

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

-	N	A	-
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COMPANY INFORMATION

Company's Email Address

www.aboitiz.com

Company's Telephone Number

(032) 411-1800

Mobile Number

N/A

No. of Stockholders

8,893

Annual Meeting (Month / Day)

April 27

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Timothy Joseph P. Abay

Email Address

timothy.abay@aboitiz.com

Telephone Number/s

(02) 8886-2496

Mobile Number

Not available

CONTACT PERSON'S ADDRESS

c/o Aboitiz Equity Ventures, Inc. - 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines

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

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



SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

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

The management of **Aboitiz Equity Ventures, Inc. (Parent)** is responsible for the preparation and fair presentation of the 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.

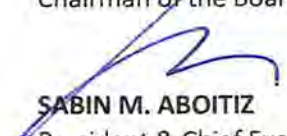
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

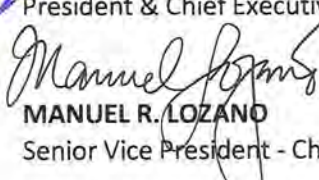
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the 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 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 MAR 06 2020 day of _____ 2020.

Doc. No. 100 ;
Page No. 93 ;
Book No. III ;
Series of 2020.



Atty. Stella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until December 2020
NAC Tower, 32nd St Bonifacio Global City, Taguig City
PTR No. A-4208020 January 7 2019 Taguig City
IBP Lifetime OR No. 061321
Roll No. 63289
MCLE Compliance No VI 0011090



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street Bonifacio Global City
Taguig City, Metro Manila
Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Aboitiz Equity Ventures, Inc. (the Company), which comprise the parent company balance sheets as at December 31, 2019 and 2018, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its 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 Parent Company Financial Statements* section of our report. We are independent of the Company 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 parent company 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.

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

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



In preparing the parent company 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.

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

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

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Company'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 Company'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 parent company 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 Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 24 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Aboitiz Equity Ventures, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

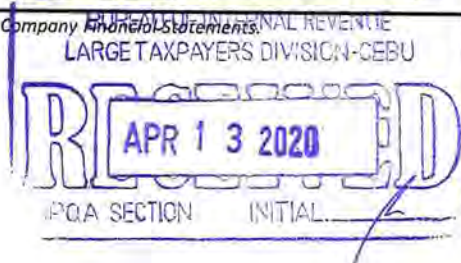
March 6, 2020



ABOITIZ EQUITY VENTURES, INC.
PARENT COMPANY BALANCE SHEETS

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 10)	₱1,840,190,228	₱5,673,114,129
Trade and other receivables (Notes 5 and 10)	1,321,583,179	1,275,835,947
Other current assets (Note 6)	1,170,652,426	1,070,325,529
Total Current Assets	4,332,425,833	8,019,275,605
Noncurrent Assets		
Investments and advances (Notes 7 and 8)	81,591,256,773	70,821,225,135
Due from subsidiaries - net of current portion (Notes 5 and 10)	590,000,000	600,000,000
Property and equipment (Note 11)	369,087,342	263,343,459
Financial assets at fair value through profit or loss (FVTPL) (Note 21)	78,615,200	182,359,711
Debt investments at amortized cost	80,031,287	154,132,317
Deferred income tax assets (Note 19)	26,053,853	46,741,034
Other noncurrent assets	107,327,684	148,826,328
Total Noncurrent Assets	82,842,372,139	72,216,627,984
TOTAL ASSETS	₱87,174,797,972	₱80,235,903,589
LIABILITIES AND EQUITY		
Current Liability		
Current portion of long-term debts	₱16,615,481,570	₱-
Current portion of lease liabilities	51,205,778	-
Accounts payable and accrued expenses (Notes 9 and 12)	561,888,899	327,965,885
Total current liabilities	17,228,576,247	327,965,885
Noncurrent Liabilities		
Long-term debts (Note 12)	20,240,217,388	31,862,218,676
Lease liabilities	132,643,670	-
Pension liability (Note 18)	31,484,462	91,214,778
Total Noncurrent Liabilities	20,404,345,520	31,953,433,454
Equity		
Capital stock (Note 13)	5,694,599,621	5,694,599,621
Additional paid-in capital (Note 13)	12,693,153,652	12,693,153,652
Actuarial losses on defined benefit plan (Note 18)	(108,087,306)	(157,056,073)
Retained earnings (Notes 14 and 22)		
Appropriated	4,200,000,000	4,200,000,000
Unappropriated	27,627,456,181	26,089,052,993
Treasury stock at cost (Note 13)	(565,245,943)	(565,245,943)
Total Equity	49,541,876,205	47,954,504,250
TOTAL LIABILITIES AND EQUITY	₱87,174,797,972	₱80,235,903,589

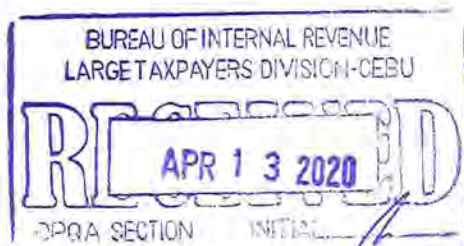
See accompanying Notes to Parent Company Financial Statements.



ABOITIZ EQUITY VENTURES, INC.
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Dividend income	₱10,922,347,563	₱9,657,906,755	₱9,636,257,603
Management, professional and technical fees (Note 10)	1,197,135,035	1,417,777,041	1,244,040,769
	12,119,482,598	11,075,683,796	10,880,298,372
COST OF SERVICES (Note 15)	884,258,674	604,807,742	627,716,924
GROSS PROFIT	11,235,223,924	10,470,876,054	10,252,581,448
General and administrative expenses (Note 16)	(838,922,704)	(978,194,226)	(785,520,131)
Interest income (Notes 4, 5 and 10)	229,539,882	451,058,879	407,715,480
Interest expense (Note 12)	(1,731,329,470)	(1,553,541,680)	(1,553,541,680)
	(2,340,712,292)	(2,080,677,027)	(1,931,346,331)
OTHER INCOME (CHARGES)			
Foreign exchange gain (loss) - net	(19,716,376)	554,617,061	(68,159,678)
Gain (loss) on sale of:			
Investment in subsidiaries (Note 7)	-	166,868,871	-
Property and equipment	486,031	(578,669)	258,864
Service income (Note 10)	80,981,757	92,069,354	100,125,637
Reversal of impairment on (write-off of) investments and advances, project costs and other assets (Note 7)	(39,398,842)	(37,410,453)	(63,732,281)
Rent income (Note 10)	6,621,514	5,496,983	8,630,434
Unrealized mark-to-market gain (loss) on financial assets at FVTPL	1,343,841	(3,035,402)	-
Others (Note 10)	159,813,398	186,204,971	165,178,640
	190,131,323	964,232,716	142,301,616
INCOME BEFORE INCOME TAX	9,084,642,955	9,354,431,743	8,463,536,733
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)	35,217,671	151,739,405	(28,669,728)
NET INCOME	₱9,049,425,284	₱9,202,692,338	₱8,492,206,461
EARNINGS PER SHARE (Note 14)			
Basic and diluted, for net income for the year	₱1.607	₱1.634	₱1.508

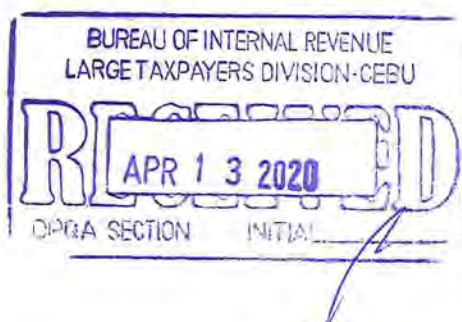
See accompanying Notes to Parent Company Financial Statements.



ABOITIZ EQUITY VENTURES, INC.**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2019	2018	2017
NET INCOME	₱9,049,425,284	₱9,202,692,338	₱8,492,206,461
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified subsequently to parent company statements of income:			
Net unrealized mark-to-market gains on AFS investments	-	-	5,603,383
Item that will not be reclassified to parent company statements of income:			
Actuarial gains (losses) on defined benefit plan (Note 18)	69,955,381	(103,753,703)	148,885,760
Income tax effect	(20,986,614)	31,126,111	(44,665,728)
	48,968,767	(72,627,592)	104,220,032
TOTAL COMPREHENSIVE INCOME	₱9,098,394,051	₱9,130,064,746	₱8,602,029,876

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ EQUITY VENTURES, INC.
**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

	Capital Stock (Note 13)	Additional Paid-in Capital (Note 13)	Net Unrealized Market-to-Market Gains on AFS Investments	Actuarial Losses on Defined Benefit Plan	Retained Earnings		Treasury Stock (Note 13)	Total
					Appropriated (Note 14)	Unappropriated (Note 14)		
Balances at January 1, 2017	P5,694,599,621	P12,693,153,652	P1,973,813	(P188,648,513)	P2,717,000,000	P24,573,775,572	(P521,131,543)	P44,970,722,602
Net income for the year	-	-	-	-	-	8,492,206,461	-	8,492,206,461
Other comprehensive income	-	-	5,603,383	104,220,032	-	-	-	109,823,415
Total comprehensive income (loss) for the year	-	-	5,603,383	104,220,032	-	8,492,206,461	-	8,602,029,876
Reversal of appropriation during the year (Note 14)	-	-	-	-	(1,095,000,000)	1,095,000,000	-	-
Cash dividends - P1.33 per common share (Note 14)	-	-	-	-	-	(7,492,944,101)	-	(7,492,944,101)
Balances at December 31, 2017	P5,694,599,621	P12,693,153,652	P7,577,196	(P84,428,481)	P1,622,000,000	P26,668,037,932	(P521,131,543)	P46,079,808,377
Balances at January 1, 2018, as previously reported	P5,694,599,621	P12,693,153,652	P7,577,196	(P84,428,481)	P1,622,000,000	P26,668,037,932	(P521,131,543)	P46,079,808,377
Effects of adoption of new accounting standard	-	-	(7,577,196)	-	-	7,577,196	-	-
Balances at January 1, 2018, as restated	5,694,599,621	12,693,153,652	-	(84,428,481)	1,622,000,000	26,675,615,128	(521,131,543)	46,079,808,377
Net income for the year	-	-	-	-	-	9,202,692,338	-	9,202,692,338
Other comprehensive income	-	-	-	(72,627,592)	-	-	-	(72,627,592)
Total comprehensive income (loss) for the year	-	-	-	(72,627,592)	-	9,202,692,338	-	9,130,064,746
Purchase of treasury shares (Note 13)	-	-	-	-	-	-	(44,114,400)	(44,114,400)
Reversal of appropriation (Note 14)	-	-	-	-	(1,622,000,000)	1,622,000,000	-	-
Appropriation during the year (Note 14)	-	-	-	-	4,200,000,000	(4,200,000,000)	-	-
Cash dividends - P1.28 per common share (Note 14)	-	-	-	-	-	(7,211,254,473)	-	(7,211,254,473)
Balances at December 31, 2018	P5,694,599,621	P12,693,153,652	P-	(P157,056,073)	P4,200,000,000	P26,089,052,993	(P565,245,943)	P47,954,504,250
Balances at January 1, 2019	P5,694,599,621	P12,693,153,652	P-	(P157,056,073)	P4,200,000,000	P26,089,052,993	(P565,245,943)	P47,954,504,250
Effects of adoption of new accounting standard (PFRS 16)	-	-	-	-	-	(75,735,921)	-	(75,735,921)
Balances at January 1, 2019, as restated	5,694,599,621	12,693,153,652	-	(157,056,073)	4,200,000,000	26,013,317,072	(565,245,943)	47,878,768,329
Net income for the year	-	-	-	-	-	9,049,425,284	-	9,049,425,284
Other comprehensive income	-	-	-	48,968,767	-	-	-	48,968,767
Total comprehensive income (loss) for the year	5,694,599,621	12,693,153,652	-	(108,087,306)	4,200,000,000	35,062,742,356	(565,245,943)	56,977,162,380
Cash dividends - P1.32 per common share (Note 14)	-	-	-	-	-	(7,435,286,175)	-	(7,435,286,175)
Balances at December 31, 2019	P5,694,599,621	P12,693,153,652	P-	(P108,087,306)	P4,200,000,000	P27,627,456,181	(P565,245,943)	P49,541,876,205

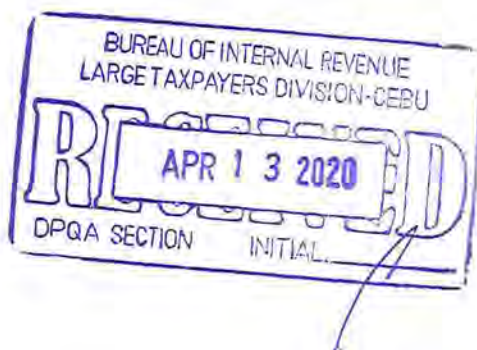
See accompanying Notes to Parent Company Financial Statements.



ABOITIZ EQUITY VENTURES, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱9,084,642,955	₱9,354,431,743	₱8,463,536,733
Adjustments for:			
Interest expense (Note 12)	1,731,329,470	1,553,541,680	1,553,541,680
Unrealized foreign exchange loss	30,481,045	59,819,987	273,497,146
Depreciation and amortization (Note 11)	109,356,708	58,214,384	59,332,022
Write-off of investments and advances, project costs and other assets (Note 7)	39,398,842	37,410,453	63,732,281
Amortization of computer software (Notes 15 and 16)	4,464,660	4,211,882	1,502,629
Unrealized mark-to-market (gain) loss on financial assets at FVTPL	(1,343,841)	3,035,402	—
Loss (gain) on sale of:			
Property and equipment	(486,032)	578,669	(258,863)
Investment in subsidiaries (Note 7)	—	(166,868,871)	—
Interest income (Notes 4 and 10)	(229,539,882)	(451,058,879)	(407,715,480)
Operating income before working capital changes	10,768,303,925	10,453,316,450	10,007,168,148
Decrease (increase) in:			
Trade and other receivables	(105,739,393)	(332,004,293)	2,861,331,529
Other operating assets	(100,326,897)	(134,850,306)	(143,864,109)
Increase (decrease) in:			
Accounts payable and accrued expenses	224,292,036	24,989,832	(202,232,870)
Other operating liabilities	(59,730,317)	149,836,991	(88,676,990)
Net cash flows generated from operations	10,726,799,354	10,161,288,674	12,433,725,708
Income and final taxes paid	(35,517,104)	(80,545,382)	(58,536,412)
Net cash flows from operating activities	10,691,282,250	10,080,743,292	12,375,189,296
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	245,954,932	541,595,369	309,503,071
Proceeds from redemption of preferred shares by a subsidiary (Note 7)	14,664,866	220,292,000	24,191,000
Proceeds from sale of:			
Investment in subsidiaries (Notes 7)	—	1,170,553,281	—
Property and equipment	5,509,861	2,196,090	8,343,986
Decrease (increase) in:			
Investments and advances (Note 7)	(68,045)	(22,301)	(22,815)
Financial assets at FVTPL and Debt investments at amortized cost (2018); AFS and HTM investments (2017)	179,189,383	(29,676,555)	(189,215,830)
Other noncurrent assets	96,703,323	(350,757,345)	57,666,632

(Forward)



	Years Ended December 31		
	2019	2018	2017
Acquisitions of:			
Investments (Notes 7 and 8)	(P10,784,628,459)	(P12,401,890,071)	(P1,274,692,300)
Property and equipment (Note 11)	(45,669,751)	(89,274,673)	(65,338,134)
Net cash flows used in investing activities	(10,288,343,890)	(10,936,984,205)	(1,129,564,390)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on common shares (Note 14)	(7,435,286,175)	(7,211,254,473)	(7,492,944,101)
Net proceeds from long-term debt	5,000,000,000	-	-
Payment of lease liabilities	(58,391,532)	-	-
Payment of Interest	(1,711,703,509)	(1,553,583,669)	(1,553,456,690)
Disposal (acquisition) of treasury shares (Note 13)	-	(44,114,400)	-
Net cash flows used in financing activities	(4,205,381,216)	(8,808,952,542)	(9,046,400,791)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,802,442,856)	(9,665,193,455)	2,199,224,114
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(30,481,045)	(59,819,987)	(273,497,146)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,673,114,129	15,398,127,571	13,472,400,603
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P1,840,190,228	P5,673,114,129	P15,398,127,571

See accompanying Notes to Parent Company Financial Statements.



ABOITIZ EQUITY VENTURES, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was incorporated in the Republic of the Philippines on September 11, 1989. It is registered with the Philippine Securities and Exchange Commission (SEC) and is the publicly listed holding and management company of the Aboitiz Group of Companies. Through its subsidiaries and associates, it is engaged in various business activities, mainly in the Philippines, including electricity generation and distribution, banking and financial services, food manufacturing, real estate development and infrastructure. The ultimate parent of the Company is Aboitiz & Company, Inc. (ACO), a company incorporated in the Philippines.

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

The parent company financial statements of the Company 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. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying parent company financial statements have been prepared on a historical cost basis, except for investments in certain debt and equity securities which are measured at fair value. The parent company financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest peso except as otherwise indicated.

The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements, presented in compliance with Philippine Financial Reporting Standards (PFRSs). These may be obtained at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

Statement of Compliance

The accompanying parent company financial statements, which are prepared for submission to the Philippine SEC and the Bureau of Internal Revenue (BIR), have been prepared in compliance with PFRSs.

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 Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.



The Company 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 parent company 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 Company is the lessor.

The Company 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 Company has elected to use the exemption proposed by the standard on the lease contracts for which the lease terms end within 12 months from the date of initial application. Lease payments on short term leases are recognized as expense on a straight-line basis over the lease term.

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

	As of January 1, 2019
Increase (decrease) in parent company balance sheets:	
Property and equipment	₱174,454,669
Other noncurrent assets	(17,944,592)
Total Assets	<u>₱156,510,077</u>
Lease liabilities	₱232,245,998
Retained earnings	(75,735,921)
Total Liabilities and Equity	<u>₱156,510,077</u>

Prior to adoption of PFRS 16, the Company 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 Company; 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 statements of comprehensive income on a straight-line basis over the lease term. Any prepaid rent was recognized under "Other current assets" or "Other noncurrent assets".

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. 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 Company applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application (short-term leases).

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	₱262,465,278
Incremental borrowing rate as of January 1, 2019	6.02%
Lease liabilities as of January 1, 2019	₱232,246,999

- *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 parent company 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 Company's current practice is in line with these amendments, these amendments do not have any effect on its parent company 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 Company does not have such long-term interests in associates and joint ventures, the amendments do not have an impact on its parent company 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 Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company determined, based on its assessment, that it is probable that its uncertain tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the parent company 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 Company 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 Company because dividends declared by the Company 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 Company's current practice is in line with these amendments, these amendments do not have any effect on its parent company financial statements.

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

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

- 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 Company presents assets and liabilities in the parent company 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 the Company.

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

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

The Company 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 parent company 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 parent company financial statements on a recurring basis, the Company 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 Company 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.

Cash and Cash Equivalents

Cash and cash equivalents in the parent company 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.

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 Company's business model for managing the financial assets. The Company 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 Company assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

In making this assessment, the Company 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 Company'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 Company's business model does not depend on management's intentions for an individual instrument.

The Company's business model refers to how it manages its financial assets in order to generate cash flows. The Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Company 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 Company'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 parent company 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 parent company statement of income.

The Company's debt financial assets as of December 31, 2019 and 2018 consist of cash in banks, cash equivalents, trade and other receivables and due from subsidiaries in the parent company balance sheet. The Company 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 Company 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 Company 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 Company 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 Company'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 Company; 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 parent company statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company 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 Company, 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 Company'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 Company 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 Company'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 Company's financial liabilities measured at amortized cost as of December 31, 2019 and 2018 include accounts payable and accrued expenses, long-term debts and lease liabilities (see Note 20).

Reclassifications of financial instruments

The Company 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 Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company 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 Company recognizes a financial asset or a financial liability in the parent company 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 Company 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 Company 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 Company 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 Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting 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 Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the parent company 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 parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company 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 parent company balance sheet at fair value. Subsequent changes in fair value are recognized in the parent company 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 parent



company 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 Company 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 Company 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 parent company 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 parent company 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 parent company 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 parent company statement of income when liabilities are derecognized, as well as through amortization process.



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 Company; 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 Company 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 Company 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 Company 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 Company 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 Company treats the transaction as a transfer of a financial asset if the Company:

- 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 Company 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 Company's continuing involvement in the financial asset. The extent of the Company'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 Company's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Company's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Company could be required to repay ('the guarantee amount'). When the Company's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Company's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Company'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 Company 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 Company 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 reporting 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 reporting 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 reporting 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 Company 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 reporting date, the Company 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 reporting date and the date of initial recognition. The Company 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 Company 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 Company 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 parent company 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 Company are measured as the amount of the loss allowance. The Company 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 Company 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 parent company 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 parent company balance sheet.

Investments and Advances

Investments in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. 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. Investments in subsidiaries are carried at cost less any impairment in value.

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

Investments in associates

An associate is an entity over which the Company 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. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Company's investment in its associates is accounted for using the cost method of accounting.

The Company's investments in subsidiaries and associates are accounted for under the cost method of accounting in the parent company financial statements. These investments are carried in the parent company balance sheet at cost less any impairment in value. The Company recognizes income from the investments only to the extent that the Company receives distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

The reporting dates of the associates and the Company are identical and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Investments in joint ventures

Investments in joint ventures are investments in shares of stock of a joint arrangement where the parent company exercises joint control with two or more parties. 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 joint control are similar to those necessary to determine control over subsidiaries. Investments in joint ventures are carried at cost, net of allowance for any substantial and presumably permanent decline in value.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and 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 and equipment when that cost is incurred if the recognition criteria are met. Repairs and maintenance costs are recognized in the parent company statement of income as incurred.



Depreciation and amortization are calculated on a straight-line basis over the useful lives of the assets as follows:

Category	Number of Years
Transportation equipment	5
Office equipment, furniture and fixtures	3-5
Leasehold improvements	5
Computer equipment	3

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

The carrying values of property 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 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 parent company statement of income in the year the asset is derecognized.

The assets' residual values, useful lives and depreciation and amortization method 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 and equipment as a replacement if the recognition criteria are satisfied.

Leases (prior to adoption of PFRS 16)

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.

Company as a lessee

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

Category	Number of Years
Building	5-10

If ownership of the leased asset transfers to the Company 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 Company 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company 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 Company 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.

Company as a lessor

Leases in which the Company 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 parent company statement income 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.



Computer Software Development Cost

Costs incurred in the development of computer software are capitalized, included under "Other noncurrent assets" and amortized using the straight-line method over a period of two to three years.

The carrying value of computer development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that carrying value may not be recoverable.

Impairment of Nonfinancial Assets

Investments and advances, property and equipment, computer software development costs, other current assets and noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company 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 group 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 parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company 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. 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 reporting date are dealt with as an event after the financial reporting 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 Company's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the parent company statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Foreign Currency Transactions

The parent company financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency based on the exchange 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 reporting date. All differences arising from settlement or restatement are taken to the parent company statement of income.

Revenue Recognition

Revenue from contracts with customers under PFRS 15 is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Under PAS 18, Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The following specific recognition criteria must also be met before revenue is recognized.

Dividend income

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

Rendering of services

Management, professional and technical fees are recognized when the related services are rendered.

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 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, 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 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 is the change during the period in the net defined benefit liability 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 is recognized as expense in the parent company 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 parent company statement of income 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 Company, nor can they be paid directly to the Company. 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 Company'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 directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 reporting date.

Current income tax relating to items recognized directly in equity is recognized in the parent company statement of comprehensive income and not in the parent company 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 reporting 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. Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and 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.

The carrying amount of deferred income tax assets is reviewed at each reporting 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 reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income 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 reporting date.



Value-added Tax (VAT)

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

For its VAT-registered activities, VAT from sales of goods and/or services (output VAT) is recognized as payable, while VAT passed on from purchases of goods or services (input VAT) is recognized as an asset in the parent company balance sheet.

Provisions

Provisions are recognized when the Company 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 Company 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 parent company 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 parent company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period

Post year-end events that provide additional information about the Company's position at reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

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 Company. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Earnings Per Common Share

Basic earnings per common share are computed by dividing net income for the year 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 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 Company does not have dilutive common stock equivalents.



3. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the parent company financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosures of contingent liabilities. However, uncertainty about these assumptions 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 Company based its assumptions and estimates on parameters available when the parent company 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 Company. 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 parent company financial statements, except for those that relate to the adoption of PFRS 16.

Judgments

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

Classification of financial instruments

The Company 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 parent company balance sheet.

Contractual cash flows assessment

For each financial asset, the Company assesses the contractual terms to identify whether the instrument is consistent with the concept of Solely Payments of Principal and Interest (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 Company 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 Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company'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 Company'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 Company's original expectations, the Company 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.

Estimation Uncertainty

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

Estimating allowance for impairment losses on investments in 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 and advances amounted to ₱81.6 billion and ₱70.8 billion as of December 31, 2019 and 2018, respectively (see Notes 7 and 8).

Measurement of expected credit losses 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 reporting 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 Company in accordance with the contract and the cash flows that the Company expects to receive.



- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the EIR.
- *Undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.
- *Financial guarantee contracts:* as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

The Company 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 Company to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques

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. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. 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 reporting date and future economic conditions that affect credit risk.
- *Loss given default*
LGD represents the Company'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 Company 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 reporting date and summed. The discount rate used in the ECL calculation is the original EIR 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 and how collateral values change are monitored and reviewed on a quarterly basis.

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

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

The provision matrix is initially based on the Company's historical observed default rates. The Company 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 reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company'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 Company 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 Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out



stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company 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: 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 Company 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 Company'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, the Company has no allowance for ECL. Trade and other receivables amounted to ₱1.3 billion as of December 31, 2019 and 2018 (see Note 5).

Assessing impairment of nonfinancial assets

The Company assesses whether there are any indicators of impairment for nonfinancial assets at each reporting date. These nonfinancial assets (property and equipment, other current assets, computer software development costs 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 Company to make estimates and assumptions that can materially affect its parent company financial statements. Future events could cause the Company to conclude that the property and equipment, other current assets, computer software development costs and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the parent company balance sheets and parent company statements of income. The aggregate carrying values of these assets as of December 31 are as follows:

	2019	2018
Property and equipment (see Note 11)	₱369,087,342	₱263,343,459
Other current assets (see Note 6)	1,170,652,426	1,070,325,529
Computer software development costs	12,113,107	11,022,155
Other noncurrent assets	95,214,577	137,804,173
	₱1,647,067,452	₱1,482,495,316



Recognition of deferred income tax assets

The Company reviews the carrying amounts of deferred income tax assets at each reporting 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 assets to be utilized. The Company has deferred income tax assets amounting to ₱46.3 million and ₱67.3 million as of December 31, 2019, and 2018, respectively (see Note 19).

The Company did not recognize deferred income tax assets on NOLCO in 2019 and 2018 amounting to ₱2.9 billion and ₱3.6 billion, respectively, and on MCIT in 2019 and 2018 amounting to ₱78.5 million and ₱70.3 million, respectively (see Note 19).

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the parent company 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 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. Judgements 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 21 for further disclosures.

Legal contingencies

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company'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 parent company financial statements as of December 31, 2019 and 2018.

4. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	₱212,244,148	₱322,526,758
Short-term deposits	1,627,946,080	5,350,587,371
	₱1,840,190,228	₱5,673,114,129

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 Company, and earn interest at the respective short-term deposit rates. Interest income earned on cash and cash equivalents amounted to ₱167.4 million in 2019, ₱386.1 million in 2018 and ₱325.9 million in 2017.



5. Trade and Other Receivables

	2019	2018
Trade receivables (see Note 10)	₱690,487,591	₱471,261,176
Due from affiliates (see Note 10)	1,197,620,000	1,359,960,000
Interest receivable (see Notes 4 and 10)	10,775,929	27,190,980
Recoverable deposits	4,308,825	3,548,825
Dividends receivable from a subsidiary	-	4,031,856
Others	8,390,834	9,843,110
	1,911,583,179	1,875,835,947
Less noncurrent portion of due from affiliates (see Note 10)	590,000,000	600,000,000
	₱1,321,583,179	₱1,275,835,947

Trade receivables are non-interest bearing and are normally on 30-60 days' term. Accounts due from affiliates are interest-bearing and either on-demand or long-term advances extended by the Company. Other receivables mainly represent unsettled claims due from various third parties.

6. Other Current Assets

	2019	2018
Prepaid income tax	₱1,155,277,309	₱1,050,415,057
Input VAT	10,032,618	3,511,582
Prepaid expenses	5,342,499	16,398,890
	₱1,170,652,426	₱1,070,325,529

7. Investments in Subsidiaries

	Nature of Business	Percentage of Ownership			
		2019		2018	
		Direct	Indirect	Direct	Indirect
AEV Properties, Inc. (API)*	Real Estate	100.00	-	100.00	-
AEV International Pte. Ltd (AEV International) **	Holding	100.00	-	100.00	-
Archipelago Insurance Pte. Ltd (AIPL)**	Insurance	100.00	-	100.00	-
AboitizLand, Inc. (AboitizLand)	Real Estate	100.00	-	100.00	-
Propiedad del Norte, Inc.	Real Estate	-	100.00	-	100.00
Pilmico Foods Corporation (PILMICO)	Food Manufacturing	100.00	-	100.00	-
Cebu Praedia Development Corporation (CPDC)***	Real Estate	100.00	-	100.00	-
Aboitiz Power Corporation (AP)	Power	76.98	-	76.98	-
AEV Aviation, Inc. (AVI)***	Service	73.31	26.69	73.31	26.69
Apo Agua Infraestructura, Inc. (Apo Agua)*	Supply of Treated Bulk Water	21.76	47.78	21.76	47.78
Aboitiz Infracapital, Inc. (Aboitiz Infracapital)	Infrastructure	100.00	-	100.00	-
Weather Solutions, Inc. (WSI)***	Services	100.00	-	100.00	-
Therma Batangas Gas, Inc. (TBGI)		100.00	-	-	-

* No commercial operations.

** Incorporated in Singapore. All other companies are incorporated in the Philippines.

*** The 2019 and 2018 financial statements of these subsidiaries were audited by other independent auditors. All other companies were audited by the principal auditors.



The details of the Company's investments in subsidiaries are as follows:

	2019	2018
AP	₱11,393,072,837	₱11,393,072,837
AEV International	14,672,456,163	7,974,627,703
AboitizLand	8,615,000,000	5,991,000,000
PILMICO	1,658,885,002	1,658,885,002
CPDC	1,276,546,023	1,266,546,023
Aboitiz Infracapital	2,000,000,000	774,720,000
Propriedad del Norte, Inc.	650,000,000	650,000,000
AVI	450,202,134	464,867,000
Apo Agua	104,750,100	104,750,100
API	25,000,000	25,000,000
AIPL	21,739,130	21,739,130
WSI	10,000,000	2,500,000
TBGI	25,020,000	-
	40,902,671,389	30,327,707,795
Advances from subsidiaries	(25,690,955)	(25,758,999)
	₱40,876,980,434	₱30,301,948,796

Capital infusion to AEV International

On various dates in 2019 and 2018, the Company made additional capital infusions to AEV International amounting to ₱6.7 billion each year.

Capital infusion to AboitizLand

On various dates in 2019, the Company infused additional capital amounting to ₱2.6 billion to AboitizLand.

Capital infusion to CPDC

On December 11, 2019, the Company infused additional capital amounting to ₱10 million to CPDC.

Capital infusion to Aboitiz Infracapital

In 2019 and 2018, the Company infused capital to Aboitiz Infracapital amounting to ₱1.2 billion and ₱103.7 million, respectively. Aboitiz Infracapital is the Group's investment vehicle for all future infrastructure-related investments.

Redemption of preferred shares

On March 21, 2019 and January 22, 2018, AVI redeemed portions of its preferred shares amounting to ₱14.5 million and ₱220.3 million, respectively.

Capital infusion to WSI

In 2019, the Company infused capital to WSI amounting to ₱7.5 million.

Capital infusion to TBGI

On various dates in 2019, the Company infused capital amounting to ₱25 million to TBGI.



Sale of PETNET in 2018

On February 9, 2018, AEV signed a Share Purchase Agreement for the sale of its 51% stake in 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 (UBP), 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.

This acquisition by CitySavings and UPI was payable in cash, and required both approvals of the Philippine Competition Commission (PCC) and the Bangko Sentral ng Pilipinas (BSP). On May 8, 2018, the PCC granted its approval.

After securing the BSP 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. A gain on sale of investment in PETNET amounting to ₱166.9 million was reported in the parent company statement of income.

8. Investments in Associates and a Joint Venture

	Nature of Business**	Percentage of Ownership	
		2019	2018
AEV CRH Holdings, Inc. (AEV CRH)	Holding	60.00	60.00
Cebu District Property Enterprise, Inc. (CDPEI)*	Real Estate	50.00	50.00
UBP	Banking	49.34	49.36
CRH Aboitiz Holdings, Inc. (CRH Aboitiz)	Holding	45.00	45.00
Singapore Life (Philippines) Inc. (SLPI)	Insurance	15.00	—

* The Company owns 50% of the non-voting, participating and non-cumulative preferred shares of CDPEI.

** All companies are incorporated in the Philippines.

The details of the Company's investments in and advances to associates and a joint venture are as follows:

	2019	2018
AEV CRH	₱23,573,714,090	₱23,573,714,090
UBP	15,426,506,118	15,426,506,118
CDPEI	1,350,000,000	1,350,000,000
CRH ABOITIZ	169,056,131	169,056,131
SLPI	195,000,000	—
	₱40,714,276,339	₱40,519,276,339

Investment in AEV CRH and CRH ABOITIZ

The Company holds 60% of the equity shares of AEV CRH. Management assessed that since the Company does not have the ability to direct the relevant activities which most significantly affect the returns of the subsidiaries of AEV CRH, it cannot consolidate AEV CRH group. This is a result of the contractual arrangements that give the other partner the power to direct the relevant non-nationalized activities of these companies. Consequently, the Company recognizes AEV CRH as an associate that is accounted for using the equity method in the consolidated financial statements of



the Company. AEV owns 45% of the outstanding shares of CRH ABOITIZ, and likewise treats it as an investment in an associate.

Acquisition of UBP shares

In 2nd quarter of 2019, 0.46 million shares were issued under UBP employee stock plan decreasing its ownership in UBP from 49.36% in 2018 to 49.34% in 2019.

In September 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.

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

Investment in SLPI

In December 2019, the company purchased secondary shares from Singapore Life Pte Ltd and Di-Firm Capital Pte Ltd, a total of 1.95 million shares at ₱100 per share in Singapore Life (Philippines) Inc. for a total consideration of ₱195 million.

9. Accounts Payable and Accrued Expenses

	2019	2018
Accrued expenses	₱295,035,888	₱69,016,069
Accrued interest (see Note 12)	203,890,567	194,259,588
Withholding taxes payable	41,683,104	32,592,206
VAT output payable	19,305,474	30,571,073
Others	1,973,866	1,526,949
	₱561,888,899	₱327,965,885

Accrued expenses include payroll, travel and transportation expenses and subscription liabilities.

10. 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 Company enters into transactions with related parties, principally consisting of the following:

- a. Interest-bearing short-term and long-term advances granted to certain affiliates. Annual interest rates, which are determined on arm's length basis, range from 2.68% - 6.43% in 2019, 2.62% - 6.43% in 2018, and 2.50% - 6.43% in 2017.



- b. Management and other professional and technical fees charged to related parties at arm's length basis.
- c. Rentals paid at current market rates to CPDC for the use of CPDC's properties by the Company's officers and employees.
- d. Aviation service fees paid at an arm's length basis to AVI for the use of aircraft during travel of the Company's officers and employees.
- e. Cash deposits and money market placements with UBP. At prevailing rates, these fixed-rate investments earned interest income amounting to ₱48.3 million, ₱146.9 million and ₱90.2 million in 2019, 2018 and 2017, respectively. Outstanding balances amounted to ₱247.4 million and ₱2.8 billion as of December 31, 2019 and 2018, respectively.

The above transactions are settled in cash.

The parent company balance sheets and statements of income include the following accounts resulting from these related party transactions (amounts in thousands):

Due from Affiliates

	Interest Income			Outstanding Balance			
	2019	2018	2017	2019	2018	Terms	Conditions
Subsidiaries							
Davao Light & Power Corporation (DLP)	₱—	₱—	₱49,519	₱—	₱—	On demand; interest-bearing	Unsecured; no impairment
CPDC	2,197	5,914	18,352	—	70,000	Payable in 7 years; interest-bearing	Unsecured; no impairment
PFC	18,907	18,907	5,284	290,000	290,000	Payable in 5 years; interest-bearing	Unsecured; no impairment
Advent Energy, Inc.	16,539	12,937	6,125	300,000	300,000	Payable in 5 years; interest-bearing	Unsecured; no impairment
Therma Power, Inc.	20,054	9,452	—	607,620	630,960	On demand; interest-bearing	Unsecured; no impairment
Cotabato Light & Power Corporation (CLP)	—	—	1,122	—	—	On demand; interest-bearing	Unsecured; no impairment
Apo Agua	—	14,849	—	—	—	On demand; interest-bearing	Unsecured; no impairment
Co-subsidiary							
Aboitiz Construction, Inc.	682	2,889	1,426	—	69,000	On demand; interest-bearing	Unsecured; no impairment
	₱58,379	₱64,948	₱81,828	₱1,197,620	₱1,359,960		

Revenues - Management, Professional and Technical Fees

	Revenue		Accounts Receivable (Payable)				
	2019	2018	2017	2019	2018	Terms	Conditions
Parent Company							
ACO	₱11,274	₱10,536	₱10,867	₱245,619	₱126	30-day; interest-free	Unsecured; no impairment
Subsidiaries							
PILMICO	340,215	349,441	286,536	44,000	1,437	30-day; interest-free	Unsecured; no impairment
Visayan Electric Co., Inc.	102,356	129,548	103,876	74,817	78,899	30-day; interest-free	Unsecured; no impairment
AP	81,290	55,310	88,603	3,281	5,859	30-day; interest-free	Unsecured; no impairment
DLP	85,482	50,699	35,599	11,739	2,142	30-day; interest-free	Unsecured; no impairment

(Forward)



	Revenue			Accounts Receivable (Payable)		Terms	Conditions
	2019	2018	2017	2019	2018		
AboitizLand, Inc.	₱61,524	₱49,456	₱28,812	₱4,624	₱16,395	30-day; interest-free	Unsecured; no impairment
Therma Visayas, Inc.	31,829	16,972	21,827	18,473	3,382	30-day; interest-free	Unsecured; no impairment
Therma South, Inc.	35,036	29,479	22,579	19,783	1,692	30-day; interest-free	Unsecured; no impairment
Therma Luzon, Inc.	57,205	47,345	5,699	18,424	7,557	30-day; interest-free	Unsecured; no impairment
Hedcor, Inc.	20,869	13,370	7,109	5,030	2,860	30-day; interest-free	Unsecured; no impairment
Pilmico Animal Nutrition Corporation	16,474	13,883	13,724	6,922	940	30-day; interest-free	Unsecured; no impairment
Aseagas	—	372	2,391	397	397	30-day; interest-free	Unsecured; no impairment
Hedcor Sibulan, Inc.	3,257	8,171	3,449	1,394	2,770	30-day; interest-free	Unsecured; no impairment
Therma Mobile, Inc.	8,926	7,075	3,852	891	130	30-day; interest-free	Unsecured; no impairment
Therma Marine, Inc.	19,408	17,641	7,908	6,418	2,904	30-day; interest-free	Unsecured; no impairment
Therma Power, Inc.	1,561	1,941	1,071	567	—	30-day; interest-free	Unsecured; no impairment
PETNET	—	2,554	5,061	—	1,488	30-day; interest-free	Unsecured; no impairment
AVI	3,829	2,462	2,066	510	—	30-day; interest-free	Unsecured; no impairment
AP Energy Solutions, Inc.	1,285	1,414	2,315	4	75	30-day; interest-free	Unsecured; no impairment
Apo Agua	8,009	5,759	3,145	283	3,585	30-day; interest-free	Unsecured; no impairment
Aboitiz Infracapital, Inc.	25,793	32,645	11,249	6,156	24,460	30-day; interest-free	Unsecured; no impairment
Luzon Hydro Corporation	4,106	3,330	1,947	983	289	30-day; interest-free	Unsecured; no impairment
CPDC	2,659	2,556	2,195	510	—	30-day; interest-free	Unsecured; no impairment
WSI	3,119	—	—	4,752	—	30-day; interest-free	Unsecured; no impairment
Aboitiz Renewables, Inc.	1,518	1,529	2,097	98	—	30-day; interest-free	Unsecured; no impairment
AP Renewables, Inc.	33,850	30,141	1,995	(15,914)	2,724	30-day; interest-free	Unsecured; no impairment
Subic Enerzone Corporation	2	24	—	696	529	30-day; interest-free	Unsecured; no impairment
Mactan Enerzone Corporation	—	15	65	213	45	30-day; interest-free	Unsecured; no impairment
<i>Associates and Joint Ventures</i>							
AEV CRH Holdings, Inc.	—	—	—	3	3	30-day; interest-free	Unsecured; no impairment
Republic Cement and Building Materials, Inc.	88,833	322,284	298,609	58,852	108,954	30-day; interest-free	Unsecured; no impairment
Republic Cement Mindanao, Inc.	18,600	75,312	69,780	11,377	25,457	30-day; interest-free	Unsecured; no impairment
Republic Cement Iligan, Inc.	12,106	49,019	45,418	7,405	16,569	30-day; interest-free	Unsecured; no impairment
SN Aboitiz Power - Magat, Inc.	5,861	5,121	3,651	961	1,050	30-day; interest-free	Unsecured; no impairment
SN Aboitiz Power - Benguet, Inc.	5,848	5,414	2,025	737	1,071	30-day; interest-free	Unsecured; no impairment
Manila-Oslo Renewable Enterprise, Inc.	4,400	2,527	2,810	350	122	30-day; interest-free	Unsecured; no impairment
UBP	11,101	1,060	981	3,227	10	30-day; interest-free	Unsecured; no impairment
<i>Other Related Parties</i>	89,510	73,372	59,595	12,153	7,533	30-day; interest-free	Unsecured; no impairment
	₱1,197,135	₱1,417,777	₱1,244,041	₱555,735	₱321,454		

