(Forward)

	2019	2018	2017
Transportation and travel	₱839,882	₱562,220	₱467,606
Advertising	476,780	460,933	425,617
Provision for impairment of trade receivables (see Note 5)	278,766	309,820	101,155
Training and development	255,570	172,237	160,953
Utilities	187,374	190,536	149,682
Fuel and lubricants	78,900	86,437	73,751
Rent	46,597	548,715	444,262
Commissions	640	76,998	145,140
Others	1,702,542	2,414,391	1,672,930
	₱33,546,426	₱30,398,694	₱26,255,915

Other operating expenses consist of miscellaneous items, the most significant of which are materials and supplies.

Overhead expenses consist of:

	2019	2018	2017
Personnel costs (see Notes 28 and 30)	₱41,783	₱54,037	₱41,061
Depreciation and amortization (see Notes 12 and 13)	31,478	33,208	40,837
Repairs and maintenance	21,214	23,557	16,986
Fuel	6,305	4,893	6,680
Insurance	3,862	3,425	4,049
Rent	2,420	16,114	2,042
Others	4,151	1,359	2,209
	₱111,213	₱136,593	₱113,864

Other overhead expenses include training costs for aircraft personnel.

Sources of depreciation and amortization are as follows:

	2019	2018	2017
Property, plant and equipment (see Note 12)	₱9,585,437	₱9,242,594	₱7,946,469
Right of use assets (see Note 21)	1,391,757	—	—
Intangible assets (see Note 13)	559,643	575,837	509,509
	₱11,536,837	₱9,818,431	₱8,455,978

28. Personnel Costs

	2019	2018	2017
Salaries and wages	₱6,862,064	₱6,640,098	₱5,041,341
Employee benefits (see Note 30)	1,799,914	827,960	1,296,940
	₱8,661,978	₱7,468,058	₱6,338,281

29. Other Income (Expense) - Net

	2019	2018	2017
Net unrealized fair valuation gains on investment property (see Note 14)	₱1,829,732	511,820	862,218
Net foreign exchange gains (losses)	1,167,551	(1,252,608)	70,221
Surcharges	536,856	508,492	435,428
Reversal of (impairment) losses on property, plant and equipment, goodwill and other assets (see Notes 12 and 13)	245,489	(847,620)	(3,191,786)
Non-utility income	170,640	142,363	145,948
Rental income (see Note 34)	87,497	70,967	10,617
Dividend income	10,651	19,060	5,946
Gain (loss) on disposal of:			
Property, plant and equipment	(301,228)	(292,194)	(52,164)
Financial assets at FVTPL	3,965	(8,550)	289
Investment in a subsidiary (see Note 9)	—	166,891	—
Write off of project costs and other assets	(71,802)	(179,225)	(143,613)
Increase in fair value of biological assets (see Note 8)	—	₱752,560	₱942,131
Bargain purchase gain - net (see Note 9)	—	—	310,198
Others - net	1,838,452	1,818,870	578,433
	₱5,517,803	₱1,410,826	(₱26,134)

Reversal of (impairment) losses on property, plant and equipment, goodwill and other assets includes:

- Income from the recovery of write-off on Aseagas assets relating to recoverable VAT of ₱245.5 million in 2019 which was part of the impairment loss recognized in 2017.
- The ₱486.5 million net book value of the Bajada Power Plant which was fully impaired when it ceased operations in 2018 and the loss of ₱282.3 million in 2018 from recognizing the recoverable amount of transmission assets which were classified as property held for sale.
- This includes the ₱2.6 billion impairment loss of Aseagas biomass plant which temporarily ceased its operation in 2017 due to unavailability of the supply of organic effluent wastewater from source. In January 2018, Aseagas decided to make the plant shutdown permanent. As of December 31, 2017, the recoverable amount of Aseagas' property, plant and equipment was determined based on their fair value less costs of disposal. The fair value of the property, plant and equipment was based on valuation performed by an accredited independent appraiser (see Note 12).

"Others - net" comprise non-recurring items like sale of scrap and sludge oil, and reversal of provisions.

"Others - net" also include income arising from the reversal of APRI and TLI's liability to PSALM pertaining to GRAM/ICERA of ₱924.0 million in 2019, and income arising from the proceeds from claims of liquidating damages from contractor due to the delay of the completion of PEC's power plant amounting to ₱340.7 million in 2018.

30. Pension Benefit Plans

Under the existing regulatory framework, Republic Act 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, noncontributory, pension benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations)

	2019	2018	2017
Retirement expense recognized in the consolidated statements of income:			
Service cost	₱294,728	₱297,480	₱338,596
Net interest cost	19,653	26,015	12,257
Remeasurement of other long-term employee benefits	1,372	(4,842)	—
	₱315,753	₱318,653	₱350,853
	2019	2018	2017
Remeasurement gains (losses) recognized in the consolidated statements of comprehensive income:			
Actuarial gains (losses) on defined benefit plan	(₱130,633)	₱221,199	₱53,381
Return (loss) on assets excluding amount included in net interest cost	23,460	(197,855)	65,865
	(₱107,173)	₱23,344	₱119,246

Net pension liabilities

	2019	2018
Present value of obligation	₱3,576,699	₱3,577,859
Fair value of plan assets	(3,127,787)	(3,250,202)
Pension liability	₱448,912	₱327,657

Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
At January 1	₱3,577,859	₱3,609,366
Net benefit costs in the consolidated statements of income		
Current service costs	296,645	306,434
Interest cost	210,494	192,498
Remeasurement of other long-term employee benefits	1,372	(4,842)
Benefits paid	(638,157)	(412,283)
Past service costs	(1,917)	(8,954)
Transfers and others	(230)	13,508
Remeasurements in other comprehensive income:		
Actuarial gains due to changes in financial assumptions	127,632	(181,408)
Actuarial losses (gain) due to experience adjustments	3,001	(39,791)
	3,576,699	3,474,528
Acquisition of subsidiaries (see Note 9)	–	103,331
At December 31	₱3,576,699	₱3,577,859

Changes in the fair value of plan assets are as follows:

	2019	2018
At January 1	₱3,250,202	₱3,386,012
Actual contributions	236,959	430,721
Interest income included in net interest cost	190,841	166,483
Transfers and others	(225)	13,500
Disposal of a subsidiary (see Note 9)		(142,336)
Actual return excluding amount included in net interest cost	23,460	(197,855)
Benefits paid	(573,450)	(406,323)
At December 31	₱3,127,787	₱3,250,202

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2019	2018
At January 1	₱327,657	₱223,354
Contribution to retirement fund	(236,959)	(430,721)
Retirement expense for the year	315,753	318,653
Actuarial gain recognized for the year	107,173	(23,344)
Transfers and others	(5)	8
Benefits paid from Group operating funds	(64,707)	(5,960)
Acquisition and disposal of subsidiaries (see Note 9)	–	245,667
At December 31	₱448,912	₱327,657

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

	2019	2018
Cash and fixed-income investments	₱1,523,737	₱1,909,787
Equity instruments:		
Power	577,112	409,991
Holding	493,830	295,117
Financial institution	82,594	59,325
Others	450,514	575,982
Fair value of plan assets	₱3,127,787	₱3,250,202

All equity and debt instruments held have quoted prices in active market. 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 principal assumptions used as of December 31, 2019, 2018 and 2017 in determining pension benefit obligations for the Group's plans are shown below:

	2019	2018	2017
Discount rate	4.36% - 8.31%	4.87% - 8.31%	5.01% - 5.31%
Salary increase rate	6% - 7%	6% - 7%	6%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019 and 2018, assuming all other assumptions were held constant:

December 31, 2019

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100 (100)	(148,971) 383,926
Future salary increases	100 (100)	442,317 (128,715)

December 31, 2018

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100 (100)	(176,522) 217,264
Future salary increases	100 (100)	254,503 (212,771)

The pension benefit plans are funded by the Company and its subsidiaries. The Group expects to contribute approximately ₱230.5 million to the retirement benefit funds in 2020.

The average durations of the defined benefit obligation as of December 31, 2019 and 2018 are 2.70 - 24.00 years and 2.70 - 28.76 years, respectively.

The Board of Trustees reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

31. Income Taxes

The provision for (benefit from) income tax consists of:

	2019	2018	2017
Current			
Corporate income tax	₱4,257,044	₱4,312,349	₱4,346,711
Final tax	154,135	237,483	159,077
	4,411,179	4,549,832	4,505,788
Deferred	347,225	(650,634)	77,267
	₱4,758,404	₱3,899,198	₱4,583,055

A reconciliation between the statutory income tax rate and the Group's effective income tax rates follows:

	2019	2018	2017
Statutory income tax rate	30.00%	30.00%	30.00%
Tax effects of:			
Non-deductible interest expense	4.85	4.77	5.19
Non-deductible depreciation expense	0.98	0.95	0.97
Non-deductible impairment provisions	0.08	0.03	0.11
Gain on sale of investments already subjected to final tax	—	(0.14)	—
Interest income subjected to final tax at lower rates - net	(0.84)	(0.91)	(0.82)
Nontaxable share in net earnings of associates and joint ventures	(10.09)	(6.60)	(8.02)
Deductible lease payments	(7.93)	(7.72)	(7.84)
Income under ITH	(10.31)	(10.04)	(7.87)
Others	7.17	0.75	1.81
	13.91%	11.09%	13.53%

Net deferred income tax assets at December 31 relate to the following:

	2019	2018 (as restated; see Note 9)
Deferred income tax assets:		
Tax effects of items in other comprehensive income	₱43,902	₱152,129
Unrealized foreign exchange losses	374,169	1,326,013
Allowances for impairment and probable losses	509,671	350,689
NOLCO	1,361,488	298,477
Unamortized contributions for past service	63,035	118,810
MCIT	9,675	20,754
Accrued retirement benefits	71,932	(40,158)
Others	713,469	122,405
	3,147,341	2,349,119
Deferred income tax liabilities:		
Pension asset	20,269	22,064
Others	—	2,282
	20,269	24,346
	₱3,127,072	₱2,324,773

Net deferred income tax liabilities at December 31 relate to the following:

	2019	2018 (as restated; see Note 9)
Deferred income tax liabilities:		
Unrealized gain on investment property	₱1,406,478	₱978,246
Unamortized franchise	771,532	794,620
Percentage-of-completion recognition of real estate sales and related costs	152,329	175,573
Consumable biological assets	—	96,400
Unamortized customs duties and taxes capitalized	5,618	9,008
Unrealized foreign exchange gains	18,821	2,749
Pension asset	(37,325)	(55,633)
Others	326,798	404,761
	2,644,251	2,405,724
Deferred income tax assets:		
Tax effects of items in other comprehensive income	(146,689)	(114,135)
NOLCO	10,179	117,018
Allowances for:		
Inventory obsolescence	19,468	153,896
Impairment and probable losses	22,934	47,359
Unrealized foreign exchange losses	9,389	9,389
MCIT	—	6,157
Unamortized past service cost	6,774	—
Others	140,685	243,776
	62,740	463,460
	₱2,581,511	₱1,942,264

In computing for deferred income tax assets and liabilities, the tax rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy developers as allowed by the Renewable Energy Act of 2008.

The Group did not recognize its deferred income tax assets on NOLCO generated in 2019 and 2018 amounting to ₱9.7 billion and ₱6.2 billion, respectively, and on MCIT paid in 2019 and 2018 amounting to ₱80.9 million and ₱90.2 million, respectively. Management expects that no sufficient taxable income will be generated in the future to allow all of the corresponding deferred income tax assets to be utilized.

The Group did not recognize deferred income tax liability on its undistributed retained earnings of its subsidiaries on the basis that there are no income tax consequences to the Group attaching to the payment of dividends to its shareholders or that the reversal of the temporary differences are not expected to reverse in the foreseeable future.

32. Earnings per Common Share

Earnings per common share amounts were computed as follows:

	2019	2018	2017
a. Net income attributable to equity holders of the parent	₱22,036,129	₱22,232,977	₱21,608,695
b. Weighted average number of common shares issued and outstanding	5,633,543	5,633,543	5,633,793
c. Earnings per common share (a/b)	₱3.912	₱3.947	₱3.836

There are no dilutive potential common shares as of December 31, 2019, 2018 and 2017.

33. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's CODM to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the BOD, the Group's CODM, are as follows:

- power segment, which is engaged in power generation and sale of electricity;
- financial services segment, which is engaged in banking and money remittance operations;

- food manufacturing segment, which is engaged in the production of flour and feeds and swine breeding;
- real estate segment, which is engaged in real property development for sale and lease;
- infrastructure segment, which is engaged in the production of cement and other building materials and in the supply of treated bulk water; and
- the parent company and others, which include the operations of the Company and the service provider subsidiaries that cater mainly to the Group.

The Group has only one geographical segment as the bulk of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statement of income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

The Group has inter-segment revenues in the form of management fees as well as inter-segment sales of electricity and other services which are eliminated in consolidation. The transfers are accounted for at competitive market prices on an arm's-length basis.

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company accounted for 22%, 22% and 24% of the power generation revenues of the Group in 2019, 2018, and 2017, respectively.

Financial information on the operations of the various business segments are summarized as follows:

	2019							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱125,419,377	₱-	₱71,155,177	₱4,116,175	₱95,769	₱370,970	₱-	₱201,157,468
Inter-segment	215,780	-	3,310,490	79,681	-	1,179,475	(4,785,426)	-
Total revenue	₱125,635,157	₱-	74,465,667	₱4,195,856	₱95,769	₱1,550,445	(₱4,785,426)	₱201,157,468
RESULTS								
Segment results	₱28,855.872	₱-	₱3,646,190	₱549,245	(₱174,141)	(₱441,005)	₱218,728	₱32,654,889
Unallocated corporate income (expenses) - net	3,483,389	-	243,718	1,211,636	186	797,603	(218,728)	5,517,804

(Forward)

2019								
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
INCOME FROM OPERATIONS								38,172,693
Interest expense	(P14,047,646)	P-	(P1,261,093)	(P63,772)	(P19)	(P1,731,329)	P55,500	(P17,048,359)
Interest income	1,291,703	-	68,976	18,129	10,745	242,412	(57,697)	1,574,268
Share in net earnings of associates and joint ventures	3,813,962	7,150,500	13,487	(20,912)	545,936	16,252,690	(16,253,573)	11,502,090
Provision for income tax	(3,215,498)	-	(886,741)	(429,267)	(15,438)	(211,460)	-	(4,758,404)
NET INCOME	P20,181,782	P7,150,500	P1,824,537	P1,265,059	P367,269	P14,908,911	(P16,255,770)	P29,442,288
OTHER INFORMATION								
Segment assets	P76,896,786	P-	P22,196,783	P16,011,885	P2,476,896	P7,141,991	(P299,049)	P124,425,292
Investments and advances	60,878,541	51,837,773	60,374	1,673,212	25,833,195	130,091,898	(130,023,245)	140,351,748
Unallocated corporate assets	272,694,030	-	30,353,984	8,755,063	5,470,776	6,925,209	(590,001)	323,609,061
Consolidated total assets								P588,386,101
Segment liabilities	P275,041,691	P-	P36,492,392	P9,753,786	P6,590,858	P40,179,458	(P864,426)	P367,193,759
Unallocated corporate liabilities	1,784,655	-	735,764	990,195	16,895	469,754	-	3,997,263
Consolidated total liabilities								P371,191,021
Capital expenditures	P9,675,816	P-	P1,895,149	P896,460	P26,765	P81,444	P-	P12,575,634
Depreciation and amortization	P9,895,695	P-	P1,317,211	112,373	P15,424	P196,134	P-	P11,536,837
2018 (as restated; see Note 9)								
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	P131,354,643	P644,566	P50,252,875	P3,925,308	P96,021	P669,407	P-	P186,942,820
Inter-segment	217,441	-	-	76,047	-	1,149,283	(1,442,771)	-
Total revenue	P131,572,084	P644,566	P50,252,875	P4,001,355	P96,021	P1,818,690	(P1,442,771)	P186,942,820
RESULTS								
Segment results	P36,496,682	(P38,554)	P1,568,078	P958,534	(P60,669)	(P42,613)	P280,485	P39,161,943
Unallocated corporate income (expenses) - net	(1,292,311)	5,973	1,545,976	(56,446)	(2,673)	1,490,792	(280,485)	1,410,826
INCOME FROM OPERATIONS								40,572,769
Interest expense	(12,082,158)	(8,135)	(974,879)	(76,019)	-	(1,553,542)	56,145	(14,638,588)
Interest income	880,085	1,588	173,102	13,703	3,312	466,420	(62,059)	1,476,151
Share in net earnings of associates and joint ventures	4,356,825	3,599,941	2,850	(11,928)	(218,399)	19,313,421	(19,315,048)	7,727,663
Provision for income tax	(2,925,623)	6,531	(532,076)	(123,380)	(4,096)	(320,554)	-	(3,899,198)
NET INCOME	P25,433,500	P3,567,344	P1,783,051	P704,464	(P282,525)	P19,353,924	(P19,320,962)	P31,238,796
OTHER INFORMATION								
Segment assets	P91,891,697	P-	P24,346,718	P12,535,860	P1,657,628	P8,978,434	(P218,893)	P139,191,444
Investments and advances	34,334,126	46,025,202	55,807	1,464,124	25,238,659	125,271,699	(125,430,060)	106,959,557
Unallocated corporate assets	263,436,354	-	31,453,948	6,066,913	1,901,742	6,178,277	(600,001)	308,437,233
Consolidated total assets								P554,588,234
Segment liabilities	P251,543,579	P-	P39,768,325	P7,673,226	P3,031,839	P32,684,202	(P793,134)	P333,908,037
Unallocated corporate liabilities	1,541,930	-	855,594	655,099	745	363,298	-	3,416,666
Consolidated total liabilities								P336,016,231
Capital expenditures	P8,607,781	P-	P1,216,702	P647,354	P68,234	P147,608	P-	P10,687,679
Depreciation and amortization	P8,681,403	P-	P896,710	P82,313	P13,917	P144,089	P-	P9,818,432

2017								
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱119,134,091	₱742,182	₱26,229,792	₱3,613,388	₱34,061	₱668,091	₱-	₱150,421,605
Inter-segment	257,212	-	-	60,608	-	978,922	(1,296,742)	-
Total revenue	₱119,391,303	₱742,182	₱26,229,792	₱3,673,996	₱34,061	₱1,647,013	(₱1,296,742)	₱150,421,605
RESULTS								
Segment results	₱34,173,729	₱59,705	₱1,520,218	₱618,070	(₱87,498)	₱20,598	₱271,322	₱36,576,144
Unallocated corporate income (expenses) - net	(1,704,000)	4,265	868,042	748,030	304	328,546	(271,322)	(26,135)
INCOME FROM OPERATIONS								36,550,009
Interest expense	(11,247,780)	(6,147)	(337,471)	(34,473)	-	(1,553,541)	62,050	(13,117,362)
Interest income	927,012	1,515	86,019	5,973	4,472	431,106	(80,402)	1,375,695
Share in net earnings of associates and joint ventures	4,697,864	4,103,964	-	(11,227)	274,517	18,284,670	(18,296,056)	9,053,733
Provision for income tax	(3,858,398)	(20,033)	(438,889)	(220,287)	(913)	(44,533)	-	(4,583,053)
NET INCOME	₱22,988,427	₱4,143,269	₱1,697,919	₱1,106,086	₱190,882	₱17,466,846	(₱18,314,408)	₱29,279,021
OTHER INFORMATION								
Segment assets	₱67,961,596	₱1,201,961	₱19,534,202	₱7,045,980	₱239,620	₱18,482,290	(₱278,155)	₱114,187,494
Investments and advances	31,248,595	33,658,023	-	1,476,052	25,463,872	108,095,256	(108,332,207)	91,609,591
Unallocated corporate assets	262,266,808	184,640	8,205,912	9,636,511	260,661	5,476,211	103,868	286,134,611
Consolidated total assets								₱491,931,696
Segment liabilities	₱235,578,591	₱363,199	₱22,592,698	₱6,395,724	₱29,590	₱32,645,631	(₱672,374)	₱296,933,059
Unallocated corporate liabilities	1,919,944	371,414	61,084	620,745	3,066	(248,543)	-	2,727,710
Consolidated total liabilities								₱299,660,769
Capital expenditures	₱16,068,050	₱17,934	₱1,218,793	₱897,635	₱9,573	₱105,460	₱-	₱18,317,445
Depreciation and amortization	₱7,596,268	₱35,289	₱576,980	₱94,648	₱6,481	₱146,312	₱-	₱8,455,978

34. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into transactions with related parties, principally consisting of the following:

- Service contracts of certain associates with AEV or AP at fees based on agreed rates. Professional and technical fees paid by these associates and joint ventures to AEV and AP totaled ₱393.3 million, ₱745.2 million and ₱649.9 million in 2019, 2018 and 2017, respectively.
- Cash deposits and placements with UBP. At prevailing rates, the deposits and money market placements earned interest income amounting to ₱342.8 million, ₱636.5 million and ₱316.4 million in 2019, 2018 and 2017, respectively.
- Aviation services rendered by AEV Aviation to ACO and certain associates. Total aviation service income generated from these related parties amounted to ₱12.1 million in 2019, ₱18.4 million in 2018 and ₱11.2 million in 2017.

- d. Lease of commercial office units by ACO and certain associates from CPDC for a period of three years. Rental income amounted to ₱9.5 million in 2019, ₱8.5 million in 2018 and ₱8.1 million in 2017.
- e. Purchase of lots for residential and commercial project development by AboitizLand from ACO in 2012. The purchase was for a total consideration of ₱595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly installments for the next 10 years. The current and noncurrent portion of the related liability amounted to ₱59.9 million and ₱79.0 million, respectively, as of December 31, 2019, and to ₱47.8 million and ₱139.5 million, respectively, as of December 31, 2018 (see Note 18).
- f. Power sales to and purchases from certain associates and joint ventures based on the Group's power supply and purchase agreements, respectively (see Note 39).
- g. Services rendered by Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, to the Group for various construction projects.
- h. Interest-bearing advances from AEV availed by the Group. The annual interest rates are determined on arm's length basis.

The above transactions are settled in cash.

Significant outstanding account balances with related parties as of December 31, 2019 and 2018 are as follows:

a. Revenue - Management, Professional and Technical Fees

	Revenue			Accounts Receivable			
	2019	2018	2017	2019	2018	Terms	Conditions
Ultimate Parent							
ACO	₱—	₱19,913	₱10,966	₱251,026	₱126	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
CBM (see Note 10)	88,773	339,201	298,612	58,852	108,954	30-day; Interest-free	Unsecured; no impairment
SFELAPCO	106,760	132,623	72,158	57,440	36,851	30-day; interest-free	Unsecured; no impairment
CEDC	74,074	71,880	101,367	24,615	—	30-day; interest-free	Unsecured; no impairment
RCMI (see Note 10)	18,600	75,312	69,780	11,377	25,457	30-day; interest-free	Unsecured; no impairment
RCII (see Note 10)	12,106	49,019	45,418	7,405	16,569	30-day; interest-free	Unsecured; no impairment
AEV CRH Holdings, Inc.	—	—	—	3	—	30-day; interest-free	Unsecured; no impairment
GNPD	41,768	42,360	40,556	3,441	3,960	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	5,910	5,137	3,653	961	1,050	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	5,986	5,414	2,027	737	1,071	30-day; interest-free	Unsecured; no impairment
MORE	4,522	2,527	2,825	375	122	30-day; interest-free	Unsecured; no impairment
UBP	11,165	1,493	1,050	3,227	10	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	23,678	278	1,394	4	8	30-day; interest-free	Unsecured; no impairment
RCSI	—	—	120	82	30	30-day; interest-free	Unsecured; no impairment
Total	₱393,342	₱745,157	₱649,926	₱419,545	₱194,208		

b. Cash Deposits and Placements with UBP

	Interest Income			Outstanding Balance		Terms	Condition
	2019	2018	2017	2019	2018		
AP	₱277,850	₱442,344	₱195,457	₱10,140,102	₱18,753,283	90 days or less; interest-bearing	No impairment
AEV	48,250	146,938	90,082	245,933	2,702,526	90 days or less; interest-bearing	No impairment
PILMICO	6,199	42,687	14,380	66,659	1,052,045	90 days or less; interest-bearing	No impairment
AboitizLand	1,152	2,099	2,785	375,997	434,613	90 days or less; interest-bearing	No impairment
Aboitiz Infracapital	7,478	1,628	3,795	829,984	234,865	90 days or less; interest-bearing	No impairment
CPDC	1,637	648	1,099	55,025	48,157	90 days or less; interest-bearing	No impairment
AEV AVIATION	198	189	1,632	31,052	29,437	90 days or less; interest-bearing	No impairment
AIPL	9	12	6,982	11,500	11,906	90 days or less; interest-bearing	No impairment
Weather Solutions, Inc.	2	3	—	4,087	513	90 days or less; interest-bearing	No impairment
Petnet	—	—	214	—	—	90 days or less; interest-bearing	No impairment
	₱342,775	₱636,548	₱316,426	₱11,760,339	₱23,267,345		

c. Revenue - Aviation Services

	Revenue			Accounts Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Ultimate Parent</i>							
ACO	₱520	—	—	₱572	—	30-day; interest-free	Unsecured; no impairment
<i>Associates and Joint Ventures</i>							
SNAP-Magat	7,353	₱14,280	₱5,735		₱5,228	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	1,969	2,356	1,234		—	30-day; interest-free	Unsecured; no impairment
UBP	1,500	1,500	1,500		—	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	726	285	2,719		147	30-day; interest-free	Unsecured; no impairment
	₱12,068	₱18,421	₱11,188	₱572	₱5,375		

d. Revenue - Rental

	Revenue			Accounts Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Ultimate Parent</i>							
ACO	₱4,269	₱4,218	₱3,488	₱—	₱805	30-day; interest-free	Unsecured; no impairment
<i>Associates</i>							
UBP	5,268	4,330	3,507	—	29	30-day; interest-free	Unsecured; no impairment
RCSI	—	—	1,116	14,951	15	30-day; interest-free	Unsecured; no impairment
	₱9,537	₱8,548	₱8,111	₱14,951	₱849		

e. Land Acquisition

	Purchase			Payable		Terms	Condition
	2019	2018	2107	2019	2018		
<i>Ultimate Parent</i>							
ACO	P	P—	P—	P138,864	P187,305	Quarterly installment	Unsecured

f. Revenue - Sale of Power

	Revenue (see Note 26)			Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Associate and Joint Ventures</i>							
SFELAPCO	P2,655,153	P2,290,390	P2,487,557	P227,478	P160,375	30-day; interest-free	Unsecured; no impairment
RCBM	1,295,957	1,341,456	101,092	52,320	129,905	30-day; interest-free	Unsecured; no impairment
SNAP-RES	28,983	19,442	14,209	1	1,583	30-day; interest-free	Unsecured; no impairment
SNAP-Magat	22,802	9,193	—	—	—	30-day; interest-free	Unsecured; no impairment
<i>Investees of ACO</i>							
Tsuneishi Heavy Industries (Cebu), Inc.	165,254	351,946	406,366	2	39,478	30-day; interest-free	Unsecured; no impairment
Aboitiz Construction International, Inc.	—	11,218	2,410	—	1,263	30-day; interest-free	Unsecured; no impairment
	P4,168,149	P4,023,645	P3,011,634	P279,801	P332,604		

g. Cost of Purchased Power

	Purchases (see Note 26)			Payable		Terms	Condition
	2019	2018	2017	2019	2018		
<i>Associates and Joint Ventures</i>							
CEDC	P3,619,999	P4,196,052	P4,540,798	P339,494	P303,563	30-day; interest-free	Unsecured
SNAP-Magat	109,142	110,432	158,015	8,012	8,722	30-day; interest-free	Unsecured
SFELAPCO	—	14,287	23,592	—	—	30-day; interest-free	Unsecured
SNAP-Benguet	—	—	126,731	—	—	30-day; interest-free	Unsecured
	P3,729,141	P4,320,771	P4,849,136	P347,506	P312,285		

h. Capitalized Construction and Rehabilitation Costs

	Purchases			Payable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Fellow Subsidiary</i>							
Aboitiz Construction, Inc.	P458,564	P399,105	P727,378	P212,358	P—	30-day; interest-free	Unsecured

i. Notes Receivable

	Interest Income			Receivable		Terms	Conditions
	2019	2018	2017	2019	2018		
<i>Joint venture</i>							
SACASUN (see Note 16)	P—	P—	P151,040	P	P—	Loan agreement; interest-bearing	Unsecured

Retirement Benefit Fund

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO under the supervision of the BOT of the plan.

The Fund has a carrying amount and a fair value of ₱491.9 million and ₱643.0 million as of December 31, 2019 and 2018, respectively. The assets and investments of the Fund are as follows:

	2019	2018
Equity investments at FVTPL	₱947,470	₱601,262
Financial assets at amortized cost	(472,091)	26,100
Debt investments at FVOCI	16,488	15,594
	₱491,867	₱642,956

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of December 31, 2019 and 2018 and the gains of the Fund arising from such investments for the years then ended are as follows:

	2019		2018	
	Carrying Value	Loss	Carrying Value	Gains
AEV common shares	₱295,023	₱19,286	₱75,135	(₱19,724)
AP common shares	411,559	3,203	300,436	(43,461)

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2019	2018	2017
Short-term benefits	₱309,496	₱332,370	₱305,642
Post-employment benefits	20,145	17,658	20,261
	₱329,641	₱350,028	₱325,903

35. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents bank loans, long-term debts and lease liabilities. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables, trade and other payables and customer deposits which arise directly from operations.

The Group also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases.

Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

Financial risk committee

The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Treasury service group

The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits.

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debts; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

Market Risk

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of December 31, 2019, 17.8% of the Group's long-term debt had annual floating interest rates ranging from 2.0% to 6.0%, and 82.2% are with fixed rates ranging from 4.1% to 9.0%. As of December 31, 2018, 14.1% of the Group's long-term debt had annual floating interest rates ranging from 2.6% to 4.3%, and 85.9% are with fixed rates ranging from 4.0% to 9.0%.

The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to cash flow interest rate risk:

December 31, 2019

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱1,923,488	₱36,617,665	₱4,183,912	₱42,725,065

December 31, 2018

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱2,779,079	₱22,686,231	₱4,352,737	₱29,818,047

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on the other financial instruments of the Group that are not included in the above tables are either fixed-rate or non-interest bearing, and are therefore not subject to interest rate risk. Its derivative assets and liabilities are subject to fair value interest rate risk.

The interest expense recognized during the period is as follows:

	2019	2018	2017
Long-term debts (see Note 18)	₱11,116,862	₱8,998,958	₱8,059,734
Lease liabilities (see Note 21)	4,381,935	4,797,898	4,757,379
Bank loans (see Note 16)	1,215,563	765,276	246,789
Long-term obligation on PDS and others	329,647	74,313	50,229
Customers' deposits (see Note 19)	4,351	2,143	3,231
	₱17,048,358	₱14,638,588	₱13,117,362

The interest income recognized during the period is as follows:

	2019	2018	2017
Cash and cash equivalents (see Note 4)	₱1,503,698	₱1,451,344	₱1,348,935
Others	70,570	24,807	26,760
	₱1,574,268	₱1,476,151	₱1,375,695

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of December 31, 2019, 2018 and 2017:

	Increase (decrease) in basis points	Effect on income before tax
2019	200 (100)	(₱854,501) 427,251
2018	200 (100)	(₱596,361) 298,180
2017	200 (100)	(₱624,137) 312,069

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant in 2019, 2018 and 2017 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Commodity Price Risk

Commodity price risk of the Group arises from transactions on the world commodity markets to secure the supply of fuel, particularly coal, which is necessary for the generation of electricity.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's commodity price risk management strategy.

Based on a 36-month forecast of the required coal supply, the Group hedges the purchase price of coal using commodity swap contracts. The commodity swap contracts do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal.

Foreign exchange risk

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including lease liabilities. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of December 31, 2019 and 2018, foreign currency denominated borrowings account for 34.06% and 29.17%, respectively, of total consolidated borrowings.

The following table presents the Group's foreign currency denominated assets and liabilities:

	2019		2018	
	US dollar	Philippine peso Equivalent ¹	US dollar	Philippine peso Equivalent ²
Financial assets				
Cash and cash equivalents	\$123,735	₱6,265,343	\$342,461	₱18,006,600
Trade and other receivables	122,557	6,205,685	120,235	6,321,968
Investments in FVTPL and FVOCI	19,153	969,791	11,131	585,272
Total financial assets	265,445	13,440,819	473,827	24,913,840
Financial liabilities				
Bank loans	53,134	2,690,437	57,861	3,042,346
Trade and other payables	188,601	9,549,827	164,911	8,671,016
Long-term debts	566,938	28,706,917	257,956	13,563,350
Lease liabilities	731,598	37,044,441	479,512	25,212,741
Total financial liabilities	1,540,271	77,991,622	960,240	50,489,453
Net foreign currency denominated liabilities	(\$1,274,826)	(₱64,550,803)	(\$486,413)	(₱25,575,613)

¹\$1= ₱50.64

²\$1= ₱52.58

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31:

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
2019	US dollar strengthens by 5%	(P3,227,540)
	US dollar weakens by 5%	3,227,540
2018	US dollar strengthens by 5%	(P1,278,781)
	US dollar weakens by 5%	1,278,781

The increase in US dollar rate represents depreciation of Philippine peso while the decrease in US dollar rate represents appreciation of Philippine peso.

The following table presents LHC's and GMCP's foreign currency denominated assets and liabilities:

	2019		2018	
	Philippine Peso	US Dollar Equivalent¹	Philippine Peso	US Dollar Equivalent²
Financial assets:				
Cash and cash equivalents	P718,508	\$14,190	P1,212,747	\$23,065
Trade and other receivables	461,052	9,105	801,466	15,243
	1,179,560	23,295	2,014,213	38,308
Financial liability:				
Trade and other payables	842,075	16,630	608,306	11,569
Net foreign currency denominated assets	P337,485	\$6,665	P1,405,907	\$26,739

¹US\$1 = P50.64

²US\$1 = P52.58

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

	Effect on income before tax
2019	
US dollar appreciates against Philippine peso by 5.0%	(\$333)
US dollar depreciates against Philippine peso by 5.0%	333
2018	
US dollar appreciates against Philippine peso by 5.0%	(\$1,337)
US dollar depreciates against Philippine peso by 5.0%	1,337

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Equity price risk

Equity price risk is the risk that the fair value of traded equity instruments decreases as the result of the changes in the levels of equity indices and the value of the individual stock.

As of December 31, 2019 and 2018, the Group's exposure to equity price risk is minimal.

Credit Risk

For its cash investments, financial assets at FVTPL or FVOCI, derivative assets, and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. With respect to cash and financial assets at FVTPL or FVOCI, the risk is mitigated by the short-term and or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures.

Concentration risk

Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2019 and 2018 is summarized in the following table:

	2019	2018
Power distribution:		
Industrial	₱5,554,969	₱4,973,567
Residential	1,825,217	1,676,936
Commercial	437,994	778,623
City street lighting	111,570	30,006
Power generation:		
Power supply contracts	5,520,439	4,567,682
Spot market	1,481,760	2,533,211
	₱14,931,949	₱14,560,025

The above receivables were provided with allowance for ECL amounting to ₱2.8 billion and ₱2.5 billion as of December 31, 2019 and 2018, respectively (see Note 5).

Maximum exposure to credit risk after collateral and other credit enhancements

The maximum exposure of the Group's financial instruments is equivalent to the carrying values as reflected in the consolidated balance sheets and related notes, except that the credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals.

Maximum exposure to credit risk for collateralized loans is shown below:

	2019			2018		
	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk
Trade receivables:						
Power distribution	₱7,639,069	₱7,639,069	₱—	₱7,619,514	₱7,619,514	₱—

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.

Credit quality

The credit quality per class of financial assets that are neither past due nor impaired is as follows:

December 31, 2019

	Neither past due nor impaired			Past due or individually impaired	Total
	High grade	Standard grade	Sub-standard grade		
Cash and cash equivalents	₱46,424,663	₱—	₱—	₱—	₱46,424,663
Restricted cash	9,121,747	—	—	—	9,121,747
Trade and other receivables					
Trade receivables					
Power	9,954,774	—	—	4,977,175	14,931,949
Food manufacturing	3,701,732	835,182	1,272,816	1,683,131	7,492,861
Real estate	2,404,783	469,580	2,219,133	102,835	5,196,331
Holding and others	1,073,336	19,949	128,741	—	1,222,026
Other receivables	11,316,124	14,844	90,331	132,392	11,553,691
Debt investments at amortized cost	234,968	—	—	—	234,968
Financial assets at FVTPL					
Quoted shares of stock	719,727	—	—	—	719,727
Unquoted shares of stock	12,070	—	—	—	12,070
Financial assets at FVOCI	176,479	—	—	—	176,479
Derivative asset	133,387	—	—	—	133,387
	₱85,273,790	₱1,339,555	₱3,711,021	₱6,895,533	₱97,219,899

December 31, 2018

	Neither past due nor impaired			Past due or individually impaired	Total
	High grade	Standard grade	Sub-standard grade		
Cash and cash equivalents	₱59,033,029	₱—	₱—	₱—	₱59,033,029
Restricted cash	5,289,145	—	—	—	5,289,145
Trade and other receivables					
Trade receivables					
Power	10,327,887	8,857	162	4,380,668	14,717,574
Food manufacturing	180,251	5,537,610	748,507	2,621,489	9,087,857
Real estate	1,707,695	258,809	—	2,015,920	3,982,424
Holding and others	638,742	92,636	11,172	—	742,550
Other receivables	12,313,635	14,864	—	137,894	12,466,393
Debt investments at amortized cost	453,871	—	—	—	453,871
Financial assets at FVTPL					
Quoted shares of stock	341,664	—	—	—	341,664
Unquoted shares of stock	12,070	—	—	—	12,070
Financial assets at FVOCI	225,552	—	—	—	225,552
Derivative asset	292,828	—	—	—	292,828
	₱90,816,369	₱5,912,776	₱759,841	₱9,155,971	₱106,644,957

2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱72,121,361	₱13,152,429	₱-	₱85,273,790
Standard grade	-	1,339,555	-	1,339,555
Substandard grade	-	3,711,021	-	3,711,021
Default	-	4,886,173	2,009,360	6,895,533
Gross carrying amount	72,121,361	23,089,178	2,009,360	97,219,899
Loss allowance	-	768,866	2,009,360	2,778,226
Carrying amount	₱72,121,361	₱22,320,312	₱-	₱94,441,673

2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱90,816,369	₱-	₱-	₱90,816,369
Standard grade	-	5,912,776	-	5,912,776
Substandard grade	-	759,841	-	759,841
Default	-	7,655,159	1,500,812	9,155,971
Gross carrying amount	90,816,369	14,327,776	1,500,812	106,644,957
Loss allowance	-	964,584	1,500,812	2,465,396
Carrying amount	₱90,816,369	₱13,363,192	₱-	₱104,179,561

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The Group evaluated its cash and cash equivalents as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to investments carried at fair value and derivative asset, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The aging analysis per class of financial assets that are past due but not impaired is as follows:

December 31, 2019

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	
Cash and cash equivalents	₱46,424,663	₱46,424,663	₱-	₱-	₱-	₱-	₱-
Restricted cash	9,121,747	9,121,747	-	-	-	-	-
Trade and other receivables							
Trade receivables							
Power	14,931,949	9,954,774	509,816	2,493,839	-	-	1,973,520
Food manufacturing	7,492,861	5,809,730	649,840	331,420	-	-	701,871
Real estate	5,196,331	5,093,496	-	-	-	-	102,835
Holding and others	1,222,026	1,222,026	-	-	-	-	-
Other receivables	11,553,691	11,421,299	-	132,392	-	-	-
Debt financial assets at amortized cost	234,968	234,968	-	-	-	-	-

(Forward)

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	
Financial assets at FVTPL:							
Quoted shares of stock	₱719,727	₱719,727	₱—	₱—	₱—	₱—	₱—
Unquoted shares of stock	12,070	12,070	—	—	—	—	—
Financial assets at FVOCI	176,479	176,479	—	—	—	—	—
Derivative asset	133,387	133,387					
	₱97,219,899	₱90,324,366	₱1,159,656	₱2,957,651	₱—	₱—	₱2,778,226

December 31, 2018

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	
Debt financial assets at amortized cost:							
Cash and cash equivalents	₱59,033,029	₱59,033,029	₱—	₱—	₱—	₱—	₱—
Restricted cash	5,289,145	5,289,145	—	—	—	—	—
Trade and other receivables							
Trade receivables							
Power	14,717,574	10,336,906	949,185	1,681,492	—	—	1,749,991
Food manufacturing	9,087,857	6,466,368	1,070,501	948,418	—	—	602,570
Real estate	3,982,424	1,966,504	117,075	1,796,010	—	—	102,835
Holding and others	742,550	742,550	—	—	—	—	—
Other receivables	12,466,393	12,328,499	—	137,894	—	—	—
Debt investments at amortized cost	453,871	453,871	—	—	—	—	—
Financial assets at FVTPL:							
Quoted shares of stock	341,664	341,664	—	—	—	—	—
Unquoted shares of stock	12,070	12,070	—	—	—	—	—
Financial assets at FVOCI	225,552	225,552	—	—	—	—	—
Derivative asset	292,828	292,828	—	—	—	—	—
	₱106,644,957	₱97,488,986	₱2,136,761	₱4,563,814	₱—	₱—	₱2,455,396

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

Liquidity Risk

Liquidity risk is the risk that an entity in the Group will be unable to meet its obligations as they become due. The Group manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows, making use of a centralized treasury function to manage pooled business unit cash investments and borrowing requirements.

Currently, the Group is maintaining a positive cash position, conserving its cash resources through renewed focus on working capital improvement and capital reprioritization. The Group meets its financing requirements through a mixture of cash generated from its operations and short-term and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained.

The Group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The Group has sufficient undrawn borrowing facilities, which could be utilized to settle obligations.

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long-term borrowings should mature in any twelve-month period. As of December 31, 2019 and 2018, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 11.24% and 5.61%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of ₱46.4 billion and ₱35.2 billion as of December 31, 2019, respectively and of ₱59.0 billion and ₱35.1 billion as of December 31, 2018, respectively (see Notes 4 and 5). These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The table below analyzes the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

December 31, 2019

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱39,277,702	₱39,277,702	₱2,769,960	₱29,610,014	₱6,897,728	₱—
Customers' deposits	6,721,156	6,721,156	—	25,199	206,094	6,489,863
Financing						
Bank loans	25,717,137	25,929,484	—	25,929,484	—	—
Long-term debts	239,579,538	312,311,678	—	36,114,860	163,097,999	113,098,819
Lease liabilities	45,293,762	63,608,050	—	9,290,529	45,237,715	9,079,806
Long-term obligation on PDS	199,350	360,000	—	40,000	200,000	120,000
Others						
Derivative liabilities	2,468,324	2,468,324	—	2,255,736	212,588	—
	₱359,256,969	₱450,676,394	₱2,769,960	₱103,265,822	₱215,852,124	₱128,788,488

*Excludes statutory liabilities

December 31, 2018 (as restated; see Note 9)

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
<i>Operating</i>						
Trade and other payables*	₱33,722,947	₱33,722,947	₱2,472,160	₱27,928,222	₱3,322,565	₱—
Customers' deposits	6,127,788	6,127,788	—	24,546	99,408	6,003,834
<i>Financing</i>						
Bank loans	26,978,586	27,027,903	—	27,027,903	—	—
Long-term debts	211,432,367	309,677,645	—	42,126,194	129,514,140	138,037,311
Lease liabilities	46,894,355	66,433,090	—	9,052,200	41,790,990	15,589,900
Long-term obligation on PDS	213,496	400,000	—	40,000	200,000	160,000
<i>Others</i>						
Derivative liabilities	161,565	161,565	—	161,565	—	—
	₱325,531,104	₱443,550,938	₱2,472,160	₱106,360,630	₱174,927,103	₱159,791,045

*Excludes statutory liabilities

Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2019 and 2018, these entities have complied with this requirement as applicable (see Note 38).

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 70% or below at the consolidated level. The Group determines net debt as the sum of interest-bearing short-term and long-term obligations (comprised of long-term debts and lease liabilities) less cash and short-term deposits.

Gearing ratios of the Group as of December 31, 2019 and 2018 are as follows:

	2019	Restated 2018
Bank loans	₱25,717,137	₱26,978,586
Long-term obligations	284,873,300	258,326,722
Cash and cash equivalents (including restricted cash)	(55,546,410)	(64,322,174)
Net debt (a)	255,044,027	220,983,134
Equity	217,195,080	218,477,838
Equity and net debt (b)	₱472,239,107	₱439,460,972
Gearing ratio (a/b)	54.01%	50.29%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2019 and 2018 (see Note 18).

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

Financial and Other Risk Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of hogs, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase production cost. The Group monitors the prices of grains regularly. The formulation of feeds at a least cost being done by the Group considers the appropriate nutrients the hogs need. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

36. Financial Instruments

Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial asset:				
PSALM deferred adjustment	₱3,183,080	₱2,846,279	₱4,225,900	₱3,889,099
Financial liabilities				
Lease liabilities	₱45,293,762	₱39,046,242	₱46,894,355	₱40,495,647
Long-term debt - fixed rate	196,854,474	203,058,442	181,614,320	174,822,840
PSALM deferred adjustment	3,183,080	2,846,279	4,225,950	3,889,099
Long-term obligation on PDS	199,350	320,194	213,496	297,790
	₱245,530,665	₱245,271,157	₱232,948,121	₱219,505,376

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables and trade and other payables

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the relatively short-term maturity of these financial instruments.

Lease liabilities

The fair value of the lease liabilities was calculated by discounting future cash flows using discount rates of 3.10% to 4.13% for dollar payments and 4.16% to 7.04% for peso payments in 2019; and 2.33% to 2.73% for dollar payments and 5.26% to 6.67% for peso payments in 2018.

Fixed-rate borrowings

The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 3.47% to 9.00% in 2019 and 3.15% to 7.53% in 2018. The disclosed fair value is determined using Level 3 inputs.

Variable-rate borrowings

Where the repricing of the variable-rate interest-bearing instruments is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Long-term obligation on PDS and PSALM deferred adjustment

The fair value of the long-term obligations on PDS is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 3.11% to 5.09% in 2019 and 4.32% to 7.49% in 2018.

Customers' deposits

The fair value of bill deposits approximate their carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformers and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

Financial assets at FVTPL

These equity securities are carried at fair value.

Derivative asset and liabilities

The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

The Group enters into non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities and purchases.

The Group also entered into an interest rate swap agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan and par forward contracts to hedge the floating rate exposure on foreign currency-denominated payments.

The Group also entered into deliverable and non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities, purchases and highly probable forecasted purchases.

The Group also entered into commodity swap contracts to hedge the price volatility of its forecasted coal purchases.

Interest rate swaps (IRS)

In August 2012, LHC entered into an interest rate swap agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US dollar denominated loan. Under the interest rate swap agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on

the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2019, the outstanding notional amount and derivative asset as a result of the swap amounted to US\$11.2 million and ₱2.2 million respectively. As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to US\$16.6 million and ₱19.6 million, respectively.

GMCP, has an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its Onshore - Tranche B loans (see Note 18). Under the swap agreement, GMCP pays a fixed rate of 4.37% and receives 6-month LIBOR rate, semi-annually from January 29, 2010 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRS agreement was terminated following the prepayment of the loan (see Note 18). As a result of the termination, the outstanding value of the derivative liability amounting to US\$4.5 million was derecognized in cumulative translation adjustments.

On September 29, 2017, GMCP entered into an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its LIBOR Loan (see Note 18), which bears interest based on six-month US LIBOR. Under the swap agreement, GMCP pays a fixed rate of 2.18% and receives six-month US LIBOR rate, semi-annually from March 29, 2018 until September 27, 2024. The interest rate swap settlement dates coincide with the semi-annual interest payment dates of the NFA. GMCP designated the swap as a cash flow hedge.

As of December 31, 2019, the outstanding notional amount and derivative asset as a result of the swap amounted to US\$267.5 million and ₱252.3 million, respectively. As of December 31, 2018, the outstanding notional amount and derivative asset as a result of the swap amounted to US\$288.5 million and ₱272.2 million, respectively.

In August and September 2019, AEV International entered into IRS agreements (IRS 1 and 2) to fully hedge its floating rate exposure on its US Dollar-denominated loan. Under the IRS agreements, AEV International, on a quarterly basis, pays an annual fixed rate (IRS 1 = 1.464%; IRS 2 = 1.435%) and receives variable interest at 3-month LIBOR plus margin, subject to a floor of 0% on LIBOR. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has

amortizing notional amounts which cover a period up to final maturity of the hedged loan. AEV International designated the swaps as cash flow hedges.

As of December 31, 2019, the outstanding notional amount and derivative asset as a result of the swaps amounted to US\$114.0 million and ₱51.1 million, respectively.

In September 2019, AP entered into an IRS agreement effective September 30, 2019 to hedge US\$150.0 million of its floating rate exposure on its loan (see Note 18). Under the agreement, AP, on a quarterly basis, pays a fixed rate of 1.4493% per annum and received variable interest at 3-month LIBOR, subject to a floor of 0%. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to April 30, 2024. AP designated the swap as a cash flow hedge.

As of December 31, 2019, the outstanding notional amount and fair value of the swap amounted to ₱7.6 billion and ₱80.1 million, respectively.

Foreign currency forward contracts

On November 26, 2015, Hedcor Bukidnon also entered into a non-deliverable forward contract to manage its exposure to exchange rate fluctuations associated with US dollar denominated purchases. As of December 31, 2018 and 2017, the contract has an aggregate notional amount of \$1.2 million and US\$2.6 million, respectively. The contracts were fully settled in January 2019.

Hedcor Bukidnon designated these foreign currency hedging transactions as cash flow hedges.

TLI entered into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2019 the aggregate notional amount of the par forward contract is US\$13.1 billion.

In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the Engineering, Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2019 and 2018, the aggregate notional amount of the par forward contracts is US\$16.8 million (₱0.9 billion) and US\$25.2 million (₱1.3 billion), respectively.

Commodity swap contracts

In 2018, TLI entered into commodity swap contracts to hedge the price volatility of forecasted coal purchases. The commodity swaps do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal. TLI hedges approximately 30% of its expected coal purchases considered to be highly probable. There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward and commodity swap contracts match the terms of the expected highly probable forecasted transactions.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward, IRS and commodity swap contracts match the terms of the expected highly probable foreign currency denominated forecasted purchases and floating rate loans. The Group has established a hedge ratio of 1:1 for the hedging relationships as the

underlying risk of the foreign currency forward, IRS and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative technique and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Different reference prices linked to the hedged risk of the hedged items and hedging instruments
- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The Group is holding the following hedging instruments designated as cash flow hedges as of December 31, 2019 and 2018:

December 31, 2019

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
IRS - Derivative Assets						
Notional amount (in PHP)	–	111,397	167,096	278,493	7,602,845	8,159,831
Average fixed interest rate (%)	1.45%-1.51%	1.45%-1.51%	1.45%-1.51%	1.45%-1.51%	1.45%-1.51%	
IRS - Derivative Assets						
Notional amount (in PHP)	505,084	–	319,001	744,335	11,973,912	13,542,332
Average fixed interest rate (%)	2.18%	2.18%	2.18%	2.18%	2.18%	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	35,448	–	–	–	–	35,448
Average forward rate (in PHP)	51	–	–	–	–	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	2,549,299	2,459,085	4,447,858	2,809,170	861,922	13,127,334
Average forward rate (in PHP)	53	53	53	55	54	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	361,500	328,500	447,500	651,500	269,000	2,058,000
Notional amount (in PHP)	1,659,132	1,494,677	2,008,052	2,873,693	1,147,704	9,183,258
Average hedged rate (in PHP per metric tonne)	4,590	4,550	4,487	4,411	4,267	

December 31, 2018

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
IRS - Derivative Assets						
Notional amount (in PHP)	552,090	115,676	725,604	1,144,930	13,503,859	16,042,159
Average fixed interest rate (%)	2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	1.51%-2.18%	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	–	61,118	–	–	–	61,118
Average forward rate (in PHP)	54	55	55	56	57	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	975,740	752,345	933,916	1,372,435	798,837	4,833,273
Average forward rate (in PHP)	54	55	55	56	57	
Commodity swaps - Derivative Asset						
Notional amount (in metric tonnes)	47,000	103,000	161,000	150,000	70,000	531,000
Notional amount (in PHP)	212,949	484,425	749,278	695,381	330,607	2,472,640
Average hedged rate (in PHP per metric tonne)	4,531	4,703	4,654	4,636	4,723	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	86,000	44,000	289,000	150,000	151,000	720,000
Notional amount (in PHP)	486,652	248,709	1,608,393	800,799	775,024	3,919,577
Average hedged rate (in PHP per metric tonne)	5,659	5,652	5,565	5,339	5,133	

The impact of the hedged items and hedging instruments in the consolidated balance sheets as of December 31, 2019 and 2018, and consolidated statements of income and comprehensive income for the years ended December 31, 2019 and 2018, is as follows:

As at December 31, 2019				
	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain (loss) recognized in OCI	Ineffectiveness recognized in other comprehensive income (charges)
IRS				
Derivative asset	₱82,328	₱80,134	₱63,429	₱-
Derivative liability	(252,327)	-	(515,811)	-
Forward exchange currency forwards				
Derivative asset	13,116	13,116	13,116	-
Derivative liability	(521,528)	(521,528)	(405,516)	-
Commodity swaps				
Derivative asset	-	-	(195,428)	-
Derivative liability	(1,689,952)	(1,689,952)	(1,461,259)	(8,430)
As at December 31, 2018				
	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain (loss) recognized in OCI	Ineffectiveness recognized in other comprehensive income (charges)
IRS				
Derivative asset	₱291,764	₱272,185	₱168,841	₱2,095
Forward exchange currency forwards				
Derivative asset	210	(539)	-	-
Derivative liability	(118,596)	(228,658)	(117,304)	(1,292)
Commodity swaps				
Derivative asset	1,200	22,141	195,428	1,003
Derivative liability	(40,311)	(154,829)	(235,351)	(8,141)

The movements in fair value changes of all derivative instruments for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
At beginning of year	₱132,902	₱294,364
Net changes in fair value of derivatives designated as cash flow hedges	(2,515,732)	(125,642)
Net changes in fair value of derivatives not designated as accounting hedges	(3,889)	(72,252)
Fair value of settled instruments	722	36,432
At end of year	(₱2,385,997)	₱132,902

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included in "Other income (expense) - net".

The changes in the fair value of derivatives designated as accounting hedges were deferred in equity under "Cumulative translation adjustments."

The net movement of changes to cumulative translation adjustment relating to revaluation of derivatives is as follows:

	2019	2018
Balance at beginning of year (net of tax)	₱261,378	₱139,879
Changes in fair value recorded in equity	(2,495,146)	203,751
	(2,233,768)	343,630
Transfer to construction in progress	-	(77,180)
Changes in fair value transferred to profit or loss	(8,218)	(7,579)
Balance at end of year before deferred tax effect	(2,241,986)	258,871
Deferred tax effect	(15,303)	2,507
Balance at end of year (net of tax)	(₱2,257,289)	₱261,378

The Group has not bifurcated any embedded derivatives as of December 31, 2019 and 2018.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable either directly or indirectly
- Level 3: techniques that use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data

As of December 31, 2019 and 2018, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2019

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Investments in financial assets:				
At FVTPL	₱731,797	₱731,797	₱-	₱-
At FVOCI	176,479	176,479	-	-
Derivative asset	133,387	-	133,387	-
Derivative liability	2,468,324	-	2,468,324	-
Disclosed at fair value:				
Lease liabilities	39,046,242	-	-	39,046,242
Long-term debt - fixed rate	203,058,442	-	-	203,058,442
Long-term obligation on PDS	320,194	-	-	320,194

December 31, 2018

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Investments in financial assets:				
At FVTPL	₱353,734	₱353,734	₱-	₱-
At FVOCI	225,552	225,552	-	-
Derivative asset	292,828	-	292,828	-
Derivative liability	161,565	-	161,565	-
Disclosed at fair value:				
Lease liabilities	40,495,647	-	-	40,495,647
Long-term debt - fixed rate	174,822,840	-	-	174,822,840
Long-term obligation on PDS	297,790	-	-	297,790

During the years ended December 31, 2019 and 2018, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

37. Notes to Consolidated Statement of Cash Flows

The following are the cash flow movements of the Group's financing liabilities in 2019 and 2018:

	January 1, 2019	Net cash flows	Non-cash Changes					December 31, 2019
			Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	Others	
Current interest-bearing loans and borrowings, excluding lease liabilities	₱37,721,561	(₱16,756,167)	₱1,315	₱-	₱-	₱-	₱31,917,346	₱52,884,055
Current lease liabilities	4,131,059	(7,638,946)	-	-	-	7,210	9,156,902	5,656,225
Non-current interest-bearing loans and borrowings, excluding lease liabilities	200,902,889	44,962,947	258,898	(1,506,799)	-	-	(32,005,965)	212,611,970
Non-current lease liabilities	42,763,296	-	9,995	(2,018,791)	-	4,350,043	(5,467,007)	39,637,536
Derivatives	161,565	-	-	-	2,306,759	-	-	2,468,324
Total liabilities from financing activities	₱285,680,370	₱20,567,834	₱270,208	(₱3,525,590)	₱2,306,759	₱4,357,253	₱3,601,276	₱313,258,110

	January 1, 2018	Net cash flows	Non-cash Changes						December 31, 2018
			Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	First-time consolidated liabilities	Others	
Current interest-bearing loans and borrowings, excluding lease liabilities	₱44,463,470	(₱20,333,648)	₱258,968	(₱48,560)	₱-	₱-	₱2,228,136	₱11,153,195	₱37,721,561
Current lease liabilities	3,316,165	(7,804,460)	-	-	-	-	-	8,619,354	4,131,059
Non-current interest-bearing loans and borrowings, excluding lease liabilities	168,550,788	39,157,476	198,372	1,800,851	-	-	2,366,786	(11,171,384)	200,902,889
Non-current lease liabilities	45,909,089	-	-	873,546	-	4,600,015	-	(8,619,354)	42,763,296
Derivatives	47,577	-	-	-	113,988	-	-	-	161,565
Total liabilities from financing activities	₱262,287,089	₱11,019,368	₱457,340	₱2,625,837	₱113,988	₱4,600,015	₱4,594,922	(₱18,189)	₱285,680,370

38. Registrations with the Board of Investments (BOI)

a. Power Segment

Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled to, among others, ITH incentives covering four (4) to seven (7) years. The ITH shall be limited only to sales/revenue generated from sales of electricity of the power plant and revenues generated from the sales of carbon emission reduction credits. To be able to avail of the incentives, the companies are required to maintain a minimum equity level. As of December 31, 2019 and 2018, these companies have complied with the requirements.

b. Food Manufacturing Segment

- *PILMICO*

On October 9, 2015, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2015-210) on a nonpioneer status under the Omnibus Investment Code of 1987. Among others, said registration entitles PILMICO to three-year ITH from January 2016 or actual start of commercial operations, whichever is earlier, and importation of capital equipment at zero duty for a period of five years.

- *PANC*

PANC has been registered with the BOI and granted the following incentives:

- o ITH for a period of three to four years;

Type of Registration	BOI Approval Date	Start of ITH Period	ITH Period
Expanding Producer of Animal Feeds	June 24, 2016	July 2016 ¹	3 years
New Producer of Table Eggs and By- Products	April 7, 2015	October 2015 ¹	4 years
New Producer of Hogs and Pork Meat	July 16, 2017	July 2017 ¹	3 years

¹ Or actual start of commercial operations, whichever is earlier, but not earlier than registration date,

- o Importation of capital equipment at zero duty for a period of five years from date of registration;
- o Other tax and duty exemptions on purchase of certain inventories.

There is no income tax incentive availed in 2019 and 2018 since PANC has incurred losses and did not exceed the base figure in the registered project's operation. As of December 31, 2019, PANC has complied with the terms and conditions indicated in the above BOI registrations.

c. Infrastructure Segment

On January 24, 2018, the BOI approved Apo Agua's application for registration as new operator of Bulk Water Supply (Davao City Bulk Water Project) under the 2017 IPP on a non-pioneer status under Omnibus Investments Code of 1987. The BOI issued the Certificate of Registration on April 12, 2018 which entitles Apo Agua to an ITH of four years from February 2022 or actual start of commercial operations, whichever is earlier but availment shall in no case be earlier than the date of registration.

39. **Rate Regulation, Power Supply and Other Agreements**

- a. Certain subsidiaries are subject to the ratemaking regulations and regulatory policies by the ERC.

b. Steam Supply Agreement

On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a Geothermal Resource Sales Contract (GRSC). The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to CGPHI will be at a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 4, 2013 and extended until August 25, 2018. On August 24, 2018, a new contract was signed by the Company and Philippine Geothermal Production Company, Inc. which aims to ensure long-term operations of both parties. The Geothermal Resources Supply and Services Agreement took effect August 26, 2018 and shall continue in effect until October 22, 2034, unless earlier terminated or extended by mutual agreement of the Parties.

Total steam supply cost incurred by APRI, reported as part of "Cost of generated power" amounted to ₱5.0 billion in 2019, ₱5.2 billion in 2018 and ₱5.0 billion in 2017.

c. Coal Supply Agreements (CSA)

TLI enters into short-term CSA. Outstanding coal supply agreements as of December 31, 2019 have aggregate supply amounts of 560,000 MT (equivalent dollar value is estimated to be at \$28.6 million), which are due for delivery from January 2020 to April 2020. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice.

GMCP has a current coal supply agreement with PT Arutmin Indonesia (Seller) for the delivery of coal, which is effective until November 2, 2019, and was extended for 2 months ending on December 31, 2019. In addition, a supply backstop deed was included in the CSA wherein PT Kaltim Prima Coal (Obligor) irrevocably and unconditionally undertakes for the benefit of GMCP the due and punctual performance of the Seller of each and all of their obligations, duties and undertakings pursuant to the coal supply agreement, when and such obligations, duties and undertakings shall become due and performable according to the terms of the CSA; provided that the undertaking of the Obligor hereunder shall be limited to 1,000,000 tonnes of substitute coal per delivery year.

d. Joint Venture Agreement

On March 17, 2015, Apo Agua entered into a Joint Venture Agreement (JVA) with the Davao City Water District (DCWD) in accordance with the Guidelines and Procedures for Entering into JVAs between Government and Private Entities issued by the National Economic Development Authority. Based on the JVA, Apo Agua shall undertake the development and operations of a treated bulk water supply facility while the DCWD shall assign a water permit to Apo Agua to enable it to operate the treated bulk water supply facility that shall generate revenues, primarily from the supply of treated bulk water to the DCWD. The principal place of business of the joint venture shall be in Davao City.

Pursuant to the JVA, Apo Agua entered into a Bulk Water Purchase Agreement (BWPA) with the DCWD for the supply and delivery of treated bulk water to the latter.

Under the BWPA, Apo Agua shall supply and deliver to the DCWD an agreed volume of Treated Bulk Water sourced from the Tamuga River, for a delivery period of thirty (30) years beginning on the first day of the operations of the Facility. Under the BWPA, the Apo Agua shall be entitled to a fixed rate per cubic meter of water delivered, subject to an annual rate adjustment that is based on the Annual Inflation Rate as determined by the National Statistical Coordination Board. The ownership, commissioning, operation, and management of the Facility required for the delivery of the Treated Bulk Water to the DCWD shall be vested in Apo Agua. Although the legal title to these assets shall remain with Apo Agua at the end of the concession period, the concession period is for the entire estimated useful life of the assets.

40. Contingencies

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the likely outcome of these proceedings and legal cases will not have a material adverse effect on the Group's financial position and operating results. It is possible, however, that the future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings and legal cases.

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations. It provided SBLC for STEAG, SNAP-Magat, SNAP-Benguet, and CEDC in the amount of ₱958.3 million in 2019 and ₱1.0 billion in 2018 and 2017.

41. Other Matters

a. Renewable Energy Act of 2008

On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

b. EPIRA of 2001

RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

- i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
- ii. Creation of a WESM; and
- iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

c. Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. As of December 31, 2019, the SC has not lifted the TRO.

d. Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the “Must-Offer” rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the “Must-Offer Rule” during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile’s rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile’s engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

Last February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. Last February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC’s findings.

On June 6, 2016, PEMC filed a petition before the SC questioning the CA’s Decision. TMO also filed its Comment on the Petition on November 14, 2016. On June 1, 2017, TMO received the SC Notice dated March 29, 2017. In the Resolution, the SC noted TMO's Comment and PEMC's Reply. As of December 31, 2019, the petition is still pending resolution with the SC.

e. Therma Marine Case

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC’s provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.

On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month. On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers.

In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. As of December 31, 2019, there has been no resolution on the MRs on the Final Approvals.

f. ERC Case No. 2013-077 MC

On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI, among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The SGCs and Meralco have filed their respective comments, reply, rejoinder and sur-rejoinder after the filing of the Joint Motion to Dismiss. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. As of December 31, 2019, the ERC has yet to render its decision on the Joint Motion to Dismiss.

g. Sergio Osmeña III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) and Therma Power Visayas, Inc. (TPVI)

In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.

Senator Sergio Osmeña III filed with the Supreme Court (SC) a Petition for Certiorari and Prohibition with prayer for issuance of a TRO and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.

On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an APA for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement ("NPPC-APA"), Land Lease Agreement ("NPPC-LLA") and other documents to implement TPVI's acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI's Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC's second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated September 28, 2015 be clarified, and if necessary, be amended to include in its "fallo" that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC's right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI's Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC's October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC's and PSALM's motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.

Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.

In May 2018, TPVI received the Certificate of Effectivity (COE) from PSALM initiating the purchase of the facility. The COE implements the September 28, 2015 decision of the SC, which upheld the April 30, 2014 award of the facility to TPVI. Pursuant to the NPPC-APA, on July 16, 2018 ("Closing date"), the Joint Certificate of Turn-Over was signed and issued and the facility was formally turned-over to TPVI.

In 2018, TPVI paid a total amount of ₱1.0 billion for the NPPC-APA and NPPC-LLA and ₱496.0 million for the inventories upon implementation of the acquisition of the Naga Power Plant.

h. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.

On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.

On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2019.

i. LHC Franchise Tax Assessment

In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of

electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. The case remains pending as of December 31, 2019.

j. Retail Competition and Open Access

The EPIRA mandates the implementation of Retail Competition and Open Access (RCOA) subject to the fulfilment of the conditions as provided in the EPIRA. The ERC was tasked under the EPIRA Implementing Rules and Regulations to declare, after due notice and public hearing, the initial implementation of RCOA. Through the RCOA, eligible customers will have the option to source their electricity from eligible suppliers that have secured Retail Electricity Supplier (RES) licenses from the ERC. End users with a monthly average peak demand of at least 1 Megawatt (MW) for the preceding 12 months are eligible to be contestable customers. The 1 MW qualification would gradually be reduced upon evaluation of the ERC.

In June 2011, after due notice and public hearings, the ERC declared December 26, 2011 as the date to mark the commencement of the full operation of RCOA in Luzon and Visayas. However, due to deficiencies in the rules and guidelines governing the RCOA at that time, the December 26, 2011 commencement date was deferred several times until an interim system commenced on July 26, 2013.

The DOE and ERC have issued and revised several circulars, rules and resolutions on the implementation of the RCOA and the issuance of RES licences, including a Code of Conduct, Rules on Contestability, and Rules on RES Licencing.

On February 21, 2017, the SC issued a TRO enjoining the DOE and ERC from implementing the following issuances:

1. DOE Circular No. DC-2015-06-0010 or the DOE Circular Providing Policies to Facilitate the Full Implementation of RCOA in the Philippine Electric Power Industry;
2. ERC Resolution No. 5, Series of 2016 or the Rules Governing the Issuance of Licenses to RES and Prescribing the Requirements and Conditions Therefor;
3. ERC Resolution No. 10, Series of 2016 or a Resolution adopting the Revised Rules for Contestability;
4. ERC Resolution No. 11, Series of 2016 or a Resolution Imposing Restrictions on the Operations of DUs and RES in the Competitive Retail Electricity Market; and
5. ERC Resolution No. 28, Series of 2016 or the Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016, entitled Revised Rules of Contestability.

The TRO effectively enjoined the DOE and the ERC from imposing the mandatory migration of end-users with average monthly peak demand of at least 1MW and 750 kW on 26 February 2017 and 26 June 2017, respectively, and barring Local RESs and DUs from supplying electricity to the Contestable Market.

Due to the TRO, no new or renewed RES licenses were issued by the ERC due to the perceived risk of being declared in contempt by the SC. The renewal of PEI, AEI and AESI's RES licenses remain pending before the ERC. The application for RES licenses of TLI and APRI are likewise pending.

On November 29, 2017, DOE issued Department Circular No. 2017-12-0013, which provides, among other things, for voluntary participation of Contestable Customers in the Retail Market. On the same date, DOE issued Department Circular No. 2017-12-0014, which provides, among other things, the guidelines on the licensing of RES. Both DOE Circulars enjoin the ERC to promote the supporting guidelines to the DOE Circulars. Once the ERC promulgates these rules, approval of RES license applications and renewals can be expected.

k. PSALM deferred adjustment

Deferred Accounting Adjustments (DAA)

The ERC issued a Decision dated March 26, 2012 which granted PSALM DAA pertaining to GRAM and ICERA and in its Order dated June 20, 2017, the ERC authorized PSALM to implement the methodology for the recovery/refund of the approved DAA.

Upon Private Electric Power Operators Association's (PEPOA) motion, the ERC, in an Order dated October 19, 2017, deferred the implementation of the approved DAA pending clarification by the ERC of the queries raised in the motion for clarification.

In its Order dated December 19, 2017, the ERC clarified that the GRAM and ICERA DAA are deferred adjustments, which were incurred by PSALM/NPC in supplying energy during the corresponding period; thus, it should be recovered/refunded by PSALM/NPC to its customers. Hence, the Distribution Utilities (DUs) are not just mere collectors of the said DAA but these are charges that they should pay to NPC/PSALM and charged to their customers as part of their generation charge. In the same Order, the ERC directed the DUs to resume the implementation of the GRAM and ICERA starting the January 2018 billing period.

Automatic Cost Recovery Mechanism (ACRM)

On June 20, 2017, the ERC issued its Decision, authorizing PSALM to recover/refund the True-up Adjustments of Fuel and Purchased Power Costs and Foreign Exchange-Related Costs effective its next billing period.

In an Order dated October 19, 2017, the implementation of the ACRM was deferred to the January 2018 billing period pending the evaluation of the clarifications raised in PEPOA's letter and motion and on 19 December 2017, the Commission issued an Order directing PSALM and the DUS to abide with the clarifications issued by the Commission.

42. Events after the Reporting Period

- a. To comply with the requirements of Section 43 of the Corporation Code, on March 6, 2020, the BOD approved the declaration of a regular cash dividend of ₱1.30 per share (₱7.3 billion) to all stockholders of record as of March 20, 2020. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2019, and will be paid on April 3, 2020. Said declaration is in compliance with the Company's policy of distributing a regular dividend equivalent to at least 33% of previous year's consolidated net income.

- b. On March 6, 2020, the BOD approved the appropriation of ₱5.0 billion of the retained earnings as of December 31, 2019 for the additional capital infusion into AboitizLand to finance its on-going projects.
- c. In January 2020, AEV International, with the Company acting as the guarantor, issued US dollar-denominated Regulation S-only senior unsecured notes (the “Notes”) with an aggregate principal amount of US\$400.0 million and a tenor of 10 years. Notes are unrated, have a fixed coupon rate of 4.2% payable semi-annually, and are unconditionally and irrevocably guaranteed by AEV as the guarantor. The Notes are listed on the Singapore Exchange.
- d. COVID-19

In January 2020, the outbreak of COVID-19 has caused major disruptions in various parts of the world. Gold Coin Group operates in various countries, including China. The extent of the impact of COVID-19 in the operation of Gold Coin Group will depend on the effectiveness of the preventive measures put in place as well as on its duration.

The Group is currently monitoring the progress of the COVID-19 situation and is assessing how it will impact its operating results in subsequent years.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of income, 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

As of December 31, 2019, the goodwill amounted to ₱56.3 billion, which is attributable to several cash-generating units, is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rates, revenue assumptions, and material price inflation.

The Group's disclosures about goodwill are included in Notes 3, 9 and 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Business Combinations: Finalization of Purchase Price Allocation for the Acquisition of Gold Coin Management Holdings (GCMH)

In 2019, the Group finalized the fair value of the net assets acquired from its acquisition of ownership interest in GCMH on July 27, 2018. PFRS 3, *Business Combinations*, allows the fair value of the net assets acquired to be continually refined for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. The adjustments resulted in an increase in goodwill of ₱99.2 million. Based on the quantitative materiality of the adjustment and degree of management judgment in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about the finalization of the purchase price allocation for the acquisition of GCMH are included in Note 9 to the consolidated financial statements.



Audit Response

We obtained the understanding on the Group's process of purchase price allocation which includes the identification of the fair value of the net assets. We reviewed the measurement of the fair value of the net assets and adjustments made by the Group. Where the Group used an appraiser to perform valuation of its property, plant and equipment, we assessed the competence, capabilities and objectivity of the Group's specialist.

We involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the fair values of the property, plant and equipment. We compared the key assumptions used such as the list prices by reference to relevant market data, and obtained understanding of the sources and bases of adjustment and obsolescence factors through discussions with the external appraisers. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 23% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities.

The Group's disclosures related to this matter are provided in Notes 2 and 25 to the consolidated financial statements.

Audit Response

We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

Recoverability of Certain Segments of Property, Plant and Equipment

Based on the assessment of the Group as of December 31, 2019, certain segments of its property, plant and equipment totaling ₱3.6 billion, may be impaired. We considered the recoverability of certain segments of property, plant and equipment as a key audit matter because of the amount involved and significant management assumptions and judgment involved which include future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates.

The disclosure about the recoverability of certain segments of property, plant and equipment are included in Note 12 to the consolidated financial statements.



Audit Response

We involved our internal specialist in assessing the methodology and the assumptions used by the Group in estimating value-in-use. We compared the significant assumptions, such as future electricity generation levels and costs, fuel prices and electricity prices against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment testing is most sensitive.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. The Group's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and other receivables, which requires significant management judgment.

The Group's disclosure on investments in associates is in Notes 2 and 10 to the consolidated financial statements.

Audit Response

We obtained the financial information of UBP for the year ended December 31, 2019 and recomputed the Group's share in net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

We obtained an understanding of the methodologies and models used for UBP's different credit exposures of its loans and other receivables and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information. We also inspected the results of the PFRS 9 model validation performed by management's specialist.

We (a) assessed UBP's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested UBP's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of UBP's lending portfolios and broader industry knowledge; and, (g) tested the effective interest rate used in discounting the expected loss.



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

We recalculated impairment provisions on a sample basis. We involved our internal specialists in the performance of the above procedures.

Consolidation Process

AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

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.

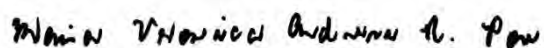
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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
Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.



Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-4 (Group A),
November 21, 2019, valid until November 20, 2022

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021

PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020

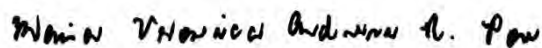


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Maria Veronica Andresa R. Pore
Partner

CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-4 (Group A),
November 21, 2019, valid until November 20, 2022
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020

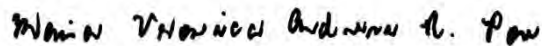


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-4 (Group A),
November 21, 2019, valid until November 20, 2022
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125281, January 7, 2020, Makati City

March 6, 2020



ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2019

and

Independent Auditor's Report

Philippine
Pesos

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

Supplementary Schedules Required By the Securities and Exchange Commission As of and for the Year Ended December 31, 2019

	Page
A - Financial Assets	1
B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	NA
C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	2
D - Intangible Assets – Other Assets	3
E - Long-Term Debt	4
F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)	NA
G - Guarantees of Securities of Other Issuers	NA
H - Capital Stock	5
I - Trade and Other Receivables from Related Parties which are Eliminated during the Consolidation of Financial Statements	6
J - Trade and Other Payables from Related Parties which are Eliminated during the Consolidation of Financial Statements	7
Statement of Reconciliation of Retained Earnings Available for Dividend Declaration	8
Financial Ratios	9
Conglomerate Mapping	10

NA: NOT APPLICABLE

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Cash In Bank				
Agribank, Dong Thap	Not applicable	P 1,368	Not applicable	P -
Agriculture Bank of China	Not applicable	80,472	Not applicable	176
AmBank Malaysia Berhad	Not applicable	17	Not applicable	-
ANZ	Not applicable	67,176	Not applicable	35
Asian United Bank	Not applicable	11,919	Not applicable	3
Banco de Oro	Not applicable	4,862,552	Not applicable	259,725
Bangkok Bank Public Company Limited	Not applicable	1,982	Not applicable	17
Bank Central Asia	Not applicable	16,730	Not applicable	301
Bank Mandiri	Not applicable	15,115	Not applicable	73
Bank Muamalat	Not applicable	1,901	Not applicable	2,164
Bank of China	Not applicable	36,059	Not applicable	376
Bank of Commerce	Not applicable	936	Not applicable	-
Bank of the Philippine Islands	Not applicable	620,804	Not applicable	21,041
BDO Unibank, Inc.	Not applicable	14,850	Not applicable	844
China Merchants Bank	Not applicable	4,149	Not applicable	21
Citibank	Not applicable	8,326	Not applicable	-
City Savings Bank	Not applicable	633	Not applicable	1
Commerce International Merchant Bankers Berhad (CIMB)	Not applicable	79,435	Not applicable	-
Development Bank of Singapore	Not applicable	26,923	Not applicable	-
Development Bank of the Philippines	Not applicable	8,603	Not applicable	3
EPCI Bank	Not applicable	51	Not applicable	-
Fudian Bank Co., Ltd.	Not applicable	296	Not applicable	1
Hongkong Shanghai Banking Corporation	Not applicable	1,222,803	Not applicable	648
ING Bank N.V.	Not applicable	3,491	Not applicable	-
JP Morgan	Not applicable	10,905	Not applicable	1,225
Kasikom bank	Not applicable	4,676	Not applicable	-
Landbank of the Philippines	Not applicable	10,163	Not applicable	19
Malayan Banking Berhad	Not applicable	6,709	Not applicable	-
Meezan Bank Limited	Not applicable	6,876	Not applicable	-
Metropolitan Bank and Trust Company	Not applicable	287,727	Not applicable	1,011
Mizuho Corporate Bank, Ltd.	Not applicable	6,061	Not applicable	2

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Myanma Foreign Trade Bank (MFTB Bank)	Not applicable	8	Not applicable	-
PB Com	Not applicable	127	Not applicable	1
Philippine National Bank	Not applicable	106,494	Not applicable	34
Philippine Veterans Bank	Not applicable	455	Not applicable	-
PT Bank Permata	Not applicable	45	Not applicable	-
Rizal Commercial Banking Corporation	Not applicable	23,251	Not applicable	57
Rural Bank of Davao	Not applicable	9,856	Not applicable	-
Rural Credit Cooperatives Association	Not applicable	44	Not applicable	2
Sacombank	Not applicable	142,788	Not applicable	795
Security Bank Corporation	Not applicable	524,435	Not applicable	13,100
Standard Chartered Bank	Not applicable	456,097	Not applicable	1,262
The Bank of China Construction	Not applicable	22,440	Not applicable	95
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Not applicable	1,301	Not applicable	-
The Siam Commercial Bank Public Company Limited	Not applicable	1,152	Not applicable	6
Union Bank of the Philippines	Not applicable	8,993,880	Not applicable	141,546
Vietcom Bank	Not applicable	84,750	Not applicable	177
Vietinbank	Not applicable	3,947	Not applicable	-
Vietnam Bank for Agriculture and Rural Development	Not applicable	1	Not applicable	1
TOTAL		P 17,790,779		P 444,762
Money Market Placements				
ANZ Bank	Not applicable	P -	Not applicable	P 838
Banco de Oro	Not applicable	1,944,117	Not applicable	59,719
Bank Muamalat	Not applicable	56,415	Not applicable	3,688
Bank of the Philippine Islands	Not applicable	690,132	Not applicable	70,816
BDO Private Bank, Inc.	Not applicable	50,002	Not applicable	2,501
China Trust Banking Corporation	Not applicable	89,496	Not applicable	18,048
City Savings Bank	Not applicable	16,707,768	Not applicable	507,030
First Metro Investment Corporation	Not applicable	700,000	Not applicable	2,455
Hongkong & Shanghai Banking Corporation	Not applicable	31,668	Not applicable	225
International Container	Not applicable	-	Not applicable	842
Metropolitan Bank and Trust Company	Not applicable	670,716	Not applicable	21,676
Mizuho Corporate Bank, Ltd.	Not applicable	-	Not applicable	71,012

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2019
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Philippine National Bank	Not applicable	6,884	Not applicable	189
Sacombank - VND	Not applicable	491,426	Not applicable	3,787
Security Bank Corporation	Not applicable	3,956,532	Not applicable	90,787
Union Bank of the Philippines	Not applicable	2,766,459	Not applicable	201,229
Vietcombank	Not applicable	36,054	Not applicable	155
Vietinbank	Not applicable	75,535	Not applicable	2,682
VLL International, Inc.	Not applicable	-	Not applicable	1,257
TOTAL		P 28,273,204		P 1,058,936
Power	Not applicable	P 14,931,949	Not applicable	Not applicable
Food manufacturing	Not applicable	7,492,861	Not applicable	Not applicable
Real estate	Not applicable	5,196,331	Not applicable	Not applicable
Holding and others	Not applicable	1,222,026	Not applicable	Not applicable
TOTAL		P 28,843,167		
Other Receivables				
Nontrade receivables	Not applicable	P 5,926,179	Not applicable	Not applicable
Accrued revenues	Not applicable	3,463,904	Not applicable	Not applicable
Dividends receivable	Not applicable	1,199,068	Not applicable	Not applicable
Advances to contractors	Not applicable	63,339	Not applicable	Not applicable
Others	Not applicable	901,201	Not applicable	Not applicable
TOTAL		P 11,553,691		
Financial assets at FVTPL				
Publicly-listed:				
Empire East Land, Inc.	4,377,063	P 1,882	P 1,882	P -
Megaworld Properties, Inc.	1,842,750	7,390	7,390	-
Filinvest Development Corporation	160,316	2,084	2,084	16
Filinvest Land, Inc.	303,515	455	455	19
Others	623,303	12,404	-	-
Non-publicly-listed:				
Cebu Holdings, Inc.	1	1,038	-	-
Cebu Country Club	3	9,600	-	-
Equitable Banking Corporation	8,050	793	-	-
Philippine Long Distance and Telephone Company	44,344	560	-	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2019

(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Others	1,002,882	57,217	-	-
Unit Investment Trust Fund				
Union Bank of the Philippines	1,050,350	-	-	-
Investment in Bonds				
JP Morgan	-	331,415	-	-
Investment in Exchange Traded Funds				
Banco de Oro	-	-	-	9,778
JP Morgan	-	638,376	-	-
TOTAL		P 1,063,214	P 11,811	P 9,813

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2019
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Non-Current	Ending Balance
			Amounts Collected	Amounts Written Off			
TRADE							
Pilmico Animal Nutrition Corporation	P 940	P 5,982	P -	P -	P 6,922	P -	P 6,922
Pilmico Foods Corporation	1,437	42,960	-	-	44,397	-	44,397
PFC International -VHF	-	24,409	-	-	24,409	-	24,409
PFC International	-	3,459	-	-	3,459	-	3,459
AEV Aviation, Inc.	-	510	-	-	510	-	510
Cebu Praedia Development Corporation	-	510	-	-	510	-	510
Aboitiz Infracapital, Inc.	24,460	-	(18,304)	-	6,156	-	6,156
APO Agua Infraestructura Inc. Total	3,585	-	(3,302)	-	283	-	283
Lima Water Coporation	632	-	(627)	-	5	-	5
Weather Solutions, Inc.	3,287	1,465	-	-	4,752	-	4,752
Aboitizland, Inc.	16,395	-	(9,912)	-	6,483	-	6,483
Cebu Industrial Park Developers, Inc.	112	-	(291)	-	(179)	-	(179)
Lima Land, Inc.	1,049	-	(410)	-	639	-	639
Propriedad del Norte, Inc.	-	2	-	-	2	-	2
Aboitiz Power Corporation	5,859	-	3,996	-	9,855	-	9,855
Aboitiz Energy Solutions, Inc.	74	-	(70)	-	4	-	4
Aboitiz Power Distributed Energy, Inc.	1,028	22	-	-	1,050	-	1,050
Aboitiz Power Distributed Renewables, Inc.	459	-	-	-	459	-	459
Aboitiz Renewables, Inc.	-	439	-	-	439	-	439
Abovant Holdings, Inc.	-	1	-	-	1	-	1
Advent Energy, Inc.	16	-	(16)	-	-	-	-
AP Renewables, Inc.	2,724	-	(18,638)	-	(15,914)	-	(15,914)
Aseagas Corporation	397	-	-	-	397	-	397
Balamban Enerzone Corp.	32	260	-	-	292	-	292
Cebu Private Power Corporation	118	1,483	-	-	1,601	-	1,601
Cotabato Ice Plant, Inc.	(732)	-	(11)	-	(743)	-	(743)
Cotabato Light and Power Company	461	1,728	-	-	2,189	-	2,189
Davao Light and Power Co., Inc.	2,142	17,221	-	-	19,363	-	19,363
East Asia Utilities Corp.	132	686	-	-	818	-	818
Hedcor Bukidnon, Inc.	928	694	-	-	1,622	-	1,622
Hedcor Sabangan, Inc.	60	1,050	-	-	1,110	-	1,110

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2019
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Non-Current	Ending Balance
			Amounts Collected	Amounts Written Off			
Hedcor Sibulan, Inc.	2,770	-	(1,036)	-	1,734	-	1,734
Hedcor Tudaya, Inc.	187	192	-	-	379	-	379
Hedcor, Inc.	2,860	2,516	-	-	5,376	-	5,376
Lima Enerzone Corporation	57	944	-	-	1,001	-	1,001
Luzon Hydro Corporation	289	1,715	-	-	2,004	-	2,004
Mactan Enerzone Corporation	45	194	-	-	239	-	239
Malvar Enerzone Corporation	-	3	-	-	3	-	3
Manila-Oslo Renewable Enterprise, Inc.	122	-	(122)	-	-	-	-
Prism Energy, Inc.	554	-	(535)	-	19	-	19
San Carlos Sun Power, Inc.	291	-	(214)	-	77	-	77
SN Aboitiz Power - Benguet, Inc.	1,072	-	(1,072)	-	-	-	-
SN Aboitiz Power - Generation, Inc.	8	-	(8)	-	-	-	-
SN Aboitiz Power - Magat, Inc.	1,050	-	(1,050)	-	-	-	-
Steag State Power Inc	9	-	(9)	-	-	-	-
Subic Enerzone Corporation	529	220	-	-	749	-	749
Therma Luzon, Inc.	7,557	18,654	-	-	26,211	-	26,211
Therma Marine, Inc.	2,904	5,439	-	-	8,343	-	8,343
Therma Mobile, Inc.	130	761	-	-	891	-	891
Therma Power Visayas, Inc.	-	27	-	-	27	-	27
Therma Visayas, Inc.	3,382	15,095	-	-	18,477	-	18,477
Therma Power, Inc.	-	567	-	-	567	-	567
Therma South, Inc.	1,692	19,284	-	-	20,976	-	20,976
Visayan Electric Co., Inc.	78,899	-	(2,000)	-	76,899	-	76,899
NON-TRADE							
AEV Aviation, Inc.	4,032	-	(1,100)	-	2,932	-	2,932
Cebu Praedia Development Corporation	70,814	-	(70,814)	-	-	-	-
Pilmico Foods Corporation	295,178	-	-	-	5,178	290,000	295,178
Adventenergy, Inc.	303,459	-	(642)	-	2,817	300,000	302,817
Therma Power, Inc.	631,574	-	(22,366)	-	609,208	-	609,208
Total	P 1,475,059	P 168,492	P (148,553)	P -	P 904,998	P 590,000	P 1,494,998

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS

AS OF DECEMBER 31, 2019

(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS		Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts			
A. Intangibles							
Goodwill	P 56,361,133	P 13,089	P -	P -	P (51,490)	P -	P 56,322,732
Service concession right	3,791,377	3,187,814	(361,599)	-	(82,316)	-	6,535,276
Franchise	2,648,732	-	(76,960)	-	-	-	2,571,772
Project development costs	583,095	419,637	-	-	(91,132)	-	911,600
Customer contracts	27,429	-	(12,550)	-	-	-	14,879
Software and licenses	365,007	191,312	(109,113)	-	(2,370)	-	444,836
B. Other Noncurrent Assets							
Restricted cash	-	4,672,031	-	-	-	-	4,672,031
Input VAT and tax credit receivable	5,462,983	-	(961,897)	-	-	-	4,501,086
Financial assets at FVTPL	353,734	378,063	-	-	-	-	731,797
Financial assets at FVOCI	225,552	-	(49,073)	-	-	-	176,479
Debt investments at amortized cost	453,871	-	(218,903)	-	-	-	234,968
Prepaid rent and other deposits	1,979,024	-	(687,872)	-	-	-	1,291,152
Advances to contractors and projects	1,098,747	353,525	-	-	-	-	1,452,272
Biological assets	134,144	6,160	-	-	-	-	140,304
Others	500,226	434,326	-	-	-	-	934,552
T o t a l	P73,985,054	P9,655,957	(P2,477,967)	P -	(P227,308)	P -	P80,935,736

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2019

(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent Company:				
First Metro Investment Corporation	7,983,978	6,189,580	1,794,398	
BPI Capital Corporation	23,930,341	10,435,213	13,495,128	
BDO Capital & Investment Corporation	4,941,380	(9,311)	4,950,691	
Subsidiaries:				
Aboitiz Power Corporation	50,079,825	1,215,355	48,864,470	
AP Renewables, Inc.	7,997,979	-	7,997,979	
Hedcor, Inc.	1,739,170	118,729	1,620,441	
Hedcor Bukidnon, Inc.	9,312,812	571,192	8,741,620	
Hedcor Sibulan, Inc.	3,770,735	93,171	3,677,564	
Cotabato Light and Power Co., Inc.	116,400	29,550	86,850	
Davao Light & Power Co., Inc.	582,000	147,750	434,250	
Subic Enerzone Corporation	113,000	56,500	56,500	
Pagbilao Energy Corporation	13,163,854	1,111,887	12,051,967	
Luzon Hydro Corporation	563,664	277,838	285,826	
Therma South, Inc.	19,893,083	1,283,069	18,610,014	
Therma Visayas, Inc.	31,229,677	2,065,254	29,164,423	
Therma Power Visayas, Inc.	1,290,250	-	1,290,250	
GMCP	37,044,441	3,219,540	33,824,901	
Visayan Electric Company	774,732	196,476	578,256	
Pilmico Foods Corporation	2,868,810	6,895	2,861,915	
Pilmico Animal Nutrition Corp.	2,631,260	68,723	2,562,537	
AEV International	13,396,190	35,880	13,360,310	
Triplecrown Properties, Inc.	246,425	13,627	232,798	
Apo Agua	5,909,532	-	5,909,532	
Total	P239,579,538	P27,126,918	P212,452,620	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2019

(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	9,600,000	5,632,793	-	2,737,173	263,726	2,631,894
PREFERRED SHARES	400,000	-	-	-	-	-

ABOUTIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2019
(Amounts in Thousands)

Related Party	Balances			Volume				Terms
	Trade	Non-trade	Total	Sales	Rental	Interest	Advances	
TRADE								
Pilmico Animal Nutrition Corporation	P 6,922	P -	6,922	P 116,681	P 2,110	P -	P -	30 days
Pilmico Foods Corporation	44,397	-	44,397	3,737,276	20,814	-	-	30 days
PFC International -VHF	24,409	-	24,409	-	-	-	-	30 days
PFC International	3,459	-	3,459	-	-	-	-	30 days
Cebu Praedia Development Corporation	510	-	510	3,124	-	-	-	30 days
AEV Aviation, Inc.	510	-	510	4,293	16,675	-	-	30 days
Aboitiz Infracapital, Inc.	6,156	-	6,156	25,816	1,746	-	-	30 days
APO Agua Infraestructura Inc. Total	283	-	283	8,009	13	-	-	30 days
Lima Water Coporation	5	-	5	1,423	-	-	-	30 days
Weather Solutions, Inc.	4,752	-	4,752	3,119	5	-	-	30 days
Aboitizland, Inc.	6,483	-	6,483	62,397	14,100	-	-	30 days
Misamis Oriental Land Dev. Corp.	-	-	-	258	-	-	-	30 days
Cebu Industrial Park Developers, Inc.	(179)	-	(179)	4,886	114	-	-	30 days
Lima Land, Inc.	639	-	639	16,023	-	-	-	30 days
Propriedad del Norte, Inc.	2	-	2	-	-	-	-	30 days
Aboitiz Power Corporation	9,855	-	9,855	82,217	21,175	-	-	30 days
Aboitiz Energy Solutions, Inc.	4	-	4	1,285	2	-	-	30 days
Aboitiz Power Distributed Energy, Inc.	1,050	-	1,050	1,055	-	-	-	30 days
Aboitiz Power Distributed Renewables, Inc.	459	-	459	26	-	-	-	30 days
Aboitiz Renewables, Inc.	439	-	439	1,518	1,238	-	-	30 days
Abovant Holdings, Inc.	1	-	1	191	-	-	-	30 days
Advent Energy, Inc.	-	-	-	1,037	-	-	-	30 days
AP Renewables, Inc.	(15,914)	-	(15,914)	37,112	1,271	-	-	30 days
Aseagas Corporation	397	-	397	-	2	-	-	30 days
Balamban Enerzone Corp.	292	-	292	2,559	279	-	-	30 days
Cebu Private Power Corporation	1,601	-	1,601	4,911	-	-	-	30 days
Cotabato Ice Plant, Inc.	(743)	-	(743)	-	-	-	-	30 days
Cotabato Light and Power Company	2,189	-	2,189	6,715	10,065	-	-	30 days
Davao Light and Power Co., Inc.	19,363	-	19,363	92,870	31,014	-	-	30 days
East Asia Utilities Corp.	818	-	818	4,161	-	-	-	30 days
Hedcor Bukidnon, Inc.	1,622	-	1,622	6,604	1,238	-	-	30 days
Hedcor Sabangan, Inc.	1,110	-	1,110	1,318	1,238	-	-	30 days
Hedcor Sibulan, Inc.	1,734	-	1,734	3,185	1,238	-	-	30 days
Hedcor Tudaya, Inc.	379	-	379	1,207	1,238	-	-	30 days
Hedcor, Inc.	5,376	-	5,376	20,869	624	-	-	30 days
Lima Enerzone Corporation	1,001	-	1,001	16,495	1,517	-	-	30 days
Luzon Hydro Corporation	2,004	-	2,004	4,106	1,238	-	-	30 days
Mactan Enerzone Corporation	239	-	239	7,116	278	-	-	30 days
Malvar Enerzone Corporation	3	-	3	11	-	-	-	30 days
Phippine Geothermal Production Company, Inc.	-	-	-	50	-	-	-	30 days
Prism Energy, Inc.	19	-	19	933	196	-	-	30 days

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2019
(Amounts in Thousands)

Related Party	Balances			Volume				Terms
	Trade	Non-trade	Total	Sales	Rental	Interest	Advances	
San Carlos Sun Power, Inc.	77	-	77	2,485	-	-	-	30 days
Subic Enerzone Corporation	749	-	749	32,753	558	-	-	30 days
Therma Luzon, Inc.	26,211	-	26,211	53,940	9,129	-	-	30 days
Therma Marine, Inc.	8,343	-	8,343	15,175	4,996	-	-	30 days
Therma Mobile, Inc.	891	-	891	9,506	3	-	-	30 days
Therma Power Visayas, Inc.	27	-	27	292	-	-	-	30 days
Therma Visayas, Inc.	18,477	-	18,477	31,829	27	-	-	30 days
Therma Power, Inc.	567	-	567	-	-	-	-	30 days
Therma South, Inc.	20,976	-	20,976	35,381	2,346	-	-	30 days
Visayan Electric Co., Inc.	76,899	-	76,899	239,695	15,394	-	-	30 days
NON-TRADE								
AEV Aviation, Inc.	-	2,932	2,932	-	-	-	-	30 days
Cebu Praedia Development Corporation	-	-	-	-	-	2,197	-	short & long term
Pilmico Foods Corporation	-	295,178	295,178	-	-	18,907	290,000	long term
Adventenergy, Inc.	-	302,817	302,817	-	-	16,539	300,000	long term
Therma Power, Inc.	-	609,208	609,208	-	-	20,054	607,620	on demand
Total	P 284,863	P 1,210,135	P 1,494,998	P 4,701,912	P 161,881	P 57,697	P 1,197,620	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

**SCHEDULE J- TRADE AND OTHER PAYABLES TO RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS**

AS DECEMBER 31, 2019

(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Purchases	Rental	Advances	
AEV Aviation, Inc.	P -	P 1,602	P 1,602	P -	P 51,539	P -	on demand
Cebu Praedia Development Corporation	-	69	69	-	9,141	-	on demand
AEV Properties, Inc.	-	-	-	-	-	25,691	on demand
Total	P -	P 1,671	P 1,671	P -	P 60,680	P 25,691	

Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila

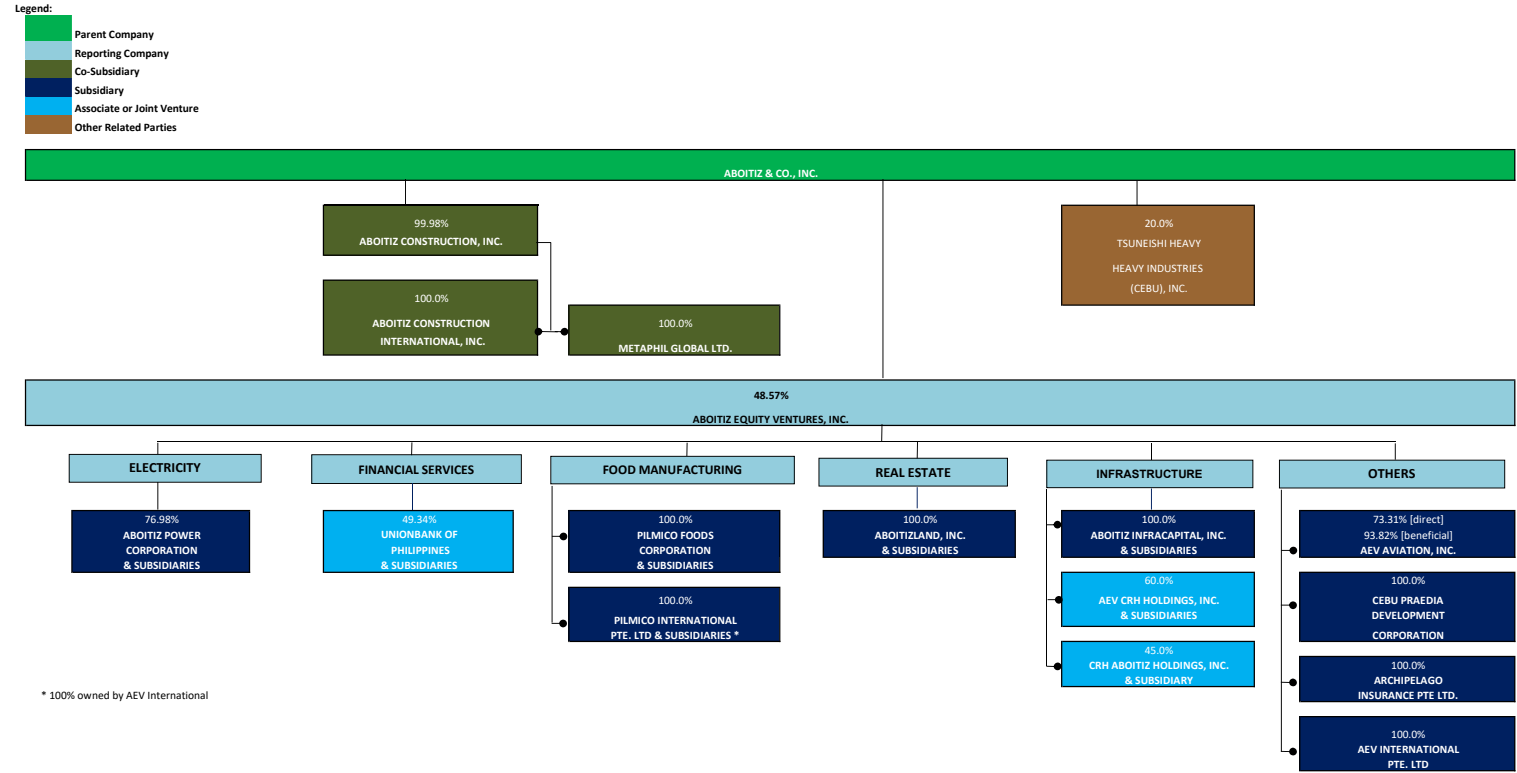
Statement of Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2019
(Amounts in Philippine Currency and in Thousands)

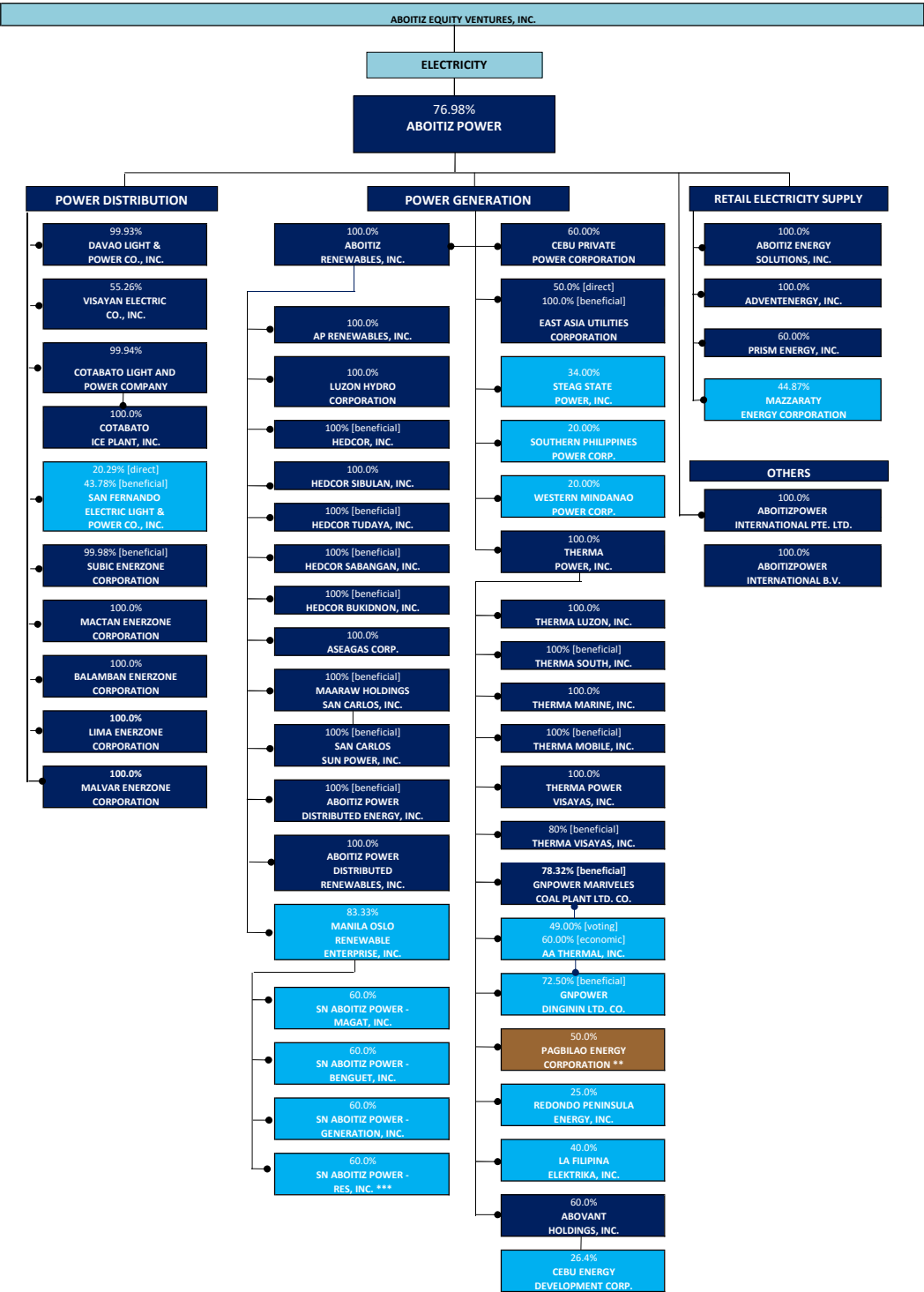
Unappropriated Retained Earnings, beginning	26,089,053
Adjustments:	
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Effects of adoption of new accounting standard (PFRS 16)	75,736
Adjustments directly made to retained earnings:	
Treasury Shares	565,246
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	25,448,071
 Net Income based on the face of audited financial statements	 9,049,425
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Net Income Realized	9,049,425
Less: Adjustments directly made to retained earnings:	
Cash dividends paid	7,435,286
Appropriations of Retained Earnings during the period	-
Treasury Shares purchased	-
Retained Earnings available for Dividend, as of year-end	27,062,210

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE OF RELEVANT FINANCIAL RATIOS

		AS RESTATED IN 2019	
	FORMULA	DEC 2018	DEC 2019
LIQUIDITY RATIOS			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.80	1.27
Acid test ratio	$\frac{\text{Cash + Marketable Securities} + \text{Accounts Receivable} + \text{Other Liquid Assets}}{\text{Current liabilities}}$	1.30	0.86
SOLVENCY RATIOS			
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	1.54	1.71
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.54	2.71
Net debt to equity ratio	$\frac{\text{Debt - cash \& cash equivalents}}{\text{Total equity}}$	1.01	1.17
Gearing ratio	$\frac{\text{Debt - cash \& cash equivalents}}{\text{Total equity} + (\text{Debt - cash \& cash equivalents})}$	50.29%	54.01%
Interest coverage ratio	$\frac{\text{EBIT}}{\text{Net interest expense}}$	3.86	3.14
PROFITABILITY RATIOS			
Operating Margin	$\frac{\text{Operating Profit}}{\text{Total revenues}}$	20.95%	16.2%
Return on Equity	$\frac{\text{Net income after tax}}{\text{Total equity (adjusted for cash dividend)}}$	14.86%	13.03%

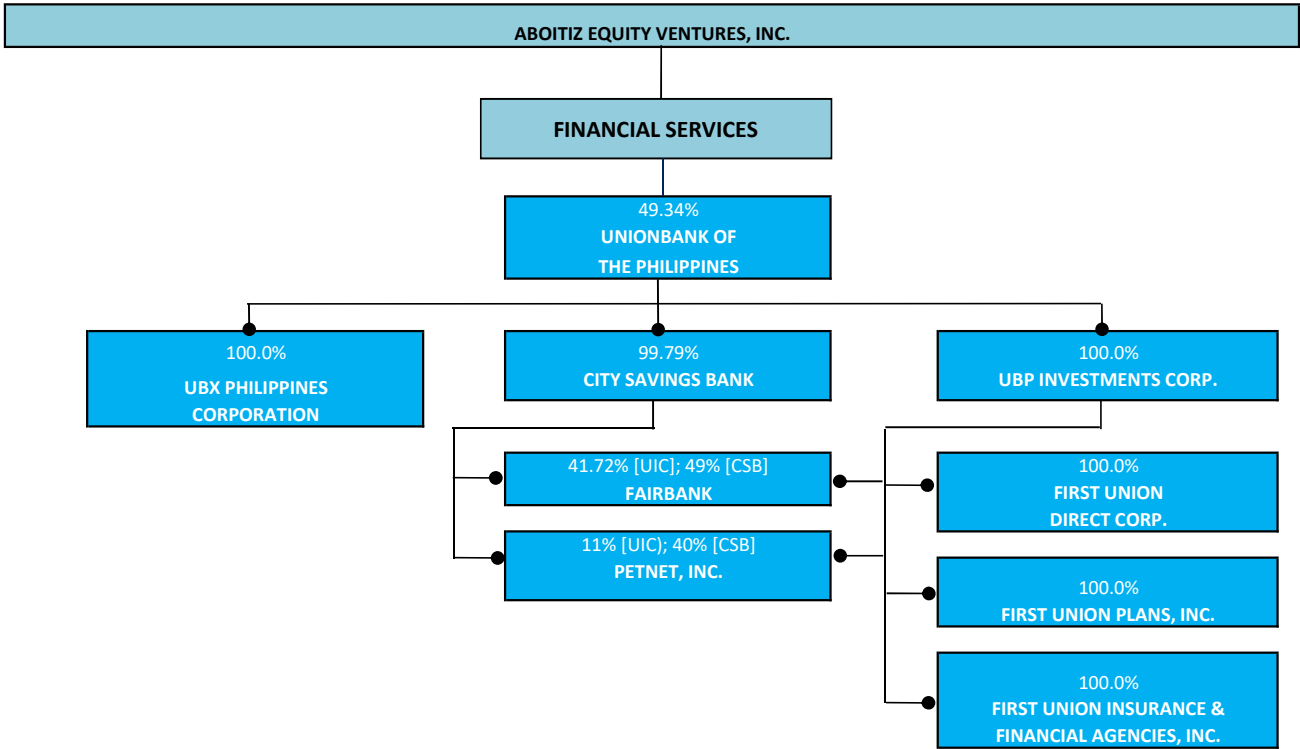
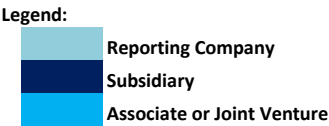




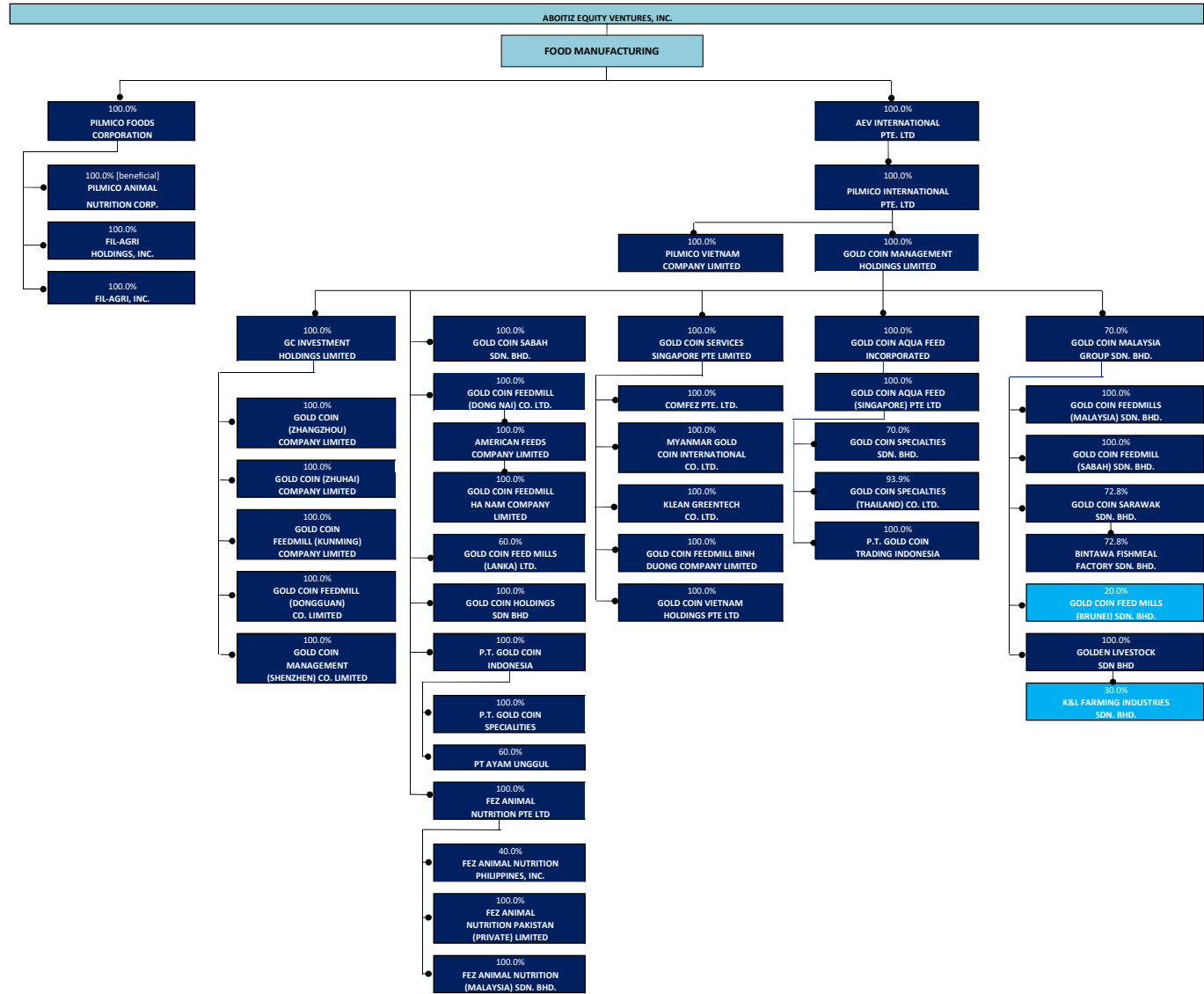
** Joint Operations
*** Engages in retail electricity supply business

ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES
CONGLOMERATE MAPPING

As of December 31, 2019

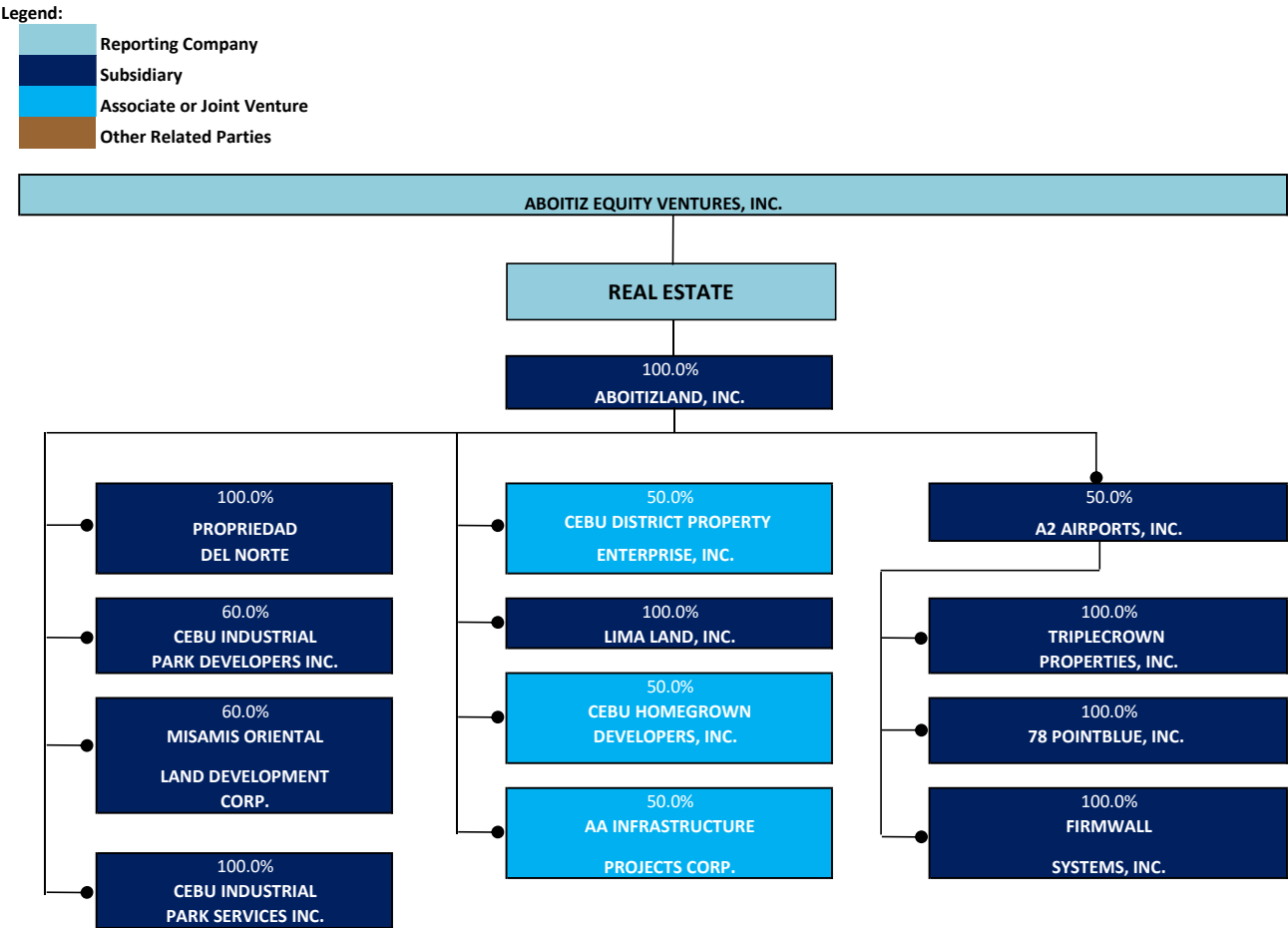


Legend:
Reporting Company
Subsidiary
Associate or Joint Venture



ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE
CONGLOMERATE MAPPING

As of December 31, 2019



ABOITIZ EQUITY VENTURES, INC. - INFRASTRUCTURE
CONGLOMERATE MAPPING
As of December 31, 2019

