SOLID GROUP INC.

SGI Headquarters, Green Sun Bldg. Don Chino Roces Avenue Extension. Makati City

SGI Solid Group Inc. ANNUAL REPORT 2019

TABLE OF CONTENTS

MESSAGE OF THE CEO

The ongoing COVID-19 global pandemic has caused the world including our country much turmoil and suffering with close to a million human lives lost and unprecedented economic hardships. The Philippine lockdown saved countless lives but brought the economy to a standstill. With unemployment soaring and most businesses barely surviving, the estimated cost of this pandemic in 2020 is ₱2.2 trillion pesos according to NEDA. The challenge of getting the economy moving while keeping people safe is what we in business with our community must navigate to get through this crisis together.

Today, apart from reporting our company Solid Group Inc.'s performance in 2019 and outlook for 2020, I would like to share with you how we are adapting to the current realities and some of our expectations and directions for the coming year.

• 2019 recorded positive earnings of ₱227 million down 11% from ₱255million in 2018. Consolidated revenue was ₱2.66billion from ₱3.75billion the year before. This was mainly due to the decline in our digital mobile business.

• MyPhone has been struggling for the past 3 years due to various internal product and channel issues, compounded by stiff market competition from aggressive Chinese brands. 2019 saw revenue down by 55% to just ₱1.1billion with a loss of ₱270 million including a huge write-off in tax assets. Meanwhile, Myphone shifted to a business model of earning royalty and service income from several 3rd party local distributor-importers, resulting in better liquidity albeit a reduced topline. Furthermore a corporate restructuring has been ongoing including a review of operations, market situation and new technologies. We are resolved to stabilize in 2020 and recover with positive earnings in the year 2021.

• Other business segments namely Property and Related Services, Technical Support and Solutions and Investments & Others have all delivered growth in 2019 earnings as they expanded revenue with existing and new clients in leasing, hotel rooms & events, technical services as well as special projects like the SEA Games. In 2020, we remain optimistic for logistics, leasing and modular building businesses. However Hotel operations will continue to suffer; likewise with broadcast solutions and after sales service which are affected by the termination of ABSCBN's franchise. Notwithstanding the negative outlook in 2020, we expect a strong rebound the year after.

• In November of 2019, SGI invested in a partnership with Guangzhou Fekon Motorcycle Co, Ltd. (FEKON) with an initial investment of ₱125 million for 44% of this venture. FEKON/SOLID is keen to capture the growing demand for mobility in the Philippine market.

• Besides this new investment, SGI has identified and is evaluating several major projects for 2021 and onwards to drive expansion and sustainability.

• Overall SGI's financial position remains healthy; enabling us to overcome this crisis and support growth opportunities. In 2019, SGI managed to grow its assets, improve its current ratio and increase cash flow.

• Regarding Dividends for this year, the company finds it prudent to conserve our funds for upcoming investments

SOLID GROUP INC.
Business Segment Listing

Digital Mobile

MySolid Technologies & Devices Corporation. (MyPhone)

Property & Related Services:

Property Management: Solid Manila Corporation, Precos Inc. **Condo Operation:** Zen Towers Corporation, **Hotel & Venue:** Green Sun Hotel Management Inc. Casa Bocobo Hotel Inc. **Modular Structure:** Solid Group Technologies Corporation . (MyHouse)

Technical Support & Solutions

After-Sales Service: Solidservice Electronics Corporation, **Logistics & Technical Services :** Omni Solid Services Inc, **Broadcast & Professional Solutionss:** Solid Video Corporation.

Investments & Others

Financing : Solid Manila Finance Inc. **Investing:** Solid Group Inc. MyApp Corporation, Fekon Solid Motorcycle Mfg Corporation.

While business in 2020 is expected to be dismal, we are taking this opportunity to re-assess and re-structure our companies, to re-ignite our people to move forward with fresh ideas and greater resolve.

As we navigate thru COVID towards a new normal, let us prioritize people safety and livelihood; & together RISE above this crisis by committing to be RESILIENT in adapting to change, to INNOVATE continuously, to SUSTAIN our efforts, and strive to EXCEL in what we do for one another, for our organization, for our country.

I thank all our stakeholders : customers and clients, employees and officers, business partners, our shareholders and the greater community for your continued trust and support.

Maraming Salamat po.

Susan L. Tan
CEO

DIGITAL MOBILE

REVENUE: 1.1 billion
NET LOSS: 270 million

MySolid Technologies & Devices Corporation. (MyPhone) business saw a 55% drop in sales revenue from ₱2.4billion to ₱1.1billion as a result of a 47% decrease in handsets sold in 2019. Including a significant write-off of tax assets, Net loss reached ₱270million from ₱161million recorded in the prior year.

The huge decline of MyPhone business in recent years is mainly attributed to intensified competition from both local and foreign brands specially Chinese brands (such as Huawei, OPPO and RealMe). Internally, MyPhone was impacted by excess inventory losses of the B&P models which were sold at liquidation prices. As a strategy to attain a positive bottom line, MyPhone ventured into a new business model in the 2nd half of 2019 which assigns distribution rights for royalty and service earnings.

Several distribution partners now handle importation and sales in their designated areas while MyPhone focuses on research, product planning, brand marketing and service support. While topline revenues are down, this set-up has improved cash flow enabling new investment for future products and is expected to deliver better bottom-line results in the long term. In 2020, MyPhone will hurdle supply chain disruptions due to the pandemic; pursue ongoing company restructuring and transformation; continue to provide digital devices suitable to the Philippine market such as affordable tablets for online learning as well as explore new opportunities; all towards achieving profitability in 2021 and beyond.

PROPERTY & RELATED SERVICES

Real Estate:
Revenue: 413 million
Net Profit: 313 million

9% Revenue Growth
75% Profit Margin

Solid Group's Real Estate business remains to be the major key driver for the solid performance of 2019, with revenues growing to ₱413 million – a 9% increase from 2018. The Real Estate business segment recorded a ₱313 million net profit, a 75% margin against total revenues.

Solid Manila Corporation (SMC), the main real estate division of the Group – posted double digit growth as it expanded 13% to ₱196 million from ₱173 million of the previous year arising from rental increments and higher occupancy of its leasing business. Construction projects scheduled to be built in the next two years are temporary put on hold due to the many uncertainties of the pandemic. These projects include the 5-story hotel in Dagupan City, commercial strip in San Pablo City, and mixed-use building (under ZTC). At the height of the lockdown, SMC granted generous rent subsidies to affected tenants.

The Hotel and Events business contributed a revenue of ₱168 million, up by 6% from 2018. This was driven by higher events bookings and hotel room occupancy. Green Sun Hotel saw an improvement increasing its occupancy rate to 63% from the 17% average it saw on its first year of operations back in 2015. Casa Bocobo Hotel, on the other hand, continues to enjoy a steady high occupancy rate of close to 90%.

We suspended our hotel operations last march due to the lockdowns. However from April to June, both hotels temporarily operated as a quarantine facilities to seafarers. Starting June, Casa Bocobo Hotel resumed operations as an accommodation hotel under limited capacity, while Green Sun remained closed. Our Hotel business is forecasted to incur losses in 2020. The Tourism Sector in the Philippines is one of the worst hit sectors due to the mass cancellations of air travel and hotel accommodations. We expect a long recovery period for the tourism industry.

Zen Tower Corporation (ZTC), our condominium business achieved a revenue of ₱54 million, a 14% increase from the previous year. The net profit of ZTC grew to ₱58 million from ₱13 million due to an increase in appraisal values of investment property. As previously mentioned, the ₱500 million Tower 3 project will be delayed due to the pandemic.

MyHouse recorded a 63% increase in revenue amounting to ₱29 million with a 6-million-peso net earnings. This puts MyHouse 200% ahead of its performance of 2018 due to the higher demand in Modular Housing.

TECHNICAL SUPPORT & SOLUTIONS

REVENUE: 972 million
NET INCOME: 92 million

GROWTHS

20% in **REVENUE**
40% in **NET INCOME**

Our Technical Support & Solutions segment registered positive growth with a 20% increase in revenue totaling to ₱ 972 million. Net Income has increased by 40% amounting to ₱ 92 million against the ₱ 65 million in the previous year.

Omni Solid Services Inc (Omni) achieved an 11% growth in both revenue and earnings due to the increased demand for logistics, subcontract manufacturing, product testing services, and warehouse rentals. We project that Omni will continue to grow and maintain its profitability in Financial Year 2020.

SolidService Electronis Corporation (SolidService) delivered ₱ 176 million in revenue with a net income of ₱2million from its businesss of being the authorized Sony Service Center network and servicing devices from MyPhone mobile and ABS-CBN.

Solid Video Corporation (SVC) had an exceptional growth in income which grew 238% amounting to ₱ 25million from ₱ 7million mainly due to its successful participation in the Internaitonal Media Center of the 2019 SEA Games. Revenue was up 54% to ₱ 423million pesos from the Sea Games project and regular sales of professional and medical equipment for institutional clients. For 2020 SVC is projecting a major drop in business with the cancellation of various projects including the scheduled ParaOlympics and the ABS-CBNB franchise termination. SVC is targetting to stay positive in earnings despite the cutback of many clients in 2020.

INVESTMENTS & OTHERS

Revenues of Investment and Other segment (excluding dividend income from subsidiaries of ₱ 65 million) reached ₱187 million, delivered better growth of 36% from the previous year of ₱ 137 million (excluding ₱370.7 million dividend income). This was achieved through record high interest earnings in the first half of the year when the Company lock in better yields at the end of 2018 coupled by higher placements in the second half as the Company recovered advances made to its subsidiaries.

While the company has consistently distributed dividends for the past eight years, this year we find it prudent to conserve our earnings for funding of new investments and projects.

In November 2019, the Board of Directors approved the investment in a new company named Fekon Solid Motorcycle Manufacturing Corp. in partnership with Guangzhou Fekon Motorcycle Co., Ltd. The company was incorporated with an initial investment of ₱ 125 million with SGI owning 44% that will engage in the manufacturing, marketing, and financing of the motorcycles. In addition to high quality products with reasonable pricing, Fekon aims to capitalize on the growing market for mobility and the availability of easy credit in the Philippine Market.

CORPORATE SOCIAL RESPONSIBILITY

SGI's response to the COVID 19 crisis was in adherence with community quarantine guidelines and workplace safety protocols. We provided employees with financial assistance, flexible work from home and shuttle service arrangements. Solid Manila granted generous rental subsidies to lessees. Casa Bocobo and Green Sun hotels provided lodging to seafarers. Rainbow Place Dormitory in Tandang Sora QC was home to more than 160 frontliners. SGI continued its support to the Caritas Foundation by providing scholarship funds to poor but deservering students.

BOARD OF DIRECTORS


Jason S. Lim
Chairman of the Board


Susan L. Tan
President, CEO


Vincent S. Lim
SVP & CFO, Director


Quintin W. Chua
Independent Director


Maria G. Goolsby
Independent Director


Beda T. Mañalac
VP, Director


Jonathan Joseph C. Lim
VP, Director


Kevin Michael L. Tan
VP, Director


Joseph A. Lim
Founder, Director


Elena S. Lim
Ex-Officio, Chair Emeritus

CORPORATE OFFICERS


Lita Joaquin
VP, Treasurer


Mellina Corpuz
SVP, Chief Accounting Officer


Atty. Roberto San Jose
Corporate Secretary


Atty. Ana Maria Katigbak
Asst. Corporate Secretary


Ericson Salvador
Chief Audit Executive


Josephine Santiago
Chief Information Officer

EXECUTIVE OFFICERS


David S. Lim
President, MySolid Technologies & Devices Corp


Kevin Michael Tan
EVP, MyPhone


Anthony Posadas
SVP, MyPhone


Abbe Daza
President, Omni Solid Services Inc


Joji Tan
President, SolidService Electronics Corp


Christopher James Tan
President, Solid Video Corp


Beda T. Manalac
President , Solid Manila Corp


Jonathan Joseph C. Lim
President, MyHouse

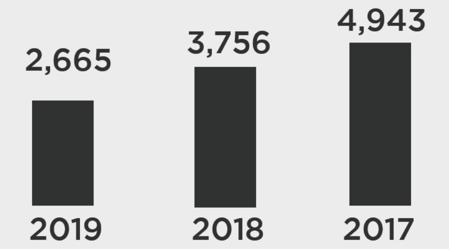

Rudolph Panlilio
Operations Manager, MyHouse

FINANCIAL HIGHLIGHTS

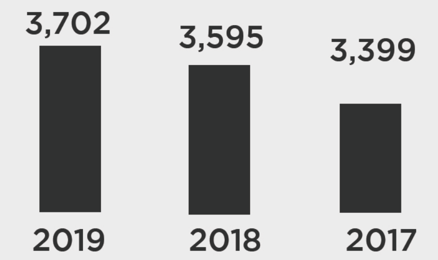
Financial Position in billion pesos	2019	2018	2017
Total Assets	12.12	11.96	11.76
Total Liabilities	1.48	1.41	1.48
Total Equity	10.64	10.55	10.29

Financial Ratios	2019	2018	2017
Current Ratio	10.56	9.82	8.4
Net Profit Margin	9%	7%	8%
Book Value per Share	5.64	5.60	5.46
Earning Per Share	0.12	0.14	0.22

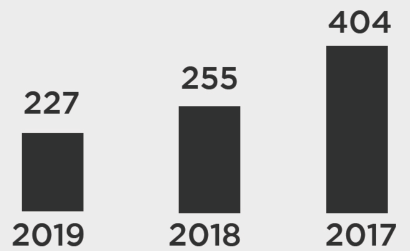
Revenues (in million pesos)



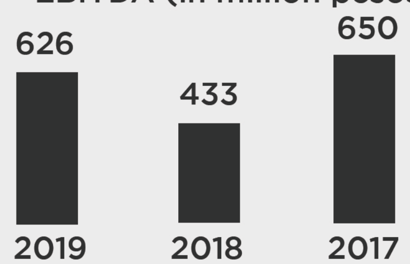
Retained Earnings (in million pesos)



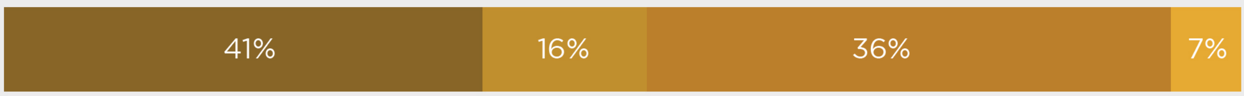
Net Profit (in million pesos)



EBITDA (in million pesos)



PERCENTAGE SHARE OF BUSINESS SEGMENT REVENUE 2019



DIGITAL MOBILE - PROPERTY & RELATED SERVICES - TECHNICAL SUPPORT & SOLUTIONS - INVESTMENTS & OTHERS

PERCENTAGE SHARE OF BUSINESS SEGMENT ASSETS 2019

DIGITAL MOBILE - PROPERTY & RELATED SERVICES - TECHNICAL SUPPORT & SOLUTIONS - INVESTMENTS & OTHERS

VARIOUS PHOTOS OF SGI ACTIVITIES

New Normal Safety Procedures at Green Sun Hotel

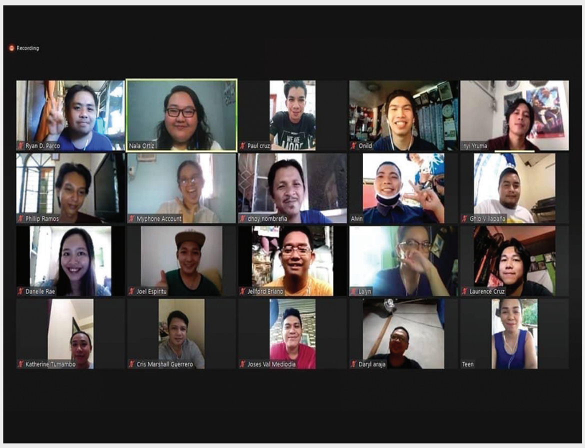
SGI supported the COVID-19 Frontliners through free dormitory housing

Master Control Room Set Up by SVC at the 2019 SEA Games

SVC TEAM in the 2019 Sea Games

Yellow Cab Restaurant using modular material by MyHouse

New Purchased Fleet of Trucks for Omni Logistics



General Assembly of MyPhone Employees via ZOOM

MyPhone's Latest Tablet for Distance Education Learning

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 3,491,034,266**	P 2,455,464,411
Trade and other receivables - net	6	**611,560,303**	891,990,648
Advances to related parties	25	**9,047,868**	9,445,656
Merchandise inventories and supplies - net	8	**159,092,598**	764,706,452
Real estate inventories - net	9	**436,969,424**	436,377,201
Other current assets	13	**974,550,347**	1,057,074,401
Total Current Assets		**5,682,254,806**	5,615,058,769
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**751,149,201**	739,407,669
Financial assets at fair value through other comprehensive income	7	**26,100,000**	27,100,000
Property and equipment - net	11	**1,694,291,476**	1,762,625,470
Investment properties	12	**3,740,122,663**	3,406,441,906
Right-of-use assets - net	10	**14,762,222**	-
Post-employment benefit asset - net	21	**121,642,389**	126,389,451
Deferred tax assets - net	22	**66,451,507**	156,709,132
Other non-current assets	13	**23,442,559**	124,715,885
Total Non-current Assets		**6,437,962,017**	6,343,389,513
TOTAL ASSETS		**P 12,120,216,823**	P 11,958,448,282

	Notes	2019	2018
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans	14	**P 67,956,468**	P 123,790,100
Trade and other payables	15	**438,742,850**	422,162,690
Customers' deposits	2	**12,731,649**	15,574,861
Lease liabilities	10	**4,880,092**	-
Advances from related parties	25	**1,881,570**	1,881,570
Income tax payable		**11,861,258**	8,455,832
Total Current Liabilities		**538,053,887**	571,865,053
NON-CURRENT LIABILITIES			
Refundable deposits	16	**23,491,992**	29,298,575
Lease liabilities	10	**10,483,385**	-
Post-employment benefit obligation	21	**33,594,421**	26,716,443
Deferred tax liabilities - net	22	**873,713,301**	783,280,873
Total Non-current Liabilities		**941,283,099**	839,295,891
Total Liabilities		**1,479,336,986**	1,411,160,944
EQUITY			
Attributable to the Parent Company's stockholders			
Capital stock	23	**2,030,975,000**	2,030,975,000
Additional paid-in capital	2	**4,641,701,922**	4,641,701,922
Treasury shares - at cost	23	**(115,614,380)**	(115,614,380)
Revaluation reserves - net	23	**18,545,180**	42,225,155
Retained earnings	23	**3,701,620,122**	3,594,573,885
Total equity attributable to the Parent Company's stockholders		**10,277,227,844**	10,193,861,582
Non-controlling interests	2	**363,651,993**	353,425,756
Total Equity		**10,640,879,837**	10,547,287,338
TOTAL LIABILITIES AND EQUITY		**P 12,120,216,823**	P 11,958,448,282

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 512,780,355	P 350,484,515	P 561,460,980
Adjustments for:				
Fair value gains on investment property - net	12, 19	(277,777,788)	(276,865,052)	(135,678,910)
Interest income	5, 13, 20, 25	(209,724,387)	(122,988,757)	(70,327,634)
Depreciation and amortization	10, 11, 13	105,965,285	77,494,526	85,528,588
Unrealized foreign currency exchange losses (gains) - net		14,298,162	(37,799,414)	(406,317)
Interest expense	10, 14, 21	10,478,314	4,690,998	2,834,528
Loss on derecognition of property and equipment	11	9,860,674	-	-
Gain on derecognition of liabilities	20	(2,913,521)	(325,989)	(1,293,384)
Interest amortization on refundable deposits	20	717,325	689,536	1,555,880
Gain on sale of property and equipment	11	(482,899)	(1,211,597)	(1,533,248)
Loss (gain) on discounting of refundable deposits	16	(225,755)	203,516	(486,937)
Gain on sale of investment property	12	-	-	(37,510,547)
Impairment loss on property and equipment	11	-	-	14,346,250
Gain on redemption of financial assets at fair value through profit or loss (FVTPL)		-	-	(5,918,418)
Dividend income	20	-	-	(219,272)
Operating profit (loss) before working capital changes		162,975,765	(5,627,718)	412,351,559
Decrease in trade and other receivables - net		237,641,773	278,842,371	137,379,997
Decrease (increase) in advances to related parties		397,788	(222,585)	(117,077)
Decrease (increase) in merchandise inventories and supplies - net		605,613,854	(226,085,965)	264,341,044
Decrease (increase) in real estate inventories - net		(592,223)	4,076,909	11,431,888
Decrease (increase) in other current assets		89,256,484	(742,194,362)	(5,195,533)
Decrease in post-employment benefit asset		24,283,722	21,687,412	5,943,527
Decrease (increase) in other non-current assets		98,323,992	(100,792,713)	(3,350,875)
Increase (decrease) in trade and other payables		15,622,601	(46,705,648)	38,469,673
Increase (decrease) in customers' deposits		(2,843,212)	(1,181,129)	5,937,743
Increase (decrease) in advances from related parties		-	(1,911,535)	1,911,556
Increase (decrease) in refundable deposits		(7,049,403)	1,307,400	4,660,839
Increase (decrease) in post-employment benefit obligation		(13,218,762)	(11,149,230)	4,860,368
Cash generated from (used in) operations		1,210,412,379	(829,956,793)	878,624,709
Interest received		143,812,108	77,617,600	45,361,516
Cash paid for income taxes		(109,986,210)	(95,198,360)	(151,770,477)
Net Cash From (Used in) Operating Activities		1,244,238,277	(847,537,553)	772,215,748
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment property	12	(55,367,255)	(58,866,599)	(102,145,718)
Interest received	20	52,229,599	42,422,471	23,400,466
Acquisitions of property and equipment	11	(43,655,417)	(122,533,891)	(173,211,098)
Proceeds from disposal of property and equipment	11	5,301,779	22,242,328	3,720,816
Proceeds from disposal of investment property	12	-	3,774,000	85,686,880
Proceeds from redemption of financial assets at FVTPL		-	-	875,150,494
Acquisitions of financial assets at FVTPL		-	-	(127,500,000)
Net Cash From (Used in) Investing Activities		(41,491,294)	(112,961,691)	585,101,840
Balance carried forward		P 1,202,746,983	(P 960,499,244)	P 1,357,317,588

	Notes	2019	2018	2017
Balance brought forward		**P 1,202,746,983**	(P 960,499,244)	P 1,357,317,588
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	23	**(109,292,520)**	(109,292,520)	(127,507,940)
Repayment of interest-bearing loans	14	**(55,781,712)**	-	-
Payment of lease liabilities	10	**(5,640,553)**	-	-
Interest paid	10, 14	**(1,029,542)**	(4,690,998)	(2,834,528)
Proceeds from availment of interest-bearing loans	14	**-**	1,547,660	2,849,802
Dividends received		**-**	-	219,272
Net Cash Used in Financing Activities		**(171,744,327)**	(112,435,858)	(127,273,394)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		**4,567,199**	37,799,414	661,356
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,035,569,855**	(1,035,135,688)	1,230,705,550
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,455,464,411**	3,490,600,099	2,259,894,549
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 3,491,034,266**	P 2,455,464,411	P 3,490,600,099

Supplemental Information on Non-cash Investing Activities:

1. On January 1, 2019, the Group upon the adoption of Philippine Financial Reporting Standards 16, *Leases*, recognized right-of-use assets and lease liabilities amounting to P15.3 million. In 2019, the additional right-of-use assets and lease liabilities amounting to P5.7 million were recognized (see Notes 2 and 10).

2. In 2018, the Group transferred certain property and equipment with carrying amount of P170.6 million to investment properties (see Notes 11 and 12). There was no similar transaction in 2019.

3. In 2018, the Group disposed of certain financial assets measured at fair value through other comprehensive income equivalent to its carrying amount of P0.3 million. There was no similar transaction in 2019 and 2017.

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	Attributable to the Parent Company's Stockholders – Capital Stock	Additional Paid-in Capital	Treasury Shares - at Cost	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2019		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 42,225,155	P 3,594,573,885	P 10,193,861,582	P 353,425,756	P 10,547,287,338
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	-	(109,292,520)
Total comprehensive income for the year	23	-	-	-	(23,679,975)	216,338,757	192,658,782	10,226,237	202,885,019
Balance at December 31, 2019		**P 2,030,975,000**	**P 4,641,701,922**	**(P 115,614,380)**	**P 18,545,180**	**P 3,701,620,122**	**P 10,277,227,844**	**P 363,651,993**	**P 10,640,879,837**
Balance at January 1, 2018									
As previously reported		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 15,778,108)	P 3,398,699,549	P 9,939,983,983	P 345,976,849	P 10,285,960,832
Effect of adoption of PFRS 15		-	-	-	-	68,304,647	68,304,647	-	68,304,647
Effect of adoption of PFRS 9		-	-	-	169,919	(9,831,510)	(9,661,591)	-	(9,661,591)
As restated		2,030,975,000	4,641,701,922	(115,614,380)	(15,608,189)	3,457,172,686	9,998,627,039	345,976,849	10,344,603,888
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	-	(109,292,520)
Derecognition of financial asset at fair value through other comprehensive income	23	-	-	-	94,120	(362,000)	(267,880)	-	(267,880)
Total comprehensive income for the year	23	-	-	-	57,739,224	247,055,719	304,794,943	7,448,907	312,243,850
Balance at December 31, 2018		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 42,225,155	P 3,594,573,885	P 10,193,861,582	P 353,425,756	P 10,547,287,338
Balance at January 1, 2017		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 27,542,667)	P 3,129,157,242	P 9,658,677,117	P 339,415,073	P 9,998,092,190
Dividends declared	23	-	-	-	-	(127,507,940)	(127,507,940)	-	(127,507,940)
Total comprehensive income for the year	23	-	-	-	11,764,559	397,050,247	408,814,806	6,561,776	415,376,582
Balance at December 31, 2017		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 15,778,108)	P 3,398,699,549	P 9,939,983,983	P 345,976,849	P 10,285,960,832

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
REVENUES				
Sale of goods	2	P 1,260,257,164	P 2,715,142,584	P 3,450,152,476
Rendering of services	25, 26, 27	1,002,844,613	712,196,383	1,192,371,205
Rentals	12, 25, 27	250,909,722	239,165,721	233,294,441
Interest	5, 13, 25	143,812,108	78,961,388	44,795,183
Sale of real estate	2	7,434,374	10,441,071	22,123,780
		2,665,257,981	3,755,907,147	4,942,737,085
COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES				
Cost of sales	17	1,177,968,051	2,399,848,715	2,970,049,060
Cost of services	17	717,825,559	553,139,496	915,753,933
Cost of rentals	12, 17	97,799,308	96,678,793	77,115,991
Cost of real estate sales	17	3,796,170	6,620,959	14,148,749
		1,997,389,088	3,056,287,963	3,977,067,733
GROSS PROFIT		667,868,893	699,619,184	965,669,352
OTHER OPERATING EXPENSES (INCOME)				
Selling and distribution costs	18	172,967,211	310,659,576	330,955,769
General and administrative expenses	18	394,045,196	461,948,530	367,737,348
Other operating income - net	19	(333,405,776)	(339,125,056)	(224,197,075)
		233,606,631	433,483,050	474,496,042
OPERATING PROFIT		434,262,262	266,136,134	491,173,310
OTHER INCOME (CHARGES)				
Finance income	20	95,908,274	88,352,339	65,460,006
Finance costs	20	(30,424,436)	(10,795,034)	(12,898,591)
Other gains - net	20	13,034,255	6,791,076	17,726,255
		78,518,093	84,348,381	70,287,670
PROFIT BEFORE TAX		512,780,355	350,484,515	561,460,980
TAX EXPENSE	22	286,215,361	95,979,889	157,848,957
NET PROFIT		P 226,564,994	P 254,504,626	P 403,612,023
Net profit attributable to the:				
Parent Company's stockholders	24	P 216,338,757	P 247,055,719	P 397,050,247
Non-controlling interests		10,226,237	7,448,907	6,561,776
		P 226,564,994	P 254,504,626	P 403,612,023
Earnings per share attributable to the Parent Company's stockholders	24	P 0.12	P 0.14	P 0.22

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
NET PROFIT		**P 226,564,994**	P 254,504,626	P 403,612,023
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss:				
Currency exchange differences on translating financial statements of foreign operations	2	**(17,022,948)**	22,583,761	319,859
Fair value gains on available-for-sale financial assets - net		**-**	-	2,920,815
Deferred tax expense on changes in fair value of available-for-sale financial assets	22	**-**	-	(210,000)
		(17,022,948)	22,583,761	3,030,674
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of post-employment defined benefit plan	21, 23	**(8,008,561)**	42,312,769	11,330,762
Fair value gains (losses) on financial assets at fair value through other comprehensive income	7, 23	**(1,000,000)**	6,500,000	-
Tax income (expense)	22, 23	**2,351,534**	(13,657,306)	(2,596,877)
		(6,657,027)	35,155,463	8,733,885
Other comprehensive income (loss) – net of tax		**(23,679,975)**	57,739,224	11,764,559
TOTAL COMPREHENSIVE INCOME		**P 202,885,019**	P 312,243,850	P 415,376,582
Total comprehensive income attributable to:				
Parent Company's stockholders		**P 192,658,782**	P 304,794,943	P 408,814,806
Non-controlling interests		**10,226,237**	7,448,907	6,561,776
		P 202,885,019	P 312,243,850	P 415,376,582

See Notes to Consolidated Financial Statements.

SOLID GROUP INC.

INVESTOR RELATIONS

INDEPENDENT AUDITORS
PUNONGBAYAN & ARAULLO
19th & 20th Floors, Tower 1
The Enterprise Center, 6766 Ayala Avenue
Makati City Philippines.
Telephone: (632) 8988-2288
Website: www.grantthornton.com.ph

INVESTOR INQUIRIES
SGI CORPORATE INFORMATION OFFICE
2285 Green Sun, Chino Roces Avenue
Makati City Philippines
Telephone: (632) 8843-1511 loc. 18
Email: info@solidgroup.com.ph
Website: www.solidgroup.com.ph

TRANSFER AGENTS
STOCK TRANSFER SERVICES INC.
34th floor, Unit D Rufino Pacific Tower
6784 Ayala Avenue, Makati City Philippines
Telephone: (632) 8403-2410 / 8403-2414
Email: rdregala@stocktransfer.com.ph
rcmalayao@stocktransfer.com.ph

LEGAL COUNSEL
CASTILLO LAMAN TAN PANTALEON
& SAN JOSE.
122 Valero Street, Salcedo Village
Makati Philippines.
Telephone: (632) 8817-6791 / 8810-4371
Email: counsel@cltpsj.com.ph

SOLID GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

JASON S. LIM	**SUSAN L. TAN**	**VINCENT S. LIM**
Chairman of the Board	President & Chief Executive Officer	SVP & Chief Financial Officer
Passport No. P1105245B	Passport No. P5617366A	Passport No. P4677771B
Date/Place Issued:	Date/Place Issued:	Date/Place Issued:
March 19, 2019, Manila	January 15, 2018, Manila	February 4, 2020, Manila

Signed this JUN 23 2020 day of ________ 2020.

SUBSCRIBED AND SWORN to before me this JUN 23 2020 day of ___________, affiants exhibiting to me their passport with details shown above.

Doc No. 155;
Page No. 32;
Book No. 171;
Series of 2020

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
NO. 15 J.P. RIZAL EXT'N. COR. TANGUILE ST.
COMEMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 100581/01-02-2020/Pasig City
PTR NO MKT 8116095/01-02-2020/Makati City
MCLE Compliance No. VI-0007878/4-06-2019

P&A
Grant Thornton
An instinct for growth™

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 22 88

Report of Independent Auditors

The Board of Directors and Stockholders
Solid Group Inc. and Subsidiaries
2285 Don Chino Roces Avenue
Makati City

Opinion

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

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

Basis for Opinion

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

Emphasis of a Matter

We draw attention to Note 32 to the consolidated financial statements, which describes the likely negative impact of the business disruption as a result of the coronavirus outbreak to the Group's financial condition and performance after the end of the reporting period. Our opinion is not modified with respect to this matter.

Key Audit Matters

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

(a) Valuation of Investment Properties at Fair Value

Description of the Matter

The Group's investment properties consist mainly of land and improvements, and buildings and improvements held for lease under operating lease arrangements. The Group's investment properties are accounted for under the fair value model. As at December 31, 2019, the Group's investment properties amounted to P3,740.1 million representing 30.9% of the total consolidated assets. In determining the fair value of investment properties, management engaged the services of professional and independent appraiser, with sufficient experience with respect to both the location and the nature of the investment properties, which uses relevant valuation methodologies.

The valuation of investment properties was considered as a key audit matter as the amount is material to the consolidated financial statements, and that the processes of determining the fair value involves significant estimates and assumptions and utilizes the work of a valuation expert.

The Group's disclosures about investment properties and the related fair value disclosures are included in Notes 12 and 30, respectively.

How the Matter was Addressed in our Audit

Our audit procedures to address the risk of material misstatement relating to valuation of investment properties included:

- determining whether the independent appraiser engaged by the Group has the necessary professional competency, reputation, experience and objectivity;

- evaluating the results of the work of independent appraiser by determining the appropriateness of the methods applied and reliability of data used in computing for the fair value of investment properties; and,

- assessing the appropriateness and reasonableness of assumptions used such as the selection of comparable properties and determination of price adjustments due to size and features, among others.

(b) Revenue Recognition for Sale of Goods

Description of the Matter

The Group recognizes revenue only when (or as) the performance obligation to transfer control of the promised goods or services is satisfied. The transfer of control can occur over time or at a point in time. For the year ended December 31, 2019, revenue from sale of goods amounted to P1,260.3 million representing 47.3% of the total consolidated revenues of the Group. Since the revenue from sale of goods is significant and susceptible to fraud or error that could cause material misstatements to the consolidated financial statements, we consider this as a key audit matter.

The Group's disclosures about its revenue from sale of goods and revenue recognition policies are included in Notes 2 and 4.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition for sale of goods included:

- testing of design effectiveness of the internal controls related to the process of recording sale and receipts, which include inquiry and observation, and performing walkthrough of controls of indicating processing marked on source documents and comparing details of amounts entered to source documents;

- reviewing contracts of customers, on a test basis, whether compliant with the five-step revenue recognition model of PFRS 15, *Revenue from Contracts with Customers*;

- confirming sample receivable items using positive confirmations to ascertain the existence and validity of recognized revenues and the related trade receivables;

- performing alternative audit procedures for non-responding customers, such as, examining evidence of subsequent receipts, and corresponding delivery orders and commercial invoices;

- testing, on a sample basis, sales invoices and billing statement for sales transaction throughout the current period to determine whether sales of goods is valid and existing;

- performing sales cut-off test, including, among others, examining sales transactions near period end, and analyzing and reviewing delivery orders, commercial invoices, sales returns, credit memos and other receivable adjustments subsequent to the end of the reporting period to determine whether revenues are appropriately recognized in the proper period; and,

- performing detailed analysis of revenue components on a per month and per product basis and financial key ratio analysis related to revenues such as, but not limited to, comparing the current year's revenue as a percentage of total revenues, receivable turnover and average collection period.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

The engagement partner on the 2019 audit resulting in this independent auditors' report is Nelson J. Dinio.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 8116543, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until Dec. 31, 2023)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 26, 2020

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 3,491,034,266**	P 2,455,464,411
Trade and other receivables - net	6	**611,560,303**	891,990,648
Advances to related parties	25	**9,047,868**	9,445,656
Merchandise inventories and supplies - net	8	**159,092,598**	764,706,452
Real estate inventories - net	9	**436,969,424**	436,377,201
Other current assets	13	**974,550,347**	1,057,074,401
Total Current Assets		**5,682,254,806**	5,615,058,769
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**751,149,201**	739,407,669
Financial assets at fair value through other comprehensive income	7	**26,100,000**	27,100,000
Property and equipment - net	11	**1,694,291,476**	1,762,625,470
Investment properties	12	**3,740,122,663**	3,406,441,906
Right-of-use assets - net	10	**14,762,222**	-
Post-employment benefit asset - net	21	**121,642,389**	126,389,451
Deferred tax assets - net	22	**66,451,507**	156,709,132
Other non-current assets	13	**23,442,559**	124,715,885
Total Non-current Assets		**6,437,962,017**	6,343,389,513
TOTAL ASSETS		**P 12,120,216,823**	P 11,958,448,282

	Notes	2019	2018
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans	14	**P 67,956,468**	P 123,790,100
Trade and other payables	15	**438,742,850**	422,162,690
Customers' deposits	2	**12,731,649**	15,574,861
Lease liabilities	10	**4,880,092**	-
Advances from related parties	25	**1,881,570**	1,881,570
Income tax payable		**11,861,258**	8,455,832
Total Current Liabilities		**538,053,887**	571,865,053
NON-CURRENT LIABILITIES			
Refundable deposits	16	**23,491,992**	29,298,575
Lease liabilities	10	**10,483,385**	-
Post-employment benefit obligation	21	**33,594,421**	26,716,443
Deferred tax liabilities - net	22	**873,713,301**	783,280,873
Total Non-current Liabilities		**941,283,099**	839,295,891
Total Liabilities		**1,479,336,986**	1,411,160,944
EQUITY			
Attributable to the Parent Company's stockholders			
Capital stock	23	**2,030,975,000**	2,030,975,000
Additional paid-in capital	2	**4,641,701,922**	4,641,701,922
Treasury shares - at cost	23	**(115,614,380)**	(115,614,380)
Revaluation reserves - net	23	**18,545,180**	42,225,155
Retained earnings	23	**3,701,620,122**	3,594,573,885
Total equity attributable to the Parent Company's stockholders		**10,277,227,844**	10,193,861,582
Non-controlling interests	2	**363,651,993**	353,425,756
Total Equity		**10,640,879,837**	10,547,287,338
TOTAL LIABILITIES AND EQUITY		**P 12,120,216,823**	P 11,958,448,282

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
REVENUES				
Sale of goods	2	**P 1,260,257,164**	P 2,715,142,584	P 3,450,152,476
Rendering of services	25, 26, 27	**1,002,844,613**	712,196,383	1,192,371,205
Rentals	12, 25, 27	**250,909,722**	239,165,721	233,294,441
Interest	5, 13, 25	**143,812,108**	78,961,388	44,795,183
Sale of real estate	2	**7,434,374**	10,441,071	22,123,780
		2,665,257,981	3,755,907,147	4,942,737,085
COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES				
Cost of sales	17	**1,177,968,051**	2,399,848,715	2,970,049,060
Cost of services	17	**717,825,559**	553,139,496	915,753,933
Cost of rentals	12, 17	**97,799,308**	96,678,793	77,115,991
Cost of real estate sales	17	**3,796,170**	6,620,959	14,148,749
		1,997,389,088	3,056,287,963	3,977,067,733
GROSS PROFIT		**667,868,893**	699,619,184	965,669,352
OTHER OPERATING EXPENSES (INCOME)				
Selling and distribution costs	18	**172,967,211**	310,659,576	330,955,769
General and administrative expenses	18	**394,045,196**	461,948,530	367,737,348
Other operating income - net	19	**(333,405,776)**	(339,125,056)	(224,197,075)
		233,606,631	433,483,050	474,496,042
OPERATING PROFIT		**434,262,262**	266,136,134	491,173,310
OTHER INCOME (CHARGES)				
Finance income	20	**95,908,274**	88,352,339	65,460,006
Finance costs	20	**(30,424,436)**	(10,795,034)	(12,898,591)
Other gains - net	20	**13,034,255**	6,791,076	17,726,255
		78,518,093	84,348,381	70,287,670
PROFIT BEFORE TAX		**512,780,355**	350,484,515	561,460,980
TAX EXPENSE	22	**286,215,361**	95,979,889	157,848,957
NET PROFIT		**P 226,564,994**	P 254,504,626	P 403,612,023
Net profit attributable to the:				
Parent Company's stockholders	24	**P 216,338,757**	P 247,055,719	P 397,050,247
Non-controlling interests		**10,226,237**	7,448,907	6,561,776
		P 226,564,994	P 254,504,626	P 403,612,023
Earnings per share attributable to the Parent Company's stockholders	24	**P 0.12**	P 0.14	P 0.22

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
NET PROFIT		**P 226,564,994**	P 254,504,626	P 403,612,023
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss:				
Currency exchange differences on translating financial statements of foreign operations	2	**(17,022,948)**	22,583,761	319,859
Fair value gains on available-for-sale financial assets - net		**-**	-	2,920,815
Deferred tax expense on changes in fair value of available-for-sale financial assets	22	**-**	-	(210,000)
		(17,022,948)	22,583,761	3,030,674
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of post-employment defined benefit plan	21, 23	**(8,008,561)**	42,312,769	11,330,762
Fair value gains (losses) on financial assets at fair value through other comprehensive income	7, 23	**(1,000,000)**	6,500,000	-
Tax income (expense)	22, 23	**2,351,534**	(13,657,306)	(2,596,877)
		(6,657,027)	35,155,463	8,733,885
Other comprehensive income (loss) – net of tax		**(23,679,975)**	57,739,224	11,764,559
TOTAL COMPREHENSIVE INCOME		**P 202,885,019**	P 312,243,850	P 415,376,582
Total comprehensive income attributable to:				
Parent Company's stockholders		**P 192,658,782**	P 304,794,943	P 408,814,806
Non-controlling interests		**10,226,237**	7,448,907	6,561,776
		P 202,885,019	P 312,243,850	P 415,376,582

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

		Attributable to the Parent Company's Stockholders							
	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares - at Cost	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2019		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 42,225,155	P 3,594,573,885	P 10,193,861,582	P 353,425,756	P 10,547,287,338
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	-	(109,292,520)
Total comprehensive income for the year	23	-	-	-	(23,679,975)	216,338,757	192,658,782	10,226,237	202,885,019
Balance at December 31, 2019		**P 2,030,975,000**	**P 4,641,701,922**	**(P 115,614,380)**	**P 18,545,180**	**P 3,701,620,122**	**P 10,277,227,844**	**P 363,651,993**	**P 10,640,879,837**
Balance at January 1, 2018									
As previously reported		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 15,778,108)	P 3,398,699,549	P 9,939,983,983	P 345,976,849	P 10,285,960,832
Effect of adoption of PFRS 15		-	-	-	-	68,304,647	68,304,647	-	68,304,647
Effect of adoption of PFRS 9		-	-	-	169,919	(9,831,510)	(9,661,591)	-	(9,661,591)
As restated		2,030,975,000	4,641,701,922	(115,614,380)	(15,608,189)	3,457,172,686	9,998,627,039	345,976,849	10,344,603,888
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	-	(109,292,520)
Derecognition of financial asset at fair value through other comprehensive income	23	-	-	-	94,120	(362,000)	(267,880)	-	(267,880)
Total comprehensive income for the year	23	-	-	-	57,739,224	247,055,719	304,794,943	7,448,907	312,243,850
Balance at December 31, 2018		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 42,225,155	P 3,594,573,885	P 10,193,861,582	P 353,425,756	P 10,547,287,338
Balance at January 1, 2017		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 27,542,667)	P 3,129,157,242	P 9,658,677,117	P 339,415,073	P 9,998,092,190
Dividends declared	23	-	-	-	-	(127,507,940)	(127,507,940)	-	(127,507,940)
Total comprehensive income for the year	23	-	-	-	11,764,559	397,050,247	408,814,806	6,561,776	415,376,582
Balance at December 31, 2017		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 15,778,108)	P 3,398,699,549	P 9,939,983,983	P 345,976,849	P 10,285,960,832

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 512,780,355	P 350,484,515	P 561,460,980
Adjustments for:				
Fair value gains on investment property - net	12, 19	(277,777,788)	(276,865,052)	(135,678,910)
Interest income	5, 13, 20, 25	(209,724,387)	(122,988,757)	(70,327,634)
Depreciation and amortization	10, 11, 13	105,965,285	77,494,526	85,528,588
Unrealized foreign currency exchange losses (gains) - net		14,298,162	(37,799,414)	(406,317)
Interest expense	10, 14, 21	10,478,314	4,690,998	2,834,528
Loss on derecognition of property and equipment	11	9,860,674	-	-
Gain on derecognition of liabilities	20	(2,913,521)	(325,989)	(1,293,384)
Interest amortization on refundable deposits	20	717,325	689,536	1,555,880
Gain on sale of property and equipment	11	(482,899)	(1,211,597)	(1,533,248)
Loss (gain) on discounting of refundable deposits	16	(225,755)	203,516	(486,937)
Gain on sale of investment property	12	-	-	(37,510,547)
Impairment loss on property and equipment	11	-	-	14,346,250
Gain on redemption of financial assets at fair value through profit or loss (FVTPL)		-	-	(5,918,418)
Dividend income	20	-	-	(219,272)
Operating profit (loss) before working capital changes		162,975,765	(5,627,718)	412,351,559
Decrease in trade and other receivables - net		237,641,773	278,842,371	137,379,997
Decrease (increase) in advances to related parties		397,788	(222,585)	(117,077)
Decrease (increase) in merchandise inventories and supplies - net		605,613,854	(226,085,965)	264,341,044
Decrease (increase) in real estate inventories - net		(592,223)	4,076,909	11,431,888
Decrease (increase) in other current assets		89,256,484	(742,194,362)	(5,195,533)
Decrease in post-employment benefit asset		24,283,722	21,687,412	5,943,527
Decrease (increase) in other non-current assets		98,323,992	(100,792,713)	(3,350,875)
Increase (decrease) in trade and other payables		15,622,601	(46,705,648)	38,469,673
Increase (decrease) in customers' deposits		(2,843,212)	(1,181,129)	5,937,743
Increase (decrease) in advances from related parties		-	(1,911,535)	1,911,556
Increase (decrease) in refundable deposits		(7,049,403)	1,307,400	4,660,839
Increase (decrease) in post-employment benefit obligation		(13,218,762)	(11,149,230)	4,860,368
Cash generated from (used in) operations		1,210,412,379	(829,956,793)	878,624,709
Interest received		143,812,108	77,617,600	45,361,516
Cash paid for income taxes		(109,986,210)	(95,198,360)	(151,770,477)
Net Cash From (Used in) Operating Activities		1,244,238,277	(847,537,553)	772,215,748
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment property	12	(55,367,255)	(58,866,599)	(102,145,718)
Interest received	20	52,229,599	42,422,471	23,400,466
Acquisitions of property and equipment	11	(43,655,417)	(122,533,891)	(173,211,098)
Proceeds from disposal of property and equipment	11	5,301,779	22,242,328	3,720,816
Proceeds from disposal of investment property	12	-	3,774,000	85,686,880
Proceeds from redemption of financial assets at FVTPL		-	-	875,150,494
Acquisitions of financial assets at FVTPL		-	-	(127,500,000)
Net Cash From (Used in) Investing Activities		(41,491,294)	(112,961,691)	585,101,840
Balance carried forward		P 1,202,746,983	(P 960,499,244)	P 1,357,317,588

	Notes	2019	2018	2017
Balance brought forward		**P 1,202,746,983**	(P 960,499,244)	P 1,357,317,588
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	23	**(109,292,520)**	(109,292,520)	(127,507,940)
Repayment of interest-bearing loans	14	**(55,781,712)**	-	-
Payment of lease liabilities	10	**(5,640,553)**	-	-
Interest paid	10, 14	**(1,029,542)**	(4,690,998)	(2,834,528)
Proceeds from availment of interest-bearing loans	14	**-**	1,547,660	2,849,802
Dividends received		**-**	-	219,272
Net Cash Used in Financing Activities		**(171,744,327)**	(112,435,858)	(127,273,394)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		**4,567,199**	37,799,414	661,356
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,035,569,855**	(1,035,135,688)	1,230,705,550
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,455,464,411**	3,490,600,099	2,259,894,549
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 3,491,034,266**	P 2,455,464,411	P 3,490,600,099

Supplemental Information on Non-cash Investing Activities:

1. On January 1, 2019, the Group upon the adoption of Philippine Financial Reporting Standards 16, *Leases*, recognized right-of-use assets and lease liabilities amounting to P15.3 million. In 2019, the additional right-of-use assets and lease liabilities amounting to P5.7 million were recognized (see Notes 2 and 10).

2. In 2018, the Group transferred certain property and equipment with carrying amount of P170.6 million to investment properties (see Notes 11 and 12). There was no similar transaction in 2019.

3. In 2018, the Group disposed of certain financial assets measured at fair value through other comprehensive income equivalent to its carrying amount of P0.3 million. There was no similar transaction in 2019 and 2017.

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Group Background

Solid Group Inc. (SGI or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission ("the Commission") on October 16, 1933. SGI currently conducts business as an investment holding company. On September 4, 1996, SGI listed its shares of stock in the Philippine Stock Exchange (PSE).

The Parent Company holds effective ownership interests in the following subsidiaries (the Parent Company and the subsidiaries are collectively referred to herein as "the Group"):

Subsidiaries	Percentage of Ownership 2019	2018	2017	Notes	Nature of Business
Brilliant Reach Limited (BRL)	**100**	100	100	a	Investment company
Green Sun Hotel Management, Inc. (GSHMI)	**100**	100	100		Hotel and restaurant operation
Kita Corporation (Kita)	**100**	100	100		Leasing of real estate properties
My Solid Technologies & Devices Corporation (My Solid)	**100**	100	100		Sale of mobile phones and accessories
Omni Solid Services, Inc. (OSSI)	**100**	100	100		Logistics and assembly of consumer electronics products
Precos, Inc. (Precos)	**100**	100	100	c	Real estate
Solid Broadband Corporation (SBC)	**100**	100	100		Broadband, cable and satellite services
SolidService Electronics Corporation (SEC)	**100**	100	100	d	Repair services for audio and video products
Solid Group Technologies Corporation (SGTC)	**100**	100	100		Trading of pre-fabricated modular house and office units
Solid Manila Corporation (SMC)	**100**	100	100		Real estate
Solid Manila Finance, Inc. (SMFI)	**100**	100	100		Financing
Solid Video Corporation (SVC)	**100**	100	100		Trading of professional audio/ video equipment
Zen Towers Corporation (ZTC)	**100**	100	100		Real estate
MyApp Corporation (MyApp)	**100**	100	100	c	Investment holding company
Casa Bocobo Hotel, Inc. (CBHI)	**100**	100	100	b	Hotel and restaurant operation
Skyworld Corporation (Skyworld)	**75**	75	75	b, c	Investment holding company
Interstar Holdings Company, Inc. (Interstar)	**73**	73	73	b	Investment holding company
Starworld Corporation (Starworld)	**50**	50	50	b, e	Real estate
Laguna International Industrial Park, Inc. (LIIP)	**50**	50	50	b, f	Real estate

Notes:

- *(a) Incorporated and domiciled in the British Virgin Islands*
- *(b) Indirectly owned through SMC*
- *(c) Pre-operating or non-operating*
- *(d) Formerly Solid Electronics Corporation; changed its corporate name effective September 28, 2018*
- *(e) Starworld is 20% owned by SMC and 40% owned by Skyworld*
- *(f) LIIP is 22.5% owned by SMC and 37.5% owned by Interstar*

SBC holds a provisional authority, granted by the National Telecommunications Commission, to use its legislative franchise under Republic Act (RA) No. 9116, *An Act Granting Solid Broadband Corporation a Franchise to Construct, Install, Establish, Operate and Maintain Telecommunications Systems throughout the Philippines* (see Note 26.3).

SMFI is subject to the rules and regulations provided under RA No. 8556, *The Financing Group Act of 1998* (see Note 31).

1.2 Subsidiary with Material Non-controlling Interest

Noncontrolling interests (NCI) pertain to the 25.0%, 27.0%, 50.0% and 50.0% equity ownership of minority stockholders in Skyworld, Interstar, Starworld and LIIP, respectively. The selected financial information (before inter-company eliminations) of Starworld and LIIP, which are considered the material NCI are shown below and in the succeeding page.

	Starworld		LIIP	
	2019	2018	**2019**	2018
Current assets	**P 809,602,947**	P 791,931,585	**P 847,081**	P 939,355
Non-current assets	**1,182,267**	1,917,498	**-**	-
Total assets	**P 810,785,214**	P 793,849,083	**P 847,081**	P 939,355
Current liabilities	**P 69,176,426**	P 70,085,740	**P 8,203,549**	P 8,176,509
Non-current liabilities	**1,834,280**	4,462,128	**-**	-
Total liabilities	**P 71,010,706**	P 74,547,868	**P 8,203,549**	P 8,176,509
Equity attributable to owners of the parent	**P 369,887,254**	P 359,650,608	**(P 3,678,234)**	(P 3,618,577)
NCI	**P 369,887,254**	P 359,650,608	**(P 3,678,234)**	(P 3,618,577)
Revenue	**P 40,895,405**	P 24,012,284	**P -**	P -
Profit (loss) for the year attributable to owners of the parent	**P 10,343,001**	P 7,569,386	**(P 59,657)**	(P 62,877)
Profit (loss) for the year attributable to NCI	**10,343,001**	7,569,386	**(59,657)**	(62,877)
Profit (loss) for the year	**20,686,002**	15,138,772	**(119,314)**	(125,754)
Other comprehensive loss for the year (all attributable to owners of the parent)	**(212,709)**	(92,153)	**-**	-
Total comprehensive income (loss) for the year attributable to owners of the parent	**10,130,292**	7,477,233	**(59,657)**	(62,877)
Total comprehensive income (loss) for the year attributable to NCI	**10,343,001**	7,569,386	**(59,657)**	(62,877)
Total comprehensive income (loss) for the year	**P 20,473,293**	P 15,046,619	**(P 119,314)**	(P 125,754)

	Starworld 2019	Starworld 2018	LIIP 2019	LIIP 2018
Net cash used in operating activities	**(P 16,658,283)**	(P 9,243,398)	**(P 108,833)**	(P 269,585)
Net cash from financing activities	**40,133,815**	22,067,913	**-**	-
	23,475,532	12,824,515	**(108,833)**	(269,585)
Effect of exchange rate on cash and cash equivalent	**(4,466,575)**	3,097,377	**-**	-
Net cash inflow (outflow)	**P 19,008,957**	P 15,921,892	**(P 108,833)**	(P 269,585)

The principal place of business of Starworld is located at CPIP Brgys. Batino & Prinza, Calamba, Laguna. On the other hand, the principal place of business of LIIP is located at 2285 Don Chino Roces Avenue, Makati City.

Management determined that the difference between the respective equity ownership of minority stockholders over the equity of the aforementioned subsidiaries and the amount of NCI recognized in the consolidated statements of financial position is not material to the consolidated financial statements.

1.3 Status of Operation

On September 8, 2017, the Board of Directors (BOD) of SEC approved the resolution changing its corporate name to SEC. Consequently on September 28, 2018, the Commission approved this resolution.

My Solid manufactures and sells mobile phones, gadgets and accessories to distributors. In December 2019, in a bid to optimize operations and to improve financial results, My Solid opted to change to a distributorship setup by transferring a major portion of its inventories to Solid Trading Limited (STL), a related party under common ownership, and giving STL access rights to My Solid's trade name, trademarks and licenses. In exchange, My Solid reserves the right to recognize and receive revenues equivalent to a certain percentage of STL's sales.

1.4 Other Corporate Information

The registered offices and principal places of business of the Parent Company and its subsidiaries, except those listed below, are located at 2285 Don Chino Roces Avenue, Makati City. The registered offices and principal places of business of the other subsidiaries are as follows:

BRL	- 2nd Floor, Abbott Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands
Kita	- N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga
OSSI	- Solid St., LIIP, Mamplasan, Biñan, Laguna
SEC	- 145 G. Araneta Avenue, Brgy. Tatalon, Quezon City
SMC and CBHI	- 1000 J. Bocobo corner T.M. Kalaw St., Ermita, Manila
ZTC	- 1111 Natividad A. Lopez St., Brgy. 659-A, District 5, Ermita, Manila

1.5 Approval for Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2019 (including the comparative consolidated financial statements as of December 31, 2018 and for the years ended December 31, 2018 and 2017) were authorized for issue by the Parent Company's BOD on May 26, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents consolidated statement of comprehensive income separate from the consolidated statement of income.

The Group presents a consolidated third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the consolidated third statement of financial position are not required to be disclosed.

In 2019, the Group adopted PFRS 16, *Leases*, which was applied using a transitional relief allowed by the standard. This allows the Group not to restate its prior period's consolidated financial statements. Accordingly, the adoption of this new accounting standard did not require the Group to present its third statement of financial position.

The Group's adoption of PFRS 16 is further discussed in Note 2.2(a)(iv).

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2019 that are Relevant to the Group

The Group adopted for the first time the following PFRS, amendments, interpretation and annual improvements to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and PFRS 11 (Amendments)	:	Business Combinations and Joint Arrangements – Remeasurements of Previously Held Interests in a Joint Operation

Discussed below and in the succeeding pages are the relevant information about these pronouncements.

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(ii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*. The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the Group's net investment in an associate or joint venture. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). The application of these amendments has no significant impact on the Group's consolidated financial statements.

(iv) PFRS 16, *Leases*. This standard replaced PAS 17, *Leases*, and its related Interpretations: IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives,* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Group has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard has resulted in adjustments to the amounts recognized in the consolidated financial statements as at January 1, 2019. However, the adoption did not result in any adjustment to the opening balance of Retained Earnings for the current period. Accordingly, comparative information were not restated.

The new accounting policies of the Group as a lessee are disclosed in Note 2.17(a), while the accounting policies of the Group as a lessor, as described in Note 2.17(b), were not significantly affected.

Discussed below and in the succeeding page are the relevant information arising from the Group's adoption of PFRS 16 and how the related accounts are measured and presented on the Group's consolidated financial statements as at January 1, 2019.

a. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.

b. The Group recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of January 1, 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.38%.

c. The Group has elected not to include initial direct costs in the measurement of right-of-use assets at the date of initial application. The Group also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid lease payments and estimated cost to restore the leased asset that existed as at January 1, 2019.

d. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

e. The Group has also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:

   i. application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
   ii. reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on right-of-use assets. As at January 1, 2019, the Group has no onerous contracts; and,
   iii. use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In addition, relative to the adoption of PFRS 16, the Group also applied the approved Philippine Interpretations Committee (PIC) Questions and Answer (Q&A) 2019-12, *Determining the Lease Term* under PFRS 16. This Q&A aims to provide guidance in determining the lease term under the new leases standard. Such exercise may require significant judgment especially when the lease agreement contains an option to either extend or terminate the lease.

The following table shows the effects of the adoption of PFRS 16 in the carrying amounts and presentation of certain accounts in the consolidated statement of financial position as at January 1, 2019.

	Notes	Carrying Amount (PAS 17) December 31, 2018	Remeasurement	Carrying Amount (PFRS 16) January 1, 2019
Assets – Right-of-use assets	c	P -	P 15,325,724	P 15,325,724
Liabilities – Lease liabilities	b, e	-	(15,325,724)	(15,325,724)
Impact on net assets			P -	

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 at December 31, 2018 is shown on the below.

	Notes	
Operating lease commitments, December 31, 2018 (PAS 17)	27.2	P 18,242,719
Recognition exemptions on leases with remaining term of less than 12 months	2.2(a)(iv)(d)	(2,526,163)
Reasonably certain extension options	2.2(a)(iv)(e)	1,512,931
Operating lease liabilities before discounting		17,229,487
Discount using incremental borrowing rate	2.2(a)(iv)(b)	(1,903,763)
Operating lease liabilities, January 1, 2019 (PFRS 16)		P 15,325,724

The adoption of PFRS 16 and relevant concepts of PIC Q&A have resulted in changes in the Group's accounting policies (see Note 2.17).

(v) IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. The application of this interpretation had no significant impact on the Group's consolidated financial statements.

(vi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2019, are relevant to the Group but are expected to have no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization.* The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is treated as part of the Group's general borrowings when calculating the capitalization rate.

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

(b) Effective Subsequent to 2019 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements,* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency.

(ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

(iii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.1, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries and NCI as presented as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when it has power over the investee, it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Parent Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any NCI in the acquiree, either at fair value or at the NCI's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.14).

(b) Transactions with NCI

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to NCI result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's BOD, its chief operating decision-maker. The BOD is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that post-employment benefit expenses are not included in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to any segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset).

(a) Classification and Measurement of Financial Assets

The classification and measurement of financial assets is driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification, measurement and reclassification of financial assets are described in the succeeding pages.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables, Advances to Related Parties, Refundable deposits and Short-term placements (presented as part of Other Current Assets) and Cash bond (presented as part of Other Non-current Asset account).

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flow reporting and presentation, cash and cash equivalents include cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Group has irrevocably designated equity instruments as at FVOCI on initial recognition.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Interest income on financial assets measured at amortized cost and debt financial assets measured at FVOCI is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

If applicable, interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves. Interest income earned is recognized as part of Finance Income account under Other Income (Charges) account in the consolidated statement of income.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Impairment of Financial Assets

At the end of the reporting period, the Group assesses and recognizes its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables, except for loans receivables with significant financing component, and advances to related parties. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL using a provision matrix, the Group uses its historical experience, external indicators and forward-looking information. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 28.2(b) and (c)].

For loans receivables, which is presented under Trade and Other Receivables account in the consolidated statement of financial position, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

For debt instruments measured at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognized a loss allowance for such losses at each reporting date.

The Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL as follows:

(i) *Probability of default (PD)* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

(ii) *Loss given default (LGD)* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

(iii) *Exposure at default (EAD)* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

If applicable, an impairment loss is recognized in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, for which the loss allowance is recognizes in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

(c) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Merchandise Inventories and Supplies

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. Merchandise inventories, service parts, supplies, and others include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value of merchandise inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of spare parts, supplies and others is the current replacement cost.

2.7 Real Estate Inventories

Real estate inventories consist of the following:

(a) Land and Land Development Costs

Land and land development costs include the acquisition cost of raw land intended for future development and sale, as well as other costs and expenses incurred to effect the transfer of title of the property.

(b) Property Development Costs

Property development costs include the cost of land used as a building site for a condominium project and the accumulated costs incurred in developing and constructing the property for sale.

Subsequent to initial recognition, land and land development costs and property development costs are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. An item of land and land development cost is derecognized upon disposal or when no future economic benefits are expected to arise from the sale of asset.

2.8 Other Assets

Other current assets, which are non-financial assets, pertain to other resources controlled by the Group as a result of past events. They are recognized at cost in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably. These are subsequently charged to profit or loss as utilized or reclassified to another asset account, if capitalizable.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

Advances to suppliers that will be applied as payment for future purchase of merchandise inventories and supplies are classified and presented under the Other Current Assets account. On the other hand, advances to contractors and/or suppliers that will be applied as payment for future acquisition or construction of items of property and equipment, or acquisition and construction of investment property are classified and presented under the Other Non-Current Assets account. The classification and presentation is based on the eventual usage or realization of the asset to which it was advanced for.

2.9 Property and Equipment

Property and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation, amortization and any impairment losses. Land held for use in production or administration is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost (see Note 2.21).

Cost is recognized when materials purchased and services performed in relation to construction of the asset have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate asset account, and depreciation is recognized based on the estimated useful life of such asset.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	10 to 25 years
Test, communication and other equipment	5 to 20 years
Machinery and equipment	5 to 10 years
Transportation equipment	5 years
Computer system	2 to 5 years
Furniture, fixtures and office equipment	2 to 5 years
Tools and equipment	2 to 3 years

Leasehold improvements are amortized over the estimated useful lives of the assets from two to 15 years or the terms of the relevant leases, whichever is shorter.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.10 Intangible Assets

Intangible assets presented under Other Non-current Assets account in the consolidated statement of financial position, include nonproprietary club shares and computer software licenses, which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition. These are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably. The Group's nonproprietary club shares are assessed as having indefinite useful life and is tested annually for any impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets if, and only if, the Group can demonstrate all of the following recognition requirements:

(i) technical feasibility of completing the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,

(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

Development costs not meeting these criteria for capitalization are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.11 Investment Property

Investment property represents property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for under the fair value model. It is revalued annually and is included in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property (see Note 12).

Investment property, which consists mainly of land and improvements, and buildings and improvements under operating lease agreements, is initially measured at acquisition cost, including transaction costs.

Transfers from other accounts (such as Land and Land Development Costs and Property and Equipment) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent measurement is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as Fair value gains or losses on investment property as part of Other Operating Expenses (Income) account in the consolidated statement of income.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

For tax purposes, investment property is carried at cost less accumulated depreciation computed on a straight-line basis over the estimated net useful lives of the assets ranging from 11 to 25 years.

2.12 Financial Liabilities

Financial liabilities, which include interest-bearing loans, trade and other payables (excluding tax-related liabilities, advances from customers and reserve for warranty costs), lease liabilities, advances from related parties and refundable deposits, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of income.

Interest-bearing loans are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables, advances from related parties and refundable deposits are initially recognized at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments.

Lease liabilities are recognized as disclosed in Note 2.17(a)(i).

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Parent Company's BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.13 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy, and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.14 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they are recorded in the consolidated financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for the subsequent measurement in accordance with the Group's accounting policies.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition, except for lease liabilities which are measured based on the present value of the remaining lease payments as if the acquired lease were a new lease at acquisition date and right-of-use assets which are measured at an amount equal to the recognized lease liability, adjusted to reflect favorable or unfavorable lease terms compared with market terms. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.19).

Negative goodwill, which is the excess of the Group's interest in the net fair value of the net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.15 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.16 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods and real estate and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for the foods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

To determine whether to recognize revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group often enters into transactions involving the sale of goods and real estate, and rendering of services. The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group's contracts with customers have original expected duration of one year or less, except for real estate sales.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b)]:

(a) *Rendering of services (other than commission income)* – Revenue from rendering of services is recognized by the amount in which the Group has a right to invoice that corresponds directly with the value of services rendered that is completed over a period of time.

(b) *Sale of goods* – Revenue is recognized at a point in time. This is generally when the customer has taken undisputed delivery of goods.

(c) *Warranty and network support fee (shown as part of Rendering of Services)* – Revenue from warranty and network support fee is recognized over time upon actual rendering of in-warranty and out-of-warranty services to the customers. Revenue from network support, which is a fixed amount per month as indicated in the contract, is accrued at the end of each month.

(d) *Sale of real estate*

(i) *Sale of real estate on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development.

(ii) *Sale of real estate on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Customers Deposits account in the consolidated statement of financial position.

As an accounting policy for real estate properties to be constructed, revenue is recognized based on the percentage-of-completion method determined through the input method as the construction services are provided. The stage of completion is measured on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e., resources consumed, labor hours expended, other costs incurred, etc.) relative to the total expected inputs to the satisfaction of such performance obligation.

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets.

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(e) *Commission income (shown as part of Rendering of Services)* – Commission income is recognized over time when the performance of contractually agreed tasks have been substantially rendered.

(f) *Service charges and penalties* – Revenue is generally recognized over time when the service has been provided and when there is reasonable degree of certainty as to their collectability.

Further, the Group provides a product warranty for a period of 15 months from the time of sale on its sales of goods related to hidden and manufacturer's defect. Under the terms of this warranty, customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. However, if the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in the consolidated statement of income on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of the related qualifying asset (see Note 2.21).

2.17 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

(i) Accounting for Leases in Accordance with PFRS 16 (2019)

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.19).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property, plant and equipment and other liabilities, respectively.

(ii) Accounting for Leases in Accordance with PAS 17 (2018)

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term.

2.18 Foreign Currency Transactions and Translation

(a) Transactions and Balances

The accounting records of the Group, except BRL, are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. The accounting records of BRL are maintained in United States dollar (USD).

Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as part of Finance Income or Finance Costs.

(b) Translation of Financial Statements of Foreign Subsidiary

The operating results and financial position of BRL are translated to Philippine pesos, the Group's functional and presentation currency, as presented below.

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each statement of income account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a separate component of other comprehensive income under currency exchange differences on translating financial statements of foreign operations, which is included under items that will be reclassified subsequently to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in BRL are recognized in other comprehensive income and taken to equity under Revaluation Reserves. When a foreign operation is partially disposed of or sold, such exchange differences are reclassified in the consolidated statement of income as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the consolidated financial statements into Philippine pesos should not be construed as a representation that the USD amounts could be converted into Philippine pesos amounts at the translation rates or at any other rates of exchange.

2.19 Impairment of Non-financial Assets

The Group's property and equipment, intangible assets, right-of-use assets and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually.

All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Except for impairment losses on goodwill, an impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.20 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as defined contribution plans, and other employee benefits which are recognized as follows.

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee-bank.

The asset recognized in the consolidated statement of financial position for post-employment defined benefit plans is the fair value of plan assets less the present value of the defined benefit obligation (DBO) at the end of the reporting period. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Other Gains under the Other Income (Charges) account in the consolidated statement of income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Profit-sharing and Bonus Plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.21 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.22 Income Taxes

Tax expense recognized in the consolidated statement of income comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the consolidated statement of income.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.23 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Based on the requirement of the SEC Memorandum Circular 2019-10, *Rules on Material Related Party Transactions for Publicly-Listed Companies*, transactions amounting to ten percent (10%) or more of the total assets based on the latest audited financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent director's vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of P1.0 billion or ten percent (10%) of the Group's consolidated total assets, whichever is lower, based on the latest consolidated audited financial statements, the same board approval would be required for the transactions that meet and exceeds the materiality threshold covering the same related party.

2.24 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise the remeasurements of post-employment defined benefit plan, cumulative translation adjustments on financial statements of foreign subsidiaries and unrealized fair value gains (losses) arising from the revaluation of certain financial assets at FVOCI.

Retained earnings, the appropriated portion of which is not available for distribution, represent all current and prior period results of operations as reported in the consolidated statement of income, reduced by the amounts of dividends declared, if any.

NCI represent the portion of net assets and profit or loss not attributable to the Parent Company's stockholders which are presented separately in the Group's consolidated statement of income and consolidated statement of comprehensive income and within equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity.

2.25 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to the Parent Company's stockholders by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividends declared, stock split and reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. Currently, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

2.26 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements (see Note 32).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Lease Term of Contracts with Renewal and Termination Options (2019)

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

For leases of payment centers, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group included the renewal period as part of the lease term for leases of some of its payment centers due to the significance of these assets to its operations. These leases have a short, non-cancellable lease period (i.e., one to five years) and there will be a significant negative effect on operations if a replacement is not readily available. However, there are other payment centers wherein the provision in the contract requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract; hence, renewal options for these leases were not included as part of the lease term.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Determination of Timing of Satisfaction of Performance Obligations

(i) Rendering of Services

The Group determines that its revenue from rendering of services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of the services as it performs.

In determining the best method of measuring the progress of the Group's rendering of services, management considers the output method under PFRS 15 because it directly measures the value of the services transferred to the customer.

(ii) Sale of Goods

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer (i.e., generally when the customer has acknowledged delivery of the goods).

(iii) Sale of Real Estate

The Group exercises critical judgment in determining whether the performance obligation to deliver and transfer the control over the real estate properties (i.e., land and condominium building) to customers is satisfied over time or at a point in time. In making this judgment, the Group considers the delivery to and acceptance by the buyer of the property as a transfer of control at specific point in time since the Group does not have a significant continuing involvement with the property sold to the buyer and the earning process is virtually complete. Further, the Group's enforceable right for payment becomes due upon transfer of control over the real estate property. The Group's management determines that its revenue from sale of real estate inventories, which are completed and ready for use, shall be recognized at a point in time when the control has transferred to the customer (see Note 2.16).

(c) Determination of ECL on Trade and Other Receivables and Advances to Related Parties

The Group uses a provision matrix to calculate ECL for trade receivables. The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

For loans receivables, the allowance for impairment is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Other portion of the Group's financial asset at amortized cost pertains to advances to related parties. In relation to this, PFRS 9 notes that the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these advances to related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

Details about the ECL on the Group's trade and other receivables and advances to related parties are disclosed in Notes 6, 28.2(b) and 28.2(c).

(d) Costing of Merchandise Inventories and Supplies

The Group's inventory costing policies and procedures were based on a careful evaluation of present circumstances and facts affecting production operations. A review of the benchmarks set by management necessary for the determination of inventory costs and allocation is performed regularly. Actual data are compared to the related benchmarks and critical judgment is exercised to assess the reasonableness of the costing policies and procedures which are currently in place and to make the necessary revisions in light of current conditions.

(e) Distinction Between Investment Property, Owner-occupied Properties and Real Estate Inventories

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to other assets used in the production or supply process. On the other hand, real estate inventories are properties intended to be sold in the normal course of business.

(f) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, all of the Group's lease agreements were determined to be operating leases.

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and contingencies are discussed in Note 2.15 and the disclosures on relevant provisions and contingencies are presented in Note 27.

3.2 Key Sources of Estimation Uncertainty

The following are the 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:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2019)

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

Specifically for loans receivables, the Group's ECL calculations are outputs of complex modes with a number of underlying assumptions which include: (1) the Group's criteria for assessing if there has been a significant increase in credit risk; and, (2) development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Notes 6, 28.2(b) and 28.2(c).

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 7.

(d) *Determination of Net Realizable Value of Merchandise Inventories and Supplies*

In determining the net realizable value of merchandise inventories and supplies, management takes into account the most reliable evidence available at the time the estimates are made. The Group's core business is continuously subject to rapid technology changes which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories is affected by price changes in different market segments of electronic devices, modular houses, broadcast equipment and accessories (see Note 8). Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's merchandise inventories and supplies within the next reporting period.

(e) *Determination of Net Realizable Value of Real Estate Inventories*

The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of real estate inventories. Net realizable value for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. Net realizable value in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar property at the same stage of completion, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Management's assessment of net realizable value of properties under development requires the estimates of future cash flows to be derived from these properties. These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The carrying amounts of the real estate inventories are disclosed in Note 9.

(f) *Estimation of Useful Lives of Right-of-Use Assets, Property and Equipment and Intangible Assets*

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

The carrying amounts of right-of-use assets, property and equipment and intangible assets are analyzed in Notes 10.1, 11 and 13, respectively. Based on management's assessment as at December 31, 2019 and 2018, there is no change in the estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(g) Fair Value Measurement of Investment Property

The Group's investment property, which consists of parcels of land and improvements and buildings and improvements, are carried at fair value at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 30.4.

For investment properties with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The amounts of fair value gains recognized on investment property are disclosed in Note 12.

(h) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The carrying value of recognized deferred tax assets, which management assessed may be fully utilized in the coming years, as at December 31, 2019 and 2018 is disclosed in Note 22.2. Certain deferred tax assets, however, were not recognized since management believes that there is no assurance that the related tax benefits will be realized in the coming years.

(i) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.19). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(j) Estimation of Reserve for Warranty Costs

The Group offers warranty, for a period ranging from one to two years, for each consumer electronic product sold. Management estimates the related provision for future warranty costs based on a certain percentage of sales, as determined based on historical warranty claim information as well as recent trends that might suggest that past cost information may differ from expectations. Warranty costs also include the actual cost of materials used in repairing the electronic products.

The amounts of provision for warranty claims recognized and the outstanding balance of Reserve for warranty costs, which is presented as part of Trade and Other Payables account in the consolidated statements of financial position, are disclosed in Note 15.

(k) *Valuation of Post-employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21.2 and include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit asset and obligation in the next reporting period.

The amounts of the fair value of the retirement benefit asset and present value of retirement benefit obligation and the analysis of the movements in the fair value of the retirement benefit asset and present value of retirement benefit obligation, as well as the significant assumptions used in estimating such asset and obligation are presented in Note 21.2.

4. SEGMENT INFORMATION

4.1 Business Segments

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

(a) Digital mobile is involved in the sale of mobile phones and devices;

(b) Property and building services is involved in the leasing, development and sale of industrial and other real estate properties, sale of prefabricated modular houses and hotel and restaurant operations;

(c) Technical support and solutions is presently engaged in the business of sale of professional audio and video equipment, after sales services, warehousing and distribution; and,

(d) Investment and others include investment holding companies, and those included in the business of financing and credit extension.

Segment accounting policies are the same as the policies described in Note 2.4.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by each business segment and consist principally of operating cash, receivables, inventories, investment properties and property and equipment, net of allowances and provisions.

Similar to segment assets, segment liabilities include all operating liabilities used by each segment and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments, such sales and purchases are eliminated in the consolidation.

4.4 Analysis of Segment Information

The following tables present certain asset and liability information regarding business segments as at December 31, 2019, 2018 and 2017 and the related revenue and profit information for each of the three years in the period ended December 31, 2019 (amounts in thousands):

	Digital Mobile	Property and Building Services	Technical Support and Solutions	Investments and Others	Total
2019					
SEGMENT RESULTS					
Sales to external customers	P 1,091,710	P 413,297	P 972,688	P 252,563	P 2,730,258
Intersegment sales	340	95,408	30,365	20,850	146,963
Total revenues	1,092,050	508,705	1,003,053	273,413	2,877,221
Cost of sales, services, and rentals	1,012,073	265,305	715,513	87,967	2,080,858
Other operating expenses (income)	256,109	(177,255)	163,491	94,692	337,037
Operating profit (loss)	(176,132)	420,655	124,049	90,754	459,326
Finance income	16,001	28,449	6,300	45,158	95,908
Finance costs	(8,017)	(14,940)	(5,823)	(11,505)	(40,285)
Other gains (losses) – net	(1,076)	3,982	7,944	2,185	13,035
Profit (loss) before tax	(169,224)	438,146	132,470	126,592	527,984
Tax expense	101,202	125,087	40,414	19,512	286,215
Net profit (loss)	**(P 270,426)**	**P 313,059**	**P 92,056**	**P 107,080**	**P 241,769**
SEGMENT ASSETS AND LIABILITIES					
Total assets	**P 846,760**	**P 7,002,053**	**P 1,084,544**	**P 8,545,419**	**P 17,478,776**
Total liabilities	**P 808,976**	**P 2,269,188**	**P 287,104**	**P 407,533**	**P 3,772,801**
OTHER SEGMENT INFORMATION					
Capital expenditures	**P 187**	**P 84,840**	**P 32,407**	**P 2,593**	**P 120,027**
Depreciation and amortization	**948**	**45,817**	**55,934**	**853**	**103,552**

	Digital Mobile	Property and Building Services	Technical Support and Solutions	Investments and Others	Total
2018					
SEGMENT RESULTS					
Sales to external customers	P 2,431,821	P 378,790	P 807,573	P 508,423	P 4,126,607
Intersegment sales	721	70,933	38,718	21,238	131,610
Total revenues	2,432,542	449,723	846,291	529,661	4,258,217
Cost of sales, services, and rentals	2,184,674	245,119	620,687	79,179	3,129,659
Other operating expenses (income)	486,861	(163,197)	143,421	52,022	519,107
Operating profit (loss)	(238,993)	367,801	82,183	398,460	609,451
Finance income	27,571	33,033	13,568	17,483	91,655
Finance costs	(1,723)	(3,579)	(3,671)	(4,785)	(13,758)
Other gains – net	7,281	4,692	1,168	367	13,508
Profit (loss) before tax	(205,864)	401,947	93,248	411,525	700,856
Tax expense (income)	(43,952)	99,330	27,366	13,235	95,979
Net profit (loss)	(P 161,912)	P 302,617	P 65,882	P 398,290	P 604,877
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 1,785,364	P 6,286,477	P 883,926	P 8,569,677	P 17,525,444
Total liabilities	P 1,477,122	P 2,039,172	P 174,019	P 407,494	P 4,097,807
OTHER SEGMENT INFORMATION					
Capital expenditures	P 6,900	P 130,024	P 47,065	P 2,208	P 186,197
Depreciation and amortization	1,830	42,616	27,119	691	72,256
Impairment loss	-	930	4,166	96	5,192
2017					
SEGMENT RESULTS					
Sales to external customers	P 3,293,235	P 365,366	P 1,184,028	P 140,107	P 4,982,736
Intersegment sales	74,963	99,148	50,699	24,180	248,990
Total revenues	3,368,198	464,514	1,234,727	164,287	5,231,726
Cost of sales, services, and rentals	2,915,495	267,052	862,935	70,098	4,115,580
Other operating expenses (income)	416,465	(127,127)	162,384	30,018	481,740
Operating profit	36,238	324,589	209,408	64,171	634,406
Finance income	4,788	27,055	3,864	4,132	39,839
Finance costs	(2,613)	(21,745)	(1,473)	(3,031)	(28,862)
Other gains (losses) – net	(563)	8,824	7,262	998	16,521
Profit before tax	37,850	338,723	219,061	66,270	661,904
Tax expense	10,876	120,393	66,488	4,333	202,090
Net profit	P 26,974	P 218,330	P 152,573	P 61,937	P 459,814
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 1,952,268	P 5,857,231	P 1,078,028	P 8,675,375	P 17,562,902
Total liabilities	P 1,491,370	P 2,267,149	P 345,015	P 449,979	P 4,553,513

	Digital Mobile	Property and Building Services	Technical Support and Solutions	Investments and Others	Total
OTHER SEGMENT INFORMATION					
Capital expenditures	P 73	P 225,963	P 46,545	P 214	P 272,795
Depreciation and amortization	1,060	39,912	30,782	502	72,256
Impairment loss	-	19,341	28	177	19,546

4.5 Reconciliations

The total segment balances presented for the Group's operating segments reconciled to the Group's consolidated balances as presented in the consolidated financial statements are as follows (amount in thousands):

	Segment Totals	**Intercompany Accounts**	**Consolidated Balances**
2019			
Revenues	**P 2,877,221**	**(P 211,963)**	**P 2,665,258**
Net profit for the year	**241,769**	**(15,204)**	**226,565**
Total assets	**17,478,776**	**(5,358,513)**	**12,120,263**
Total liabilities	**3,772,801**	**(2,293,418)**	**1,479,383**
Other segment information:			
Capital expenditures	**120,027**	**-**	**120,027**
Depreciation and amortization	**103,551**	**2,414**	**105,965**
2018			
Revenues	P 4,258,217	(P 502,310)	P 3,755,907
Net profit for the year	604,877	(350,372)	254,505
Total assets	17,525,444	(5,566,996)	11,958,448
Total liabilities	4,097,807	(2,686,646)	1,411,161
Other segment information:			
Capital expenditures	186,197	(4,797)	181,400
Depreciation and amortization	72,256	5,070	77,326
Impairment losses*	5,192	-	5,192
2017			
Revenues	P 5,231,726	(P 288,989)	P 4,942,737
Net profit for the year	459,814	(56,202)	403,612
Total assets	17,562,902	(5,800,972)	11,761,930
Total liabilities	4,553,513	(3,077,543)	1,475,970
Other segment information:			
Capital expenditures	272,795	2,562	275,357
Depreciation and amortization	72,256	13,273	85,529
Impairment losses	19,546	-	19,546

**The amount of impairment loss is gross of reversal of allowance for impairment losses totaling to P1,605.*

4.6 *Disaggregation of Revenues from Contracts with Customers and Other Counterparties*

When the Group prepares its investor presentations and when the Group management evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Note 4.4. The Group determines that the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties (except for rentals accounted for under PFRS 16 in 2019 and PAS 17 in 2018 included herein as additional information) into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A summary of additional disaggregation from the segment revenues and other unallocated income are shown below (amounts in thousands).

	Segment Revenues (Sales to External Customers)			
	Point in time	Over time	Leases	Total
December 31, 2019				
Digital mobile	P 1,031,276	P 60,434	P -	P 1,091,710
Technical support and solutions	209,916	682,780	-	892,696
Rentals	-	-	250,910	250,910
Property and building	26,499	168,791	-	195,290
Investments and others	-	90,840	-	90,840
	P 1,267,691	**P 1,002,845**	**P 250,910**	**P 2,521,446**
December 31, 2018				
Digital mobile	P 2,431,821	P -	P -	P 2,431,821
Technical support and solutions	268,032	470,673	-	738,705
Rentals	-	-	239,166	239,166
Property and building	25,731	159,805	-	185,536
Investments and others	-	81,718	-	81,718
	P 2,725,584	P 712,196	P 239,166	P 3,676,946

The Group's revenues also includes interest income from short-term placements amounting to P143.8 million and P79.0 million in 2019 and 2018, respectively and is presented as Interest under Revenues in the consolidated statement of income (see Notes 5 and 13.1).

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	2019	2018
Cash on hand and in banks	**P 577,481,692**	P 372,038,970
Short-term placements	**2,913,552,574**	2,083,425,441
	P 3,491,034,266	P 2,455,464,411

Cash in banks generally earn interest based on daily bank deposit rates. Interest income earned from cash in banks is presented as part of Finance Income under Other Income (Charges) account in the consolidated statements of income (see Note 20.2).

Short-term placements are made for varying periods of between 1 to 90 days and earn annual interests ranging from 0.4% to 6.5% in 2019, from 0.5% to 6.5% in 2018 and from 0.1% to 3.5% in 2017. The balance of short-term placements as of December 31, 2019 and 2018 did not include P762.4 million and P806.1 million, respectively, which are shown as part of the Other Current Assets account in the consolidated statements of financial position (see Note 13.1). These amounts pertain to short-term placements with maturity of more than three months but less than one year.

Interest income earned from short-term placements is presented as part of Interest under Revenues account and as part of Finance Income under Other Income (Charges) account in the consolidated statements of income(see Notes 4.6 and 20.2). The outstanding balance of such interest is presented as Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	**2019**	2018
Current:			
Trade receivables	6.1, 25.5, 25.8, 25.9, 26.1, 26.3	**P 314,675,265**	P 706,129,098
Advances to:			
Suppliers	6.2, 25.1	**274,495,014**	163,978,574
Officers and employees	6.2, 25.10	**1,561,388**	1,745,636
Loans receivables	6.3, 25.3	**42,722,837**	39,981,928
Non-trade receivables		**25,585,876**	26,012,258
Interest receivable	5, 13.1	**5,073,447**	5,158,277
Rental receivables	6.5, 25.2	**4,710,220**	14,497,908
Other receivables	6.6	**46,519,344**	37,636,447
		715,343,391	995,140,126
Allowance for impairment	6.7	**(103,783,088)**	(103,149,478)
		611,560,303	891,990,648
Non-current:			
Trade receivables		**12,686,042**	15,500,823
Loans receivables	6.3, 25.3	**46,499**	703,665
Cash surrender value of investment in life insurance	6.4, 14	**738,420,128**	723,228,605
		751,152,669	739,433,093
Allowance for impairment	6.7	**(3,468)**	(25,424)
		751,149,201	739,407,669
		P 1,362,709,504	P 1,631,398,317

All trade receivables are subject to credit risk exposure [see Note 28.2(b)]. The Group does not identify specific concentration of credit risk with regard to trade and other receivables as the amounts recognized resemble a large number of receivables from various customers.

6.1 Trade Receivables

Trade receivables include the Group's receivables related to the sold condominium units which are being paid for by the customers in monthly installments. Certain receivables from trade customers are covered by post-dated checks. Trade receivables are measured at amortized cost and have annual effective interest rates ranging from 9.75% to 18.00% both in 2019 and 2018, depending on the payment terms. Trade receivables which are expected to be settled beyond one year after the end of the reporting period are classified as non-current trade and other receivables.

Interest income earned from real estate sales amounted to P1.6 million in both 2019 and 2018 and P2.1 million in 2017, and is presented as part of Finance Income under Other Income (Charges) account in the consolidated statements of income (see Notes 4.6 and 20.2).

Trade receivables from sale of goods are usually due within 30 to 45 days, generally unsecured and do not bear interest.

6.2 Advances

Advances to suppliers mainly include advance payments made by My Solid for future purchases of mobile phone units and accessories (see Note 25.1). These also include advances made to various suppliers made by SVC for the purchase of pro-tapes, video and medical supplies.

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures and are subject to liquidation.

6.3 Loans Receivables

Loans receivables pertain to appliances loans, business loans and car loans offered by SMFI to its customers. Loans receivables that are expected to be settled beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as part of non-current trade and other receivables.

Interest income recognized on the Group's loans receivables amounted to P6.8 million, P6.6 million, and P7.7 million in 2019, 2018 and 2017, respectively, and are presented as part of Interest under the Revenues account of the consolidated statements of income. The effective interest rates on loans receivables range from 8.0% to 30.0% in 2019 and 7.5% to 30% in both 2018 and 2017.

6.4 Cash Surrender Value of Investment in Life Insurance

Cash surrender value of investment in life insurance pertains to insurance policies purchased by BRL for certain directors of the Parent Company. The beneficiary of this investment in life insurance is the Parent Company and accounted for under the cash surrender value method. Under this method, the initial cash surrender value of the insurance policies is recognized immediately in the consolidated statements of financial position. Subsequently, any increase in cash surrender value is recognized as part of the Finance Income in the consolidated statements of income (see Note 20.2). In 2019, 2018 and 2017, the increase in cash surrender value amounted to P43.5 million, P6.4 million and P27.2 million, respectively.

The cash surrender value of the investment in life insurance is used as collateral for interest-bearing loans obtained by BRL (see Note 14).

6.5 Rental Receivables

Rental receivables represent uncollected monthly receivables from a related party and third party tenants of the Group. This includes rent receivables arising from the application of PFRS 16, which represent the difference between the cash basis rent income and the straight-line rent income of all outstanding lease contracts as of the end of the reporting periods. PFRS 16 rent receivables amounted to P4.7 million and P14.5 million as of December 31, 2019 and 2018, respectively.

6.6 Other Receivables

Other receivables include amounts due from credit card companies for the sale of CCTV. This also include deposits to supplier, testing fees and utility charges billed by the Group to its lessees. Further, this account consist of unsecured, noninterest-bearing cash advances made to the ZTC's Home Owners' Association for expenses incurred by the unit owners and rent receivables.

6.7 Allowance for Impairment

All of the Group's trade and other receivables have been reviewed for impairment. The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. Based on management's assessment of the ECL using the simplified approach, certain trade receivables were found to be impaired; hence, adequate amount of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment on trade and other receivables at the beginning and end of 2019 and 2018 is shown below.

	Note	**2019**	2018
Balance at beginning of year		**P 103,174,902**	P 101,666,421
Impairment losses during the year	20.1	**5,072,960**	5,191,990
Reversal of impairment losses	20.1	**(2,762,396)**	(378,516)
Write-off of receivable		**(1,698,910)**	(3,304,993)
Balance at end of year		**P 103,786,556**	P 103,174,902

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Parent Company has equity securities pertaining to its 33% equity ownership interest in the common stock of Sony Philippines, Inc. (SPI). This investment is related to the Joint Venture Agreement (JVA) executed in 1997 with Sony Corporation of Japan which has expired on May 8, 2005. On April 11, 2005, the Parent Company received a formal notice of the expiry of the JVA. The Parent Company and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration.

As a result of the above events, the Parent Company determined that it no longer has significant influence over the investee company. Consequently, it reclassified its remaining investment in shares of stock of SPI with total cost of P8.6 million to AFS financial assets in 2005. In 2018, upon the adoption of PFRS 9, the Parent Company reclassified such investment from AFS financial assets to financial assets at FVOCI. The Parent Company determined that the fair value of this investment is nil as of December 31, 2019 and 2018.

On the other hand, the fair values of the Group's investments in club shares amounting to P26.1 and P27.1 million, which represent proprietary membership club shares, as of December 31, 2019 and 2018, respectively, have been determined based on quoted prices in less active markets due to lack of trading activities among its participants (see Note 30.2).

In 2018, the Group derecognized certain equity securities with original cost of P362,000 and fair value of P267,880 as of December 31, 2018. Accumulated fair value loss amounting to P94,120 is presented as an addition to Revaluation Reserves in the 2018 consolidated statement of changes in equity (see Note 23.3). There was no similar transaction in 2019.

A reconciliation of the net carrying amounts of financial assets at FVOCI is shown below.

	Notes	**2019**	2018
Balance at beginning of year		**P 27,100,000**	P 21,240,007
Fair value gains (losses) – net	23.3	**(1,000,000)**	6,500,000
Reclassifications to intangible assets	13.2	**-**	(372,127)
Disposal		**-**	(267,880)
Balance at end of year		**P 26,100,000**	P 27,100,000

In 2018, reclassifications made pertain to certain financial assets at FVOCI, previously classified as AFS financial assets, that are non-proprietary club shares which should be treated as intangible assets under PAS 38, *Intangible Assets*. Accordingly, these investments were reclassified to intangible assets which is presented as part of Other Non-current Assets (see Note 13.2).

The recognized fair value gains (loss) are presented as item that will not be reclassified subsequently to profit or loss under Other Comprehensive Income (Loss) in the consolidated statements of comprehensive income.

8. MERCHANDISE INVENTORIES AND SUPPLIES

Inventories at the end of 2019 and 2018 were stated at lower of cost or net realizable value (NRV). The details of inventories are shown below.

	Notes	2019	2018
At cost:			
Merchandise inventories	17.1	**P 40,219,145**	P 26,690,822
Service parts, supplies and others	25.1	**42,076,305**	40,968,784
		82,295,450	67,659,606
At NRV:			
Merchandise inventories	17.1	**140,051,166**	771,326,921
Service parts, supplies and others	25.1	**6,722,839**	4,347,277
		146,774,005	775,674,198
Allowance for inventory obsolescence		**(69,976,857)**	(78,627,352)
		76,797,148	697,046,846
		P 159,092,598	P 764,706,452

The Group's inventories are composed of handsets, devices, spare parts, professional tapes, service supplies and equipment and accessories. Handsets refer to tablets, devices pertain to mobile phones, and accessories pertain to jelly cases, headsets, power banks, memory cards, and others.

The movements in the allowance for inventory obsolescence are as follows:

	Notes	2019	2018
Balance at beginning of year		**P 78,627,352**	P 147,242,272
Provision for inventory obsolescence	17.1, 18	**3,015,402**	848,279
Reversal of allowance for inventory obsolescence	17.1, 18	**(11,665,897)**	(69,463,199)
		P 69,976,857	P 78,627,352

In 2019 and 2018, the Group made a reversal of provision for the write-down of inventories amounting to P11.7 million and P69.5 million, respectively, upon sale of those inventories. The reversal is included as an adjustment to Cost of Sales in the consolidated statements of comprehensive income (see Note 17.1).

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as at December 31, 2019 and 2018.

An analysis of the cost of inventories charged to operations in 2019, 2018 and 2017 is presented in Note 17.1.

9. REAL ESTATE INVENTORIES

This account is composed of:

	2019	2018
Land and land development costs:		
Land	**P 4,265,299**	P 4,265,299
Land development costs	**35,281,523**	35,281,523
	39,546,822	39,546,822
Allowance for impairment	**(2,022,800)**	(2,022,800)
	37,524,022	37,524,022
Property development costs – Construction in progress and development costs	**399,445,402**	398,853,179
	P 436,969,424	P 436,377,201

9.1 Land and Land Development Costs

Land and land development costs pertain to cost of land and related improvements, held by Starworld and LIIP, which are held for sale.

Under its registration with the Board of Investments, Starworld shall develop 118 hectares of land in its development project located in Calamba Premiere International Park (CPIP) in Bo. Prinza, Calamba City, Laguna. As of December 31, 2019 and 2018, lot areas totaling 83 hectares (65 hectares for Phase 1 and 18 hectares for Phase 2) were acquired and fully developed.

The allowance for impairment recognized in prior years pertains to the estimated cost of parcels of land and land development costs which may not be fully realized as a result of the Group's long-outstanding claims against the seller for the transfer of title to the name of LIIP. There were no additional impairment losses recognized in 2019, 2018 and 2017.

9.2 Property Development Costs

Property development costs pertain to the cost of land used as a building site and the accumulated construction costs of the condominium building project being developed by ZTC, which are also for sale. Property development costs at the end of each reporting period represent condominium units for sale, construction in progress of land and Tower 3, office tower and parking units for which ZTC has been granted permit to sell by the Housing and Land Use Regulatory Board of the Philippines.

The Group, through ZTC, has initiated the planning and construction of the Tri Towers condominium building (see Note 27.4). The construction was started by in 2005. The accumulated construction costs (including cost of the land) were eventually transferred to ZTC. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively; while the construction of Tower 3 has not yet started, it has incurred expenses for the planning phase as of December 31, 2019 and 2018. The construction of Tower 3 is expected to be completed in the next two years.

10. LEASES

The Group is a lessee under non-cancellable operating leases covering certain business spaces and satellite offices. The lease for these offices has a term of two to five years. All leases have renewal options. Generally, termination of lease contracts shall be communicated to the lessee by the lessor prior to the termination or expiration of the lease contract. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use asset and lease liability as separate line items in the 2019 consolidated statement of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. The Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

Refundable security deposits represent the lease deposits made for the lease of the Group's business spaces. Related security deposits for these leases amounted to P14.6 million as of December 31, 2019, and are presented as part of Other Current Assets and Other Non-current Assets account in the 2019 consolidated statement of financial position (see Note 13). Refundable security deposits which are expected to be settled beyond one year after the end of the reporting period are classified as non-current assets.

10.1 Right-of-use Assets

The carrying amount of the Group's right-of-use assets, which pertain to office spaces and satellites, and the movements as of December 31, 2019 are shown below.

Balance at beginning of year	P 15,325,724
Addition	5,678,306
Amortization	(6,241,808)
Balance at end of year	**P 14,762,222**

The total amortization on the right-of-use assets is presented as part of Depreciation and amortization under Cost of Services in the 2019 consolidated statement of income (see Note 17.2).

10.2 Lease Liabilities

Lease liabilities are presented in the consolidated statement of financial position as of December 31, 2019 as follows:

Current	P 4,880,092
Non-current	10,483,385
	P 15,363,477

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statement of financial position.

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
Office space	14	4 months to 4 years and 11 months	2 years and 4 months	12	-

As of December 31, 2019, the Group has no commitments for leases entered into which had not commenced.

The undiscounted maturity analysis of lease liabilities at December 31, 2019 is as follows:

	Within 1 year	**1 to 2 years**	**2 to 3 years**	**4 to 5 years**	**5 or more years**	**Total**
Lease payments	P 5,739,688	P 4,689,290	P 3,795,991	P 2,255,438	P 767,960	P 17,248,367
Finance charges	(859,596)	(576,376)	(304,380)	(125,161)	(19,377)	(1,884,890)
Net present values	**P 4,880,092**	**P 4,112,914**	**P 3,491,611**	**P 2,130,277**	**P 748,583**	**P 15,363,477**

10.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The amount of expense relating to short-term leases for the year ended December 31, 2019 is allocated as follows:

	Notes	
Cost of services	17.2	P 6,679,699
Cost of rental	17.3	16,029,015
General and administrative expenses		3,628,000
	18	**P 26,336,714**

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P5.6 million in 2019. Interest expense in relation to lease liabilities amounted to P1.0 million and is presented as part of Finance costs under Other Income (Charges) in the 2019 consolidated statement of income (see Note 20.1).

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment losses of property and equipment at the beginning and end of 2019 and 2018 are shown below.

	Land	Buildings and Improvements	Machinery and Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Test, Communication and Other Equipment	Computer System	Leasehold Improvements	Tools and Equipment	Construction in Progress	Total
December 31, 2019											
Cost	P 1,277,854,682	P 343,390,748	P 189,870,508	P 265,014,330	P 200,486,706	P 13,167,261	P 85,796,673	P 111,813,691	P 89,044,034	P 23,827,944	P 2,600,266,577
Accumulated depreciation and amortization	-	(107,081,606)	(136,702,975)	(223,512,113)	(139,828,040)	(11,066,123)	(74,238,001)	(97,951,244)	(66,248,749)	-	(856,628,851)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	**P 1,277,854,682**	**P 201,309,142**	**P 53,167,533**	**P 41,502,217**	**P 60,658,666**	**P 2,101,138**	**P 11,558,672**	**P 13,862,447**	**P 22,795,285**	**P 9,481,694**	**P 1,694,291,476**
December 31, 2018											
Cost	P 1,277,854,682	P 343,390,748	P 183,035,601	P 254,294,087	P 181,549,802	P 11,736,904	P 84,063,933	P 109,739,118	P 86,118,965	P 39,506,874	P 2,571,290,714
Accumulated depreciation and amortization	-	(88,848,621)	(115,575,943)	(201,778,219)	(118,013,724)	(10,269,976)	(72,205,178)	(92,777,453)	(59,849,880)	-	(759,318,994)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	P 1,277,854,682	P 219,542,127	P 67,459,658	P 52,515,868	P 63,536,078	P 1,466,928	P 11,858,755	P 16,961,665	P 26,269,085	P 25,160,624	P 1,762,625,470
January 1, 2018											
Cost	P 1,277,854,682	P 361,070,743	P 169,152,246	P 250,079,053	P 149,020,103	P 9,927,050	P 74,795,455	P 102,189,564	P 64,875,423	P 181,390,018	P 2,640,354,337
Accumulated depreciation and amortization	-	(88,184,946)	(92,463,398)	(178,831,782)	(103,148,251)	(9,738,023)	(70,261,687)	(87,284,428)	(52,080,753)	-	(681,993,268)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	P 1,277,854,682	P 237,885,797	P 76,688,848	P 71,247,271	P 45,871,852	P 189,027	P 4,533,768	P 14,905,136	P 12,794,670	P 167,043,768	P 1,909,014,819

A reconciliation of the carrying amounts at the beginning and end of 2019 and 2018 of property and equipment is shown below.

	Land	Buildings and Improvements	Machinery and Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Test, Communication and Other Equipment	Computer System	Leasehold Improvements	Tools and Equipment	Construction in Progress	Total
Balance at January 1, 2019, net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 219,542,127	P 67,459,658	P 52,515,868	P 63,536,078	P 1,466,928	P 11,858,755	P 16,961,665	P 26,269,085	P 25,160,624	P 1,762,625,470
Additions	-	-	2,434,910	10,673,276	9,157,125	1,430,357	1,732,740	2,074,573	12,785,743	3,366,693	43,655,417
Reclassification	-	-	4,399,997	165,536	10,964,286	-	-	-	-	(15,529,819)	-
Derecognition	-	-	-	-	-	-	-	-	(9,860,674)	-	(9,860,674)
Disposals – net	-	-	-	(118,569)	(1,184,507)	-	-	-	-	(3,515,804)	(4,818,880)
Depreciation and amortization charges for the year	-	(18,232,985)	(21,127,032)	(21,733,894)	(21,814,316)	(796,147)	(2,032,823)	(5,173,791)	(6,398,869)	-	(97,309,857)
Balance at December 31, 2019, net of accumulated depreciation, amortization and impairment losses	**P 1,277,854,682**	**P 201,309,142**	**P 53,167,533**	**P 41,502,217**	**P 60,658,666**	**P 2,101,138**	**P 11,558,672**	**P 13,862,447**	**P 22,795,285**	**P 9,481,694**	**P 1,694,291,476**
Balance at January 1, 2018, net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 237,885,797	P 76,688,848	P 71,247,271	P 45,871,852	P 189,027	P 4,533,768	P 14,905,136	P 12,794,670	P 167,043,768	P 1,909,014,819
Additions	-	-	8,717,838	3,508,317	45,162,160	1,809,854	9,268,478	3,119,476	11,868,945	39,078,823	122,533,891
Reclassification	-	-	5,165,517	-	(9,754,494)	-	-	4,430,078	9,754,494	(9,595,595)	-
Transfer to investment property – net	-	-	-	799,589	-	-	-	-	-	(171,366,372)	(170,566,783)
Disposals – net	-	(17,679,995)	-	(92,872)	(2,877,967)	-	-	-	(379,897)	-	(21,030,731)
Depreciation and amortization charges for the year	-	(663,675)	(23,112,545)	(22,946,437)	(14,865,473)	(531,953)	(1,943,491)	(5,493,025)	(7,769,127)	-	(77,325,726)
Balance at December 31, 2018, net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 219,542,127	P 67,459,658	P 52,515,868	P 63,536,078	P 1,466,928	P 11,858,755	P 16,961,665	P 26,269,085	P 25,160,624	P 1,762,625,470

Construction in progress pertains to accumulated costs incurred on building improvements being constructed in various properties of the Group. In 2019 and 2018, no borrowing costs were capitalized.

In 2017, impairment loss amounting to P14.3 million was recognized on certain damaged item of construction in progress. The impairment provision was presented as Impairment losses on property and equipment under General and Administrative expense account in the 2017 consolidated statement of income (see Note 18). No impairment losses were recognized in 2019 and 2018 based on management's assessment.

In 2019 and 2018, the Group sold certain property and equipment with carrying amounts of P4.8 million and P21.0 million, respectively. Aside from these assets, the Group also disposed certain fully-depreciated property and equipment with original cost of P1.8 million and P1.5 million in 2019 and 2018, respectively. The Group recognized gain on disposal of these property and equipment totaling P0.5 million, P1.2 million and P1.5 million, in 2019, 2018 and 2017, respectively, which are presented as part of Other Gains in the consolidated statements of income (see Note 20.3).

Further, in 2019 and 2018, the Group retired certain fully depreciated property and equipment with acquisition cost of P3.5 million and P0.8 million, respectively.

The cost of fully depreciated property and equipment still used in operations amounted to P409.5 million and P298.1 million as of December 31, 2019 and 2018, respectively.

The amount of depreciation and amortization computed on property and equipment is presented as part of the following accounts:

	Notes	**2019**	2018	2017
Cost of services	17.2	**P 38,880,942**	P 45,432,147	P 45,618,535
Cost of rentals	17.3	**30,101,396**	9,565,245	3,394,270
General and administrative expenses		**28,327,519**	22,328,334	36,515,783
	18	**P 97,309,857**	P 77,325,726	P 85,528,588

In 2019, the Group derecognized certain service equipment with net book value of P9.9 million. The related expense from the derecognition is presented as part of Equipment cost under Cost of Services in the 2019 consolidated statement of income (see Note 17.2). There was no similar transaction in 2018 and 2017.

In 2018, the Group reclassified certain office furniture and fixtures and transportation equipment to service equipment with a carrying amount of P9.8 million. There was no similar transaction in 2019.

The Group reclassified its land and building from Property and Equipment account, lodged under Construction-in-progress, to Investment Property account amounting to P171.01 million in 2018 due to change on use of these assets. There is no reclassification between property and equipment and investment property in 2019.

As of December 31, 2019 and 2018, none of the Group's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2019 and 2018 as the management believes that the carrying amount of property and equipment is recoverable in full.

There were no restrictions on titles and items of property and equipment as of December 31, 2019 and 2018.

12. INVESTMENT PROPERTIES

The Group's investment properties accounted for under the fair value method, consists mainly of land and improvements, and buildings and improvements that are held under operating lease agreements. These properties earn rental income amounting to P250.9 million, P239.2 million and P233.3 million in 2019, 2018 and 2017 and are presented as Rentals in the consolidated statements of income. The Group also incurred direct costs such as real property taxes, repairs and maintenance and utilities, which are presented as part of Cost of Rentals in the consolidated statements of income (see Note 17.3).

The fair values of the Group's investment properties as at December 31, 2019, 2018 and 2017 were determined based on appraisal report dated October 30, 2019, 2018 and 2017. Management obtains annual appraisal reports on its investment properties from independent appraisers (see Note 30.4).

The changes in the carrying amounts of investment property as presented in the consolidated statements of financial position are summarized as follows as of December 31:

	Land and Improvements	Building and Improvements	Construction in Progress	Total
2019:				
Balance at beginning of year	P 2,527,112,934	P 874,353,170	P 4,975,802	P 3,406,441,906
Additions	3,184,125	1,663,406	50,519,724	55,367,255
Fair value gains (losses) on investment property – net (see Note 19)	328,175,447	(50,397,659)	-	277,777,788
Reclassification	8,960,000	(4,193,337)	(4,230,949)	535,714
Balance at end of year	**P 2,867,432,506**	**P 821,425,580**	**P 51,264,577**	**P 3,740,122,663**
2018:				
Balance at beginning of year	P 2,171,295,332	P 732,622,140	P -	P 2,903,917,472
Additions	5,814,906	53,051,693	-	58,866,599
Fair value gains (losses) on investment property – net (see Note 19)	346,740,526	(69,875,474)	-	276,865,052
Transfer from property and equipment – net	3,262,170	158,554,811	8,749,802	170,566,783
Disposals	-	-	(3,774,000)	(3,774,000)
Balance at end of year	P 2,527,112,934	P 874,353,170	P 4,975,802	P 3,406,441,906

In 2019, the Group incurred expenses amounting to P2,914,882, which pertains to land preparation for the planned construction of its building and is presented as part of Investment Property in the 2019 consolidated statement of financial position. There were no borrowing cost that were capitalized in 2019 and 2018.

In 2018, the Group obtained, through a dacion en pago agreement, a property from a certain lessor in exchange of his unpaid rent amounting to P21.4 million. The Group intends to hold this property for rental to third parties. There was no similar transaction occurred in 2019.

In 2017, the Group sold an investment property with a total carrying amount of P48.2 million. The recognized gain on the transaction amounting to P37.5 million is presented as part of Other Operating Expense (Income) account in the 2017 consolidated statement of income (see Note 19). There was no similar transaction both in 2019 and 2018.

The fair value gain (loss) recognized is presented as Fair Value Gain (Loss) on Investment Property account under Other Operating Expense (Income) account of the consolidated statements of income (see Note 19).

As of December 31, 2019 and 2018, none of the Group's investment properties were held as collateral.

13. OTHER ASSETS

The composition of these accounts as of December 31 is shown below.

	Notes	**2019**	2018
Current:			
Short-term placements	5, 13.1	**P 762,445,571**	P 806,113,523
Creditable withholding taxes		**107,607,776**	100,875,346
Input VAT – net		**50,717,203**	94,253,531
Prepayments	13.5	**21,780,278**	22,222,254
Deferred input VAT – net		**10,756,137**	3,306,682
Refundable deposits	10, 27.2	**9,433,214**	9,747,103
Deferred costs	13.5	**7,289,955**	10,556,069
Others	13.5	**4,520,213**	9,999,893
		974,550,347	1,057,074,401
Non-current:			
Refundable deposits	10, 27.2	**5,189,398**	4,582,196
Intangible assets	13.2	**5,042,784**	639,783
Deposits to suppliers	13.5	**3,347,774**	3,347,774
Cash bond	13.3	**680,834**	692,234
Deposits on acquisition of land	13.4	**-**	105,389,337
Others	13.5	**9,181,769**	10,064,561
		23,442,559	124,715,885
		P 997,992,906	P 1,181,790,286

13.1 Short-term Placements

Short-term placements are made for varying periods of between 120 to 180 days in 2019 and between 122 to 132 days in 2018, and earn effective interest of 4.0% and 6.25% in 2019 and 2018, respectively.

Interest income earned from short-term placements are presented as part of Interest under Revenues account in the consolidated statements of income. The outstanding balance of such interest is presented as Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

13.2 Intangible Assets

The gross carrying amounts and accumulated amortization of intangible assets as of December 31 are shown below.

	2019	2018
Cost	**P 25,102,130**	P 18,285,509
Accumulated depreciation	**(20,059,346)**	(17,645,726)
Net carrying amount	**P 5,042,784**	P 639,783

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2019 and 2018 is shown below.

	Notes	**2019**	2018
Balance at the beginning of year, net of accumulated depreciation		**P 639,783**	P 296,884
Additions		**4,545,454**	139,572
Reclassification from deposit to suppliers		**2,271,167**	-
Reclassification from FVOCI	7	**-**	372,127
Amortization during the year	18	**(2,413,620)**	(168,800)
Balance at end of year, net of accumulated depreciation		**P 5,042,784**	P 639,783

In 2019, the Group reclassified certain Deposits to suppliers to System software amounting to P2.3 million. In 2018, certain financial assets at FVOCI, previously classified as AFS financial assets were identified as non-proprietary club shares which should be treated as Intangible Assets under PAS 38. Accordingly, these investments were reclassified to Intangible Assets (see Note 7).

Amortization charges amounting to P2.4 million and P0.2 million in 2019 and 2018, respectively, are presented as part of Depreciation and amortization under General and Administrative Expenses account in the consolidated statements of income (see Note 18).

Intangible asset is subject to annual impairment testing and whenever there is an indication of impairment. No impairment loss was recognized in 2019 and 2018 as the recoverable amount of intangible asset determined by management is higher than its carrying value.

No intangible asset has been pledged as security for any liabilities. There were no other contractual commitments entered into in 2019 and 2018 related particularly for intangible asset.

13.3 Cash Bond

Cash bond represents deposits made with the Bureau of Customs for taxes and duties related to its importations. As of December 31, 2019 and 2018, the total amount is currently demandable; however, the Group does not expect to refund the cash bond within 12 months from the end of the reporting period.

13.4 Deposits on Acquisition of Land

In 2018, the Group made advance payments for the acquisition of land intended for future development amounting to P105.4 million. However, in 2019, such acquisition of land was cancelled due to the exercised right of redemption of the previous owner. The Group received an amount of P111.9 million as a result of redemption and recorded an interest income of P6.5 million which is presented as part of Finance income under Other Income (Charges) account in the 2019 consolidated statement of income (see Note 20.2).

13.5 Others

Prepayments pertain to prepaid insurance, prepaid rent, and prepayments for professional fees, import charges and others.

Deferred costs by the Group represent cost of inventories which have not been charged to cost of sales pending the completion of its projects.

Deposits to suppliers represent refundable amount paid by the Group to its suppliers for the distribution utilities provided to the Group.

Others include deferred installation costs which pertain to the costs paid by the Group to its contractors for the installation of modular houses. Upon completion of installation, the cost is transferred to cost of sales.

14. INTEREST-BEARING LOANS

The Group's short-term interest-bearing loans as at December 31, 2019 and 2018 amounting to P68.0 million ($1.3 million) and P123.8 million ($2.3 million), respectively, pertains to loan of BRL which are denominated in USD and is currently due within 12 months after the end of reporting period; hence, classified as part of the Group's current liabilities in the consolidated statements of financial position.

The movements in this account are as follows:

	2019		2018	
	USD	**PHP**	USD	PHP
Balance at beginning of year	$ 2,347,889	P 123,790,100	$ 2,318,535	P 115,748,223
Repayment of loans	(1,099,277)	(55,781,712)	-	-
Roll-over of interest on loans	90,590	4,601,292	29,304	1,545,024
Transfer of bank overdraft to loans	-	-	50	2,636
Translation adjustment	-	(4,653,212)	-	6,494,217
Balance at end of year	**$ 1,339,202**	**P 67,956,468**	$ 2,347,889	P 123,790,100

The loan of BRL are secured by the cash surrender value of investment in life insurance amounting to P738.4 million and 723.2 million as of December 31, 2019 and 2018, respectively (see Note 6.4). The loans have maturities ranging from 30 days to one year, and bear interest at prevailing annual average market rates ranging from 3.84% to 3.90% in 2019, from 2.50% to 3.84% in 2018 and from 2.35% to 2.50% in 2017.

Interest expense arising from these loans amounted to P3.1 million, P4.7 million and P2.8 million in 2019, 2018 and 2017, respectively, and is shown as part of Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 20.1). The related outstanding interest amounting to $0.042 million (P2.1 million) and $0.072 million (P3.8 million) as of December 31, 2019 and 2018, respectively, is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

The Group has no significant loan covenants as of December 31, 2019 and 2018.

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2019**	2018
Trade payables	25.1	**P 198,656,580**	P 153,956,342
Non-trade payables		**62,692,440**	18,100,364
Accrued expenses	14	**38,867,840**	24,859,611
Refundable deposits	25.2	**38,345,417**	32,632,240
Accrued dealers' incentives		**21,957,590**	98,554,552
Unearned rental		**19,682,227**	14,657,262
Output VAT		**13,705,780**	3,594,357
Deferred output VAT		**11,156,069**	13,311,202
Advances from customers		**6,289,479**	11,740,395
Withholding taxes payable		**4,505,048**	4,273,686
Rentals payable		**4,278,523**	5,725,049
Reserve for warranty costs		**1,737,041**	2,623,381
Retention payable		**833,829**	190,401
Other payables		**16,034,987**	37,943,848
		P 438,742,850	P 422,162,690

Trade payables mainly represent obligations to various suppliers for the acquisition of goods, materials and supplies necessary for the Group's operations and productions.

Nontrade payables are the obligations arising from transactions that are not within the ordinary course of business which includes lessees' deposits for electricity, communication costs, gasoline expenses, professional fees and others.

Accrued expenses include amounts charged for rentals, outside services, salaries and other incidental operating expenses of the Group which are expected to be settled within the next reporting period.

The Group receives refundable deposits from various lessees. The long-term portion of the refundable deposits from various tenants which is shown as a separate line item in the consolidated statements of financial position (see Note 16).

Refundable deposits are remeasured at amortized cost using the effective interest rates ranging from 4.58% to 6.25% at the inception of the lease term. The Group recognized gains amounting to P0.2 million and P0.5 million in 2019 and 2017, respectively, and loss amounting to P0.2 million in 2018 from discounting of refundable deposits. These are presented as part of Finance income and Finance costs, respectively, under Other Income (Charges) account in the consolidated statements of income (see Notes 20.2 and 20.1). Interest expense recognized from the amortization of refundable deposits amounting to P0.7 million in both 2019 and 2018 and P1.6 million in 2017 are presented as part of Finance costs under the Other Income (Charges) account in the consolidated statements of income (see Note 20.1).

Accrued dealers' incentives pertain to rebates awarded to dealers once certain level of sales were achieved during a particular period.

Unearned rent income resulted from the recognition of day-one gain on discounting of rental deposits, which are amortized over the remaining lease term.

The outstanding deferred output VAT arises from the outstanding receivables on the Group's sale of services.

Advances from customers pertain to the integration services in progress and customer deposit on sale of goods paid in advance to the Group.

A provision is recognized for expected warranty claims on products sold during the year based on the Group's past experience on the level of repairs and returns. The movements in the Reserve for warranty costs account are as follows:

	Notes	**2019**	2018
Balance at beginning of year		**P 2,623,381**	P 1,448,684
Provisions for warranty claims	18	**16,768,848**	28,525,080
Actual warranty claims		**(16,860,145)**	(27,350,383)
Reversal of reserve for warranty claims	19	**(795,043)**	-
Balance at end of year		**P 1,737,041**	P 2,623,381

Other payables primarily consist of payroll-related liabilities and due to government agencies for unpaid contributions for social security and other benefits of the Group's employees.

In 2019, 2018 and 2017, the Group has written off certain trade and other payables as management assessed that these liabilities will not be collected anymore. The related gains amounting to P2.9 million, P0.3 million and P1.3 million, respectively, are presented as part of Other Gains in the consolidated statements of income (see Note 20.3).

Management considers the carrying amounts of trade and other payables recognized in the statements of financial position to be reasonable approximation of their fair values.

16. REFUNDABLE DEPOSITS

SMC, Kita and ZTC have long-term refundable deposits from various tenants totaling P23.5 million and P29.3 million as at December 31, 2019 and 2018, respectively. The refundable deposits are remeasured at amortized cost using the effective interest ranging from 3.48% to 6.25% at the inception of the lease terms.

SMC recognized gain on discounting of its refundable deposits amounting to P0.2 million and P0.5 million in 2019 and 2017, respectively, and are presented as part of the Finance Income in the consolidated statements of income (see Note 20.2). On the other hand, in 2018, SMC recognized loss on discounting of its refundable deposits amounting to P0.2 million and is presented as part of Finance Costs in the consolidated statements of income (see Note 20.1).

In 2019, Kita returned to its lessees certain security deposits amounting to P5.2 million. There was no similar transaction occurred in 2018.

The refundable deposits with maturity of more than one year are shown as a separate line item under Non-current Liabilities account in the consolidated statements of financial position.

17. COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES

17.1 Cost of Sales

The details of this account are shown below.

	Notes	**2019**	2018	2017
Merchandise inventories at beginning of year	8	**P 798,017,743**	P 641,446,868	P 863,290,614
Net purchases of merchandise inventories during the year	18, 25.1, 25.5	**568,871,114**	2,625,034,510	2,697,095,219
Goods available for sale		**1,366,888,857**	3,266,481,378	3,560,385,833
Merchandise inventories at end of year	8	**(180,270,311)**	(798,017,743)	(641,446,868)
Net provision (reversal of allowance) for inventory obsolescence	8	**(8,650,495)**	(68,614,920)	51,110,095
	18	**P 1,177,968,051**	P 2,399,848,715	P 2,970,049,060

17.2 Cost of Services

The following are the breakdown of direct costs and expenses from rendering of services:

	Notes	**2019**	2018	2017
Outside services		**P189,812,351**	P 47,268,947	P163,448,547
Subcontracting services		**97,070,053**	54,879,685	91,176,417
Materials, supplies and other consumables		**93,663,373**	130,624,545	105,595,086
Service fees	26.3	**87,967,104**	79,178,444	40,300,756
Salaries and employee benefits	21.1	**64,590,362**	58,313,006	58,333,359
Depreciation and amortization	10.1, 11	**45,122,750**	45,432,147	45,618,535
Equipment cost	11	**36,060,896**	8,951,680	115,699,072
Communication, light and water		**29,872,910**	30,917,700	30,428,513
Transportation and travel		**22,509,326**	18,462,452	15,847,199
Food and beverage		**14,321,365**	12,118,390	24,725,309
Repairs and maintenance		**11,231,275**	11,904,584	8,209,412
Rentals	10.3, 27.2	**6,679,699**	35,372,264	183,880,158
Integration		**779,709**	861,818	8,018,209
Others		**18,144,386**	18,853,834	24,473,361
	18	**P717,825,559**	P553,139,496	P915,753,933

17.3 Cost of Rentals

The details of this account are as follows:

	Notes	**2019**	2018	2017
Taxes and licenses	12	**P 31,501,641**	P 31,886,225	P 39,980,258
Depreciation and amortization	11	**30,101,396**	9,565,245	3,394,270
Rentals	10.3, 27.2	**16,029,015**	16,728,546	11,467,507
Outside services		**6,703,048**	27,072,431	14,608,570
Repairs and maintenance	12	**4,509,381**	5,371,838	4,783,421
Salaries and employee benefits	21.1	**944,372**	831,449	2,413,462
Others	12	**8,010,455**	5,223,059	468,503
	18	**P 97,799,308**	P 96,678,793	P 77,115,991

Others primarily consists of labor costs, materials, supplies and transportation and travel expenses.

17.4 Cost of Real Estate Sales

This account pertains to the Group's cost of condominium units and parking lots amounting to P3.8 million, P6.6 million and P14.1 million in 2019, 2018 and 2017, respectively (see Note 18).

18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2019	2018	2017
Net purchases of merchandise inventories	17.1, 25.1, 25.5	**P 568,871,114**	P 2,625,034,510	P 2,697,095,219
Salaries and employee benefits	21.1, 21.2, 25.6	**274,044,327**	235,398,214	257,491,822
Outside services		**266,937,291**	144,034,970	242,066,904
Depreciation and amortization	10, 11, 13.2	**105,965,285**	77,494,526	85,528,588
Materials, supplies and other consumables	17.1	**99,033,164**	96,588,456	105,595,086
Subcontracting services		**90,323,073**	275,309,970	225,418,410
Service fees	26.3	**87,967,104**	91,296,834	40,300,756
Utilities and communication		**77,337,014**	82,013,670	61,367,400
Taxes and licenses		**68,173,460**	73,362,388	92,907,763
Transportation and travel		**49,310,079**	49,620,282	28,987,519
Equipment cost		**36,060,896**	8,951,680	115,699,072
Repairs and maintenance		**28,255,770**	36,120,847	21,316,518
Rentals	10.3, 27.2	**26,336,714**	24,358,897	212,499,305
Advertising and promotions		**26,325,405**	37,438,394	35,838,885
Provisions for warranty claims	15	**16,768,848**	28,525,080	27,223,140
Food and beverage		**13,901,365**	3,490,641	24,725,309
Installation cost		**9,712,418**	1,262,707	13,857,773
Representation and entertainment		**8,281,075**	6,372,029	-
Loss on unrecoverable advances	25.1	**5,722,019**	60,352,888	-
Cost of condominium units and parking lots	17.4	**3,796,170**	6,620,959	14,148,749
Integration		**779,709**	861,818	10,862,109
Excess of actual over standard input VAT		**481,572**	829,460	15,221,644
Warranty claims		**-**	45,753,040	15,615,301
Impairment losses on property and equipment	11	**-**	-	14,346,250
Changes in merchandise, finished goods and work-in-process inventories	17.1	**617,747,432**	(156,570,875)	221,843,746
Net provision (reversal) for inventory obsolescence	8	**(8,650,495)**	(68,614,920)	51,110,095
Miscellaneous		**90,920,686**	42,989,604	44,693,487
		P 2,564,401,495	P 3,828,896,069	P 4,675,760,850

These expenses are classified in the consolidated statements of income as follows:

	Notes	2019	2018	2017
Cost of sales	17.1	**P 1,177,968,051**	P 2,399,848,715	P 2,970,049,060
Cost of services	17.2	**717,825,559**	553,139,496	915,753,933
Cost of rentals	17.3	**97,799,308**	96,678,793	77,115,991
Cost of real estate sales	17.4	**3,796,170**	6,620,959	14,148,749
Selling and distribution costs		**172,967,211**	310,659,576	330,955,769
General and administrative expenses		**394,045,196**	461,948,530	367,737,348
		P 2,564,401,495	P 3,828,896,069	P 4,675,760,850

19. OTHER OPERATING INCOME (EXPENSE)

The breakdown of this account is as follows:

	Notes	**2019**	2018	2017
Fair value gains on investment property – net	12	**P 277,777,788**	P 276,865,052	P 135,678,910
Income from utilities charged to tenants		**36,505,698**	26,026,791	19,929,905
Common usage service area	25.2	**16,283,304**	14,696,058	11,567,900
Revenue share from embedded third party application		**2,047,915**	7,055,691	6,302,100
Reversal of reserve for warranty costs	15	**795,043**	-	660,230
Excess of standard over actual input VAT		**236,976**	2,953,427	-
Gain on sale of investment property	12	**-**	-	37,510,547
Forfeited customer deposit		**-**	-	10,435,789
Forfeited refundable deposit		**-**	-	1,711,096
Penalties arising from lease contract		**-**	-	400,598
Miscellaneous		**(240,948)**	11,528,037	-
		P 333,405,776	P 339,125,056	P 224,197,075

20. OTHER INCOME (CHARGES)

Other Income (Charges) include details of Finance Costs account, Finance Income account and Other Gains account as presented in the consolidated statements of income.

20.1 Finance Costs

This account consists of the following:

	Notes	**2019**	2018	2017
Foreign currency exchange losses		**P 23,038,855**	P 83,708	P 4,863,620
Interest expense on interest-bearing loans	14	**3,132,075**	4,690,998	2,834,528
Impairment losses on trade and other receivables – net	6.7	**2,310,564**	4,813,474	3,644,563
Interest expense on lease liabilities	10.4	**1,027,210**	-	-
Interest amortization on refundable deposits	16	**717,325**	689,536	1,555,880
Loss on refundable deposit discounting	16	**-**	203,516	-
Miscellaneous		**198,407**	313,802	-
		P 30,424,436	P 10,795,034	P 12,898,591

20.2 Finance Income

This account consists of the following:

	Notes	2019	2018	2017
Interest income from cash and cash equivalents, short-term placements and restricted cash	5	**P 44,107,124**	P 42,422,471	P 23,400,466
Increase in cash surrender value of investment in life insurance	6.4	**43,487,753**	6,441,848	27,177,277
Interest income from deposits on acquisition of land	13.4	**6,477,329**	-	-
Interest income from real estate sale	6.1	**1,560,316**	1,604,898	2,131,985
Gain on discounting of refundable deposit	16	**225,755**	-	486,937
Foreign currency exchange gains		**49,997**	37,883,122	6,344,923
Gain on redemption of financial assets at FVTPL		**-**	-	5,918,418
		P 95,908,274	P 88,352,339	P 65,460,006

20.3 Other Gains

The breakdown of this account is as follows:

	Notes	2019	2018	2017
Net interest income on retirement benefit asset	21.2	**P 7,448,481**	P 3,639,566	P 3,723,337
Gain on derecognition of liabilities	15	**2,913,521**	325,989	1,293,384
Gain on sale of property and equipment	11	**482,899**	1,211,597	1,533,248
Refund of deposits of electricity		**-**	-	6,199,033
Reversal of allowance for inventory obsolescence		**-**	-	488,578
Dividend income		**-**	-	219,272
Sale of scrap		**-**	-	-
Miscellaneous		**2,189,354**	1,613,924	4,269,403
		P 13,034,255	P 6,791,076	P 17,726,255

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are summarized below (see Note 25.6).

	Notes	2019	2018	2017
Short-term benefits		**P 261,885,183**	P 217,349,277	P 237,813,913
Post-employment benefits	21.2	**12,159,144**	18,048,937	19,677,909
	18	**P 274,044,327**	P 235,398,214	P 257,491,822

These expenses are classified in the consolidated statements of income as follows:

	Notes	2019	2018	2017
General and administrative expenses		**P 187,156,149**	P170,038,939	P 190,053,510
Cost of services	17.2	**64,590,362**	58,313,006	58,333,359
Selling and distribution costs		**21,353,444**	6,214,820	6,691,491
Cost of rentals	17.3	**944,372**	831,449	2,413,462
	18	**P 274,044,327**	P 235,398,214	P 257,491,822

21.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Parent Company and certain subsidiaries maintain a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The Group's post-employment benefit plan provides retirement benefits ranging from 100% to 115% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2019, 2018 and 2017.

The amounts of retirement benefit asset recognized in the consolidated statements of financial position are determined as follows:

	2019	2018
Fair value of plan assets	**P 203,053,778**	P 185,016,569
Present value of obligation	**(81,411,389)**	(58,627,118)
	P 121,642,389	P 126,389,451

On the other hand, the retirement benefit obligation recognized by certain subsidiaries, which does not have an established post-employment benefit plan, amounted to P33.6 million and P26.7 million as of December 31, 2019 and 2018, respectively.

The movements in the fair value of plan assets of the Group are presented below.

	2019	2018
Balance at beginning of year	**P 185,016,569**	P 182,254,873
Interest income	**13,767,510**	10,343,781
Contributions	**-**	3,279,243
Benefits paid	**(1,499,451)**	(1,392,100)
Transfer to affiliates	**-**	(270,000)
Return on plan assets (excluding amounts included in net interest)	**5,769,150**	(9,199,228)
Balance at end of year	**P 203,053,778**	P 185,016,569

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2019	2018
Balance at beginning of year	**P 85,343,561**	P 114,356,452
Current service costs	**12,159,144**	18,048,937
Interest costs	**6,319,029**	6,704,215
Benefits paid	**(1,499,451)**	(1,392,100)
Benefits paid from book reserve	**(1,094,184)**	(861,946)
Remeasurements – actuarial losses (gains) arising from:		
Changes in financial assumptions	**17,164,114**	(39,726,470)
Experience adjustments	**(3,386,403)**	(11,785,527)
Balance at end of year	**P 115,005,810**	P 85,343,561

In 2019, the significant actuarial loss arising from the financial assumptions pertains to the effects of differences between the discount rates and salary projection rates used while the gain arising from experience adjustments pertains to the effects of differences between the previous actuarial assumptions and what has actually occurred, including the changes in those actuarial assumptions during the applicable reporting periods.

The plan assets consist of the following as of December 31 (see Note 25.7):

	2019	2018
Debt securities:		
Philippines government bonds	**P 187,867,978**	P 151,343,063
Corporate bonds	**415,954**	13,639,811
UITF	**12,947,186**	13,277,604
Mutual funds	**25,273**	1,095,947
Other assets	**1,797,387**	5,660,144
	P 203,053,778	P 185,016,569

Other assets pertain to accrued income receivable from the debt securities.

The fair values of the debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). Mutual funds and UITF are classified both as Level 2 while other assets are classified as Level 3 in the fair value hierarchy.

The plan assets earned a net return of P19.5 million, P1.1 million and P4.4 million in 2019, 2018 and 2017, respectively.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts of post-employment benefit expense recognized in the consolidated statements of income and consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are presented below.

	Notes	**2019**	2018	2017
Reported in consolidated statements of income:				
Current service cost	21.1	**P 12,159,144**	P 18,048,937	P 19,677,909
Net interest income	20.3	**(7,448,481)**	(3,639,566)	(3,723,337)
		P 4,710,663	P 14,409,371	P 15,954,572
Reported in consolidated statements of comprehensive income:				
Actuarial gains (losses) from:				
Changes in financial assumptions		**(P 17,164,114)**	P 39,726,470	P 5,078,640
Changes in experience adjustments		**3,386,403**	11,785,527	13,236,283
Changes in demographic assumption		**-**	-	(1,226,782)
Return on plan assets (excluding amounts included in net interest)		**5,769,150**	(9,199,228)	(5,757,379)
	23.3	**(P 8,008,561)**	P 42,312,769	P 11,330,762

Current service cost is presented as part of salaries and employee benefit account under the General and Administrative Expenses account in the consolidated statements of income (see Notes 18).

The net interest income is included in Other Gains account in the consolidated statements of income (see Note 20.3). Amounts recognized in other comprehensive income, net of tax, were classified within items that will not be reclassified subsequently to profit or loss in the consolidated statements of comprehensive income.

For determination of the post-employment benefit obligation, the following actuarial assumptions were used:

	2019	2018	2017
Discount rates	**4.67% - 5.21%**	7.24% - 7.51%	5.58% - 5.70%
Salary increases rate	**7.00%**	8.00%	9.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of employees before retirement at the age of 60 ranges from 6.49 to 25.0 years for males and 9.39 to 25 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has generally concentrated on investment in debt securities, although the Group also invests in UITF and mutual funds.

(ii) Longevity and Salary Risks

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) Inflation Risk

A significant proportion of the DBO is linked to inflation. The increase in inflation will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2019 and 2018:

	Impact on Post-employment Benefit Asset/Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2019			
Discount rate	**+/- 0.5%**	**(P 7,091,015)**	**P 8,211,858**
Salary increase rate	**+/- 1.0%**	**16,484,877**	**(12,778,443)**
2018			
Discount rate	+/- 0.5%	(P 1,542,398)	P 3,770,445
Salary increase rate	+/- 1.0%	7,801,756	(2,600,242)

The sensitivity analysis above is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the DBO as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the DBO recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as at December 31, 2019 and 2018 consists of government and corporate debt securities, although the Group also invests in UITF and mutual funds.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P121.6 million based on the latest actuarial valuation.

The Group does not expect to make any contribution to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2019	2018
Within one year	**P 3,669,458**	P 1,952,747
More than one year to 5 years	**29,371,084**	25,591,195
More than 5 years to 10 years	**51,226,601**	40,379,247
More than 10 years to 15 years	**99,626,819**	97,446,235
More than 15 years to 20 years	**145,771,418**	174,123,309
More than 20 years	**1,864,958,026**	1,937,142,092
	P2,194,623,406	P2,276,634,825

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years.

22. TAXES

22.1 Registration with Economic Zone Authorities

(a) Registration with Clark Development Corporation (CDC)

Kita is registered with the CDC under Republic Act (R.A.) No. 7227, *The Bases Conversion and Development Act of 1992*, as amended under R.A. No. 9400, *An Act Amending R.A. 7227, as amended, Otherwise Known as the Bases Conversion and Development Act of 1992, and for Other Purposes.* As a registered business enterprise within the Clark Freeport Zone (CFZ), Kita is exempted from national and local taxes and is entitled to tax and duty free importation of raw materials, equipment, household and personal items. In lieu of these taxes, Kita is subject to a 5% preferential tax rate on its registered activities until April 12, 2019. However, the 30% regular corporate income tax (RCIT) rate is applied to income which comes from sources other than Kita's registered activities. Kita is subject to RCIT or minimum corporate income tax (MCIT), whichever is higher, for all of its transactions starting April 13, 2019.

(b) Registration with Philippine Economic Zone Authority (PEZA)

SMC is registered with the PEZA as an Ecozone Facilities Enterprise at the Laguna International Industrial Park – Special Economic Zone (LIIP – SEZ). As an Ecozone Facilities Enterprise, SMC shall lease its building in LIIP – SEZ to PEZA-registered export enterprises located therein. SMC is subject to 5% tax on gross income earned on such facilities in lieu of all national and local taxes. In 2019, 2018 and 2017, however, SMC did not have transactions with PEZA-registered entities.

On July 1, 1998, the PEZA approved Starworld's registration as an Ecozone developer and operator of the CPIP – Special Economic Zone located at Bo. Parian, Calamba City. Under the terms of the registration and subject to certain requirements, Starworld shall be exempt from all national and local taxes and instead will be subject to the 5% preferential tax rate on gross income after allowable deductions.

22.2 Current and Deferred Taxes

The components of tax expense reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2019	2018	2017
Reported in consolidated statements of income:			
Current tax expense:			
RCIT at 30%	**P 68,765,479**	P 42,347,249	P 76,509,461
Final tax at 20%; 15% in 2019 and 2018, and 7.5% in 2017	**36,176,872**	23,269,704	12,149,899
MCIT at 2%	**1,524,840**	4,154,042	1,634,734
Preferential tax at 5%	**192,015**	406,045	1,590,086
	106,659,206	70,177,040	91,884,180
Application of excess MCIT	**(878,201)**	(2,011,564)	(624,265)
Deferred tax expense relating to origination and reversal of temporary differences	**180,434,356**	27,814,413	66,589,042
	P 286,215,361	P 95,979,889	P 157,848,957
Reported in consolidated statements of comprehensive income:			
Deferred tax expense (income) on remeasurements of defined benefit post-employment plan	**(P 2,051,534)**	P 12,097,306	P 2,596,877
Deferred tax expense (income) on changes in fair value of financial assets at FVOCI	**(300,000)**	1,560,000	-
Deferred tax expense on changes in fair value of AFS financial assets	**-**	-	210,000
	(P 2,351,534)	P 13,657,306	P 2,806,877

The reconciliation of tax on gross and pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	2019	2018	2017
Tax on gross profit at 5% and pretax profit at 30%	**P 199,476,622**	P 114,832,611	P 168,438,294
Adjustment for income subjected to lower tax rates	**(19,509,171)**	(14,555,307)	(5,473,954)
Tax effects of:			
Unrecognized deferred tax assets from net operating loss carry-over (NOLCO) and MCIT and other temporary differences	**96,885,363**	9,425,707	1,536,048
Nontaxable income	**(65,987,688)**	(2,181,089)	(8,379,376)
Benefit from previously unrecognized NOLCO, MCIT and other temporary differences	**10,704,721**	(891,219)	-
Excess of optional standard deduction over itemized deductions	**(1,994,139)**	(274,394)	(402,113)
Impairment loss on receivables	**707,361**	427,108	750,797
Nondeductible expenses and losses	**560,625**	1,030,724	2,407,938
Post-employment defined benefits	**210,588**	306,502	(329,165)
Application of unrecognized MCIT	**(152,578)**	128,080	(624,265)
Income of foreign subsidiary not subject to taxes	**-**	142,705	(39,197)
Deferred income subject to RCIT	**-**	(12,379,050)	-
Others	**65,313,657**	(32,489)	(36,050)
	P 286,215,361	P 95,979,889	P 157,848,957

The net deferred tax assets of certain subsidiaries as of December 31 relate to the following:

	2019	2018
Deferred tax assets:		
Allowance for impairment on trade and other receivables	**P 24,152,706**	P 22,068,023
Allowance for inventory obsolescence	**20,890,811**	22,261,175
Accrued expenses	**6,775,706**	29,561,228
Retirement benefit obligation	**6,367,013**	6,160,507
Fair value loss on investment property	**4,571,847**	3,175,333
PFRS 16 adoption	**2,834,788**	-
Unrealized foreign currency loss	**1,839,332**	-
NOLCO	**973,127**	66,391,846
Provision for warranty claims	**521,112**	-
Deferred rental income	**20,089**	-
MCIT	**-**	8,042,821
	68,946,531	157,660,933
Deferred tax liabilities:		
Equity investments in FVOCI	**(1,650,000)**	-
Accumulated depreciation on investment property	**(845,024)**	-
Unrealized foreign currency gains	**-**	(951,801)
	(2,495,024)	(951,801)
Deferred tax assets – net	**P 66,451,507**	P 156,709,132

The net deferred tax liabilities of the Parent Company and other subsidiaries as of December 31 relate to the following:

	2019	2018
Deferred tax assets:		
Unearned rent income	**P 5,904,668**	P 5,716,401
Allowance for impairment on trade and other receivables	**4,907,033**	8,212,061
Impairment losses on property and equipment	**4,303,875**	4,303,875
Impairment losses on trade and other receivables	**3,069,833**	-
Amortization of lease liabilities	**2,786,805**	-
Loss on investment in subsidiaries	**838,709**	838,709
Allowance for inventory obsolescence	**695,920**	1,920,705
Unamortized past service costs	**353,658**	449,185
Deferred rent income	**230,929**	-
Unrealized foreign currency loss	**4,228**	-
Provisions for warranty claims	**-**	787,014
MCIT	**-**	566,293
	23,095,658	22,794,243
Deferred tax liabilities:		
Fair value gains on investment property – net	**(825,888,045)**	(585,968,203)
Retirement benefit asset	**(33,979,652)**	(36,985,979)
Excess of FV over cost of property	**(14,653,835)**	(14,433,336)
Accumulated depreciation on investment property	**(7,449,512)**	(153,256,972)
Unrealized foreign currency gains	**(6,561,519)**	(7,927,232)
Accrued rent income	**(4,409,657)**	(4,376,851)
Accumulated amortization on right-of-use asset	**(2,156,739)**	-
Changes in fair value of financial assets at FVOCI	**(1,710,000)**	(3,126,543)
	(896,808,959)	(806,075,116)
Deferred tax liabilities – net	**(P 873,713,301)**	(P 783,280,873)

The components of net deferred tax expense (income) reported in the consolidated statements of income are as follows:

	2019	2018	2017
Fair value gains on investment property – net	**P 82,838,337**	P 83,059,516	P 45,989,950
NOLCO	**65,418,719**	(65,897,971)	4,824,320
Accrued expenses	**23,042,053**	-	-
Accumulated depreciation on investment property	**9,228,783**	(7,014,121)	10,917,024
Excess of MCIT over RCIT	**8,609,114**	(2,019,900)	25,517,625
Unrealized foreign currency gains (losses) – net	**(4,161,074)**	5,887,266	(2,111,743)
PFRS 16 adoption	**(3,464,854)**	-	-
Allowance for inventory obsolescence	**2,595,149**	19,825,380	(15,333,029)
Allowance for impairment on trade and other receivables	**(2,565,851)**	(2,125,577)	(321,143)
Retirement benefit asset	**(1,161,299)**	(3,047,956)	(8,122,932)
Provision for warranty claims	**265,902**	(352,409)	395,409
Unearned rent income	**(188,267)**	(630,033)	28,177
Unamortized past service costs	**95,527**	149,775	130,590
Accrued income	**(87,364)**	(56,313)	-
Deferred rent income	**(30,519)**	149,251	(137,041)
Reserve for commission	**-**	(501,670)	5,168,062
Refundable deposits	**-**	389,175	1,247,766
Unamortized pre-operating expenses	**-**	-	(1,556,619)
Changes in fair value of financial assets at FVTPL	**-**	-	(47,374)
	P 180,434,356	P 27,814,413	P 66,589,042

The deferred tax expense in 2018 and 2017 amounting to P13.7 million and P2.6 million, respectively, and the deferred tax income in 2019 amounting to P2.4 million in the consolidated statements of comprehensive income pertains to the tax effect of the changes in fair value of financial assets at FVOCI (AFS in 2017) and remeasurements of post-employment defined benefit plan (see Note 23.3).

The details of the Group's NOLCO are as follows:

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2019	P 287,916,072	P -	P -	P 287,916,072	2022
2018	226,621,411	(532,846)	-	226,088,565	2021
2017	22,095,114	(1,197,516)	-	20,897,598	2020
2016	30,461,687	(8,792,921)	(21,668,766)	-	
	P 567,094,284	**(P 10,523,283)**	**(P 21,668,766)**	**P 534,902,235**	

The Group is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher. The details of the Group's MCIT are as follows:

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2019	P 1,524,840	P -	P -	P 1,524,840	2022
2018	4,147,314	(182,339)	-	3,964,975	2021
2017	78,115	(78,115)	-	-	2020
2016	13,102,960	(9,132,418)	(3,970,542)	-	
	P 18,853,229	**(P 9,392,872)**	**(P 3,970,542)**	**P 5,489,815**	

The Group did not recognize deferred tax assets on NOLCO, MCIT and other deductible temporary differences of certain subsidiaries as management has assessed that those subsidiaries may not be able to realize their related tax benefits within the prescribed availment period. The NOLCO, MCIT and other deductible temporary differences as of December 31 for which the related deferred tax assets have not been recognized by certain entities in the Group are shown below.

	2019		2018		2017	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
AFS financial assets	**P 829,222,559**	**P 248,766,768**	P 829,222,559	P 248,766,768	P 3,809,492	P 1,142,848
NOLCO	**330,732,081**	**99,219,624**	62,219,347	18,665,804	61,381,137	18,414,342
Allowance for impairment of trade receivables	**16,916,436**	**5,074,931**	13,600,000	4,080,000	13,600,000	4,080,000
Unrealized foreign currency gains (losses) – net	**8,034,540**	**2,410,362**	-	-	(356,304)	(106,891)
MCIT	**1,777,805**	**1,777,805**	-	-	-	-
Retirement benefit obligation	**1,606,127**	**481,838**	-	-	-	-
Allowance for inventory obsolescence	**165,422**	**49,627**	-	-	-	-
	P 1,188,454,970	**P 357,780,955**	P 905,041,906	P 271,512,572	P 78,434,325	P 23,530,299

The deferred tax liability on unrealized foreign currency gains in 2018 and 2017 were not recognized since the Group has sufficient deferred tax assets to cover any future tax liability that will arise once this gain has been realized. In 2018, SGI recognized DTL on unrealized foreign exchange gain amounting to P2.7 million.

In 2019, 2018 and 2017, the Group claimed itemized deductions in computing its income tax due, except for SBC and ZTC, which opted to claim OSD in those years.

23. EQUITY

23.1 Capital Stock

The Parent Company has a total authorized capital stock of P5.0 billion divided into 5,000,000,000 shares with P1 par value.

On June 18, 1996, the Commission issued an Order approving the Registration Statement covering the securities which comprised the Parent Company's entire authorized capital stock. On September 4, 1996, the Parent Company's shares were listed in the PSE and the trading of offer shares commenced. The Parent Company offered to the public 665,000,000 shares at an offer price of P5.85 per share. The offer shares consist of 524,475,000 primary shares (new shares) and 140,525,000 secondary shares (existing shares).

As of December 31, 2019 and 2018, the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 394,212,704 and 386,922,704 shares are held by the public in 2019 and 2018, respectively. There are 3,387 and 3,396 holders of the listed shares which closed at P1.22 and P1.32 per share on December 31, 2019 and 2018, respectively.

23.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2019, 2018 and 2017 as follows:

Date of Declaration	Stockholders of Record as of	No. of Shares Outstanding	Amount per Share	Total
August 8, 2019	August 31, 2019	1,821,542,000	P 0.06	P 109,292,520
August 10, 2018	August 31, 2018	1,821,542,000	0.06	109,292,520
August 11, 2017	August 31, 2017	1,821,542,000	0.07	127,507,940

The dividends were paid within their respective year of declaration and approval. Retained earnings is restricted in the amount of P115.6 million as of December 31, 2019 and 2018, equivalent to the cost of 209,433,000 shares held in treasury.

23.3 Revaluation Reserves

The components of this account and its movements are as follows:

	Notes	**2019**	2018	2017
Remeasurement of post-employment benefit:				
Balance at beginning of year		**P 50,969,224**	P 20,753,761	P 12,019,876
Actuarial gains (loss) during the year	21.2	**(8,008,561)**	42,312,769	11,330,762
Tax income (expense)	22.2	**2,051,534**	(12,097,306)	(2,596,877)
Balance at the end of the year		**45,012,197**	50,969,224	20,753,761
Cumulative translation adjustments:				
Balance at beginning of year		**(17,825,788)**	(40,409,549)	(40,729,408)
Currency exchange differences on translating financial statements of foreign operations		**(17,022,948)**	22,583,761	319,859
Balance at end of year		**(34,848,736)**	(17,825,788)	(40,409,549)
Unrealized fair value losses financial on financial assets at FVOCI/ AFS financial assets:				
Balance at beginning of year		**9,046,719**	4,012,599	1,131,865
Fair value gains (losses) – net	7	**(1,000,000)**	6,500,000	2,920,815
Derecognition of financial asset at FVOCI	7	**-**	94,120	-
Tax income (expense)	22.2	**300,000**	(1,560,000)	(210,000)
Balance at end of year		**8,346,719**	9,046,719	3,842,680
Other comprehensive income attributable to non-controlling interest		**35,000**	35,000	35,000
		P 18,545,180	P 42,225,155	(P 15,778,108)

24. EARNINGS PER SHARE

Basic and diluted earnings for profit attributable to the Parent Company's stockholders are computed as follows:

	2019	2018	2017
Net profit for the year attributable to the Parent Company's stockholders	**P 216,338,757**	P 247,055,719	P 397,050,247
Divided by weighted average shares outstanding:			
Number of shares issued	**2,030,975,000**	2,030,975,000	2,030,975,000
Treasury shares	**(209,433,000)**	(209,433,000)	(209,433,000)
	1,821,542,000	1,821,542,000	1,821,542,000
Earnings per share – basic and diluted	**P 0.12**	P 0.14	P 0.22

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2019, 2018 and 2017; hence, diluted earnings per share is equal to the basic earnings per share.

25. RELATED PARTY TRANSACTIONS

The Group's related parties include other companies owned by the Parent Company's majority stockholders and the Group's key management personnel as described below and in the succeeding pages.

The summary of the Group's significant transactions in 2019, 2018 and 2017 with its related parties and the outstanding balances as of December 31, 2019 and 2018 are presented below.

		Amounts of Transaction			Outstanding Receivable (Payable)	
Related Party Category	Notes	**2019**	2018	2017	**2019**	2018
Related Parties Under Common Ownership:						
Purchase of mobile phones	25.1	**P 395,991,231**	P 2,402,888,346	P 2,553,884,042	**P -**	(P 3,137,078)
Advances to suppliers	25.1	**112,171,986**	(222,764,208)	2,581,598,142	**266,398,055**	4,081,344
Commissions	25.5	**61,189,656**	2,381,237	1,501,182	**68,435,719**	2,381,237
Lease of real property	25.2	**14,036,114**	6,172,274	2,393,875	**206,004**	-
Purchase of spare parts	25.1	**12,495,522**	27,576,311	27,714,099	**(8,653,195)**	(9,259,375)
Sale of goods	25.8	**5,637,083**	1,478,076	13,058,613	**361,969**	-
Rendering of services	25.9	**3,748,808**	4,023,357	4,462,209	**681,630**	831,204
Purchase of supplies and services	25.1	**6,316,021**	-	5,879,937	**(3,970,966)**	-
Interest income	25.3	**880,000**	938,444	1,070,519	**-**	-
Cash advances granted (paid)	25.4	**(397,788)**	225,585	-	**9,047,868**	9,445,656
Cash advances obtained	25.4	**-**	(1,911,535)	-	**(1,881,570)**	(1,881,570)
Granting (collection) of business loans	25.3	**-**	(1,000,000)	(2,000,000)	**-**	11,000,000
Refundable deposits	25.2	**-**	108,000	-	**(524,250)**	(524,250)
Others:						
Key management personnel compensation	25.6	**45,403,458**	49,080,417	43,301,964	**-**	-

None of the companies under the Group is a joint venture. The Parent Company is not subject to joint control. Related parties that exercise significant influence over the Parent Company are AA Commercial, Inc. and AV Value Holdings Corporation.

Unless otherwise stated, the Group's outstanding receivables from and payables to related parties arising from advances, sale and purchase of goods, management services and other services, are unsecured, noninterest-bearing and generally settled in cash within 12 months from the end of the reporting period.

Similar to trade receivables, the Group's receivables with related parties were assessed for impairment using the Group's simplified approach of ECL model. These receivables have substantially the same risk characteristics as the trade receivables. As such, the expected loss rates for trade receivables are a reasonable approximation of the loss rates for receivables from related parties.

Based on the management assessment, no impairment loss is required to be recognized in 2019 and 2018 as determined using the provision matrix.

25.1 Purchase of Goods, Supplies and Services

In 2019, 2018 and 2017, MySolid purchased mobile phones, tablets and accessories at prevailing market prices from STL amounting to P408.5 million, P2,430.5 million and P2,581.6 million respectively, and recorded as part of Net purchases under Cost of Sales in the consolidated statements of income (see Note 17.1). The outstanding payable from these purchases amounting to P8.7 million and P12.4 million as of December 31, 2019 and 2018 are shown as part of Trade payables under the Trade and Other Payables in the consolidated statements of financial position (see Note 15).

Further, My Solid also made advanced payments to STL, which remained outstanding as of December 31, 2019 and 2018, and are presented as part of Advances to suppliers under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.2). In 2019 and 2018, the management with the approval of the BOD, wrote off certain advances amounting to P1.5 million and P61.0 million, respectively, and is presented as part of Loss on unrecoverable advances under General and Administrative Expenses in the consolidated statements of income (see Note 18).

In 2019, SVC and the Parent Company purchased electronic devices from Avid Sales Corporation (Avid), a related party under common ownership, amounting to P6.0 million and P0.3 million, respectively. In 2017, SVC also purchased electronic devices from Avid amounting to P5.9 million. There were no similar purchases in 2018. The related purchases were recorded as part of Net purchases under Cost of Sales account in the consolidated statement of income (see Note 17.1). The outstanding payable for these purchases as of December 31, 2019, 2018 and 2017, are shown as part of Trade payables under the Trade and Other Payables in the consolidated statements of financial position.

25.2 Lease of Real Property

SMC leases out certain land and buildings to Avid, a related party under common ownership. Also, ZTC leases out its office space to TCL Sun Inc. Revenues arising from these transactions are presented as part of Rentals under the Revenues account of the consolidated statements of income. The outstanding balances arising from rentals and services charges are presented as part of Rental receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.5).

Further, SMC bills service charges to its related parties for common usage and service area and consumption of utilities. Charges arising from these transactions are presented as Common usage service area under Other Operating Income (Expense) account in the consolidated statements of income (see Note 19).

Deposits received from the related parties are refundable at the end of the lease term of the agreements. These are presented as part of Refundable deposits under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

25.3 Granting of Loans

In prior years, SMFI granted unsecured business loan to Avid, a related party under common ownership, with the original principal loan amounting to P80.0 million. This business loan bears an annual interest rate of 8.0% both in 2019 and 2018, and 9.0% in 2017. The loan is payable upon maturity, which is on January 18, 2025. Principal repayment related to this loan amounted to P1.0 million and P2.0 million in 2018 and 2017, respectively. There was no repayment made in 2019.

Total interest earned from these loans amounted to P0.9 million both in 2019 and 2018 and P1.1 million in 2017 and are presented as part of Interest under Revenues account in the consolidated statements of income. The outstanding balance of business loans granted as of December 31, 2019 and 2018 is shown as part of Loans receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.3).

Based on management's evaluation, there were no impairment losses recognized on the outstanding loans receivables granted to related parties in 2019, 2018 and 2017.

25.4 Advances to and from Related Parties

In the normal course of business, certain subsidiaries of the Group grants and obtains unsecured, noninterest-bearing cash advances to and from related parties owned by the Parent Company's majority stockholders for working capital requirements and other purposes.

Advances to and from related parties arise from and are considered as financing activities. The reconciliation of the carrying amounts of these accounts with movements during the reporting periods as presented in the consolidated statements of cash flows is shown below.

(a) *Advances to related parties*

	2019	2018
Balance at beginning of year	**P 9,445,656**	P 9,223,071
Collection of advances	**(397,788)**	-
Advances granted	**-**	222,585
Balance at end of year	**P 9,047,868**	P 9,445,656

(b) Advances from related parties

	2019	2018
Balance at beginning of year	**P 1,881,570**	P 3,793,105
Repayment of advances	**-**	(1,911,535)
Balance at end of year	**P 1,881,570**	P 1,881,570

Outstanding balances with related parties are unsecured, noninterest-bearing, have no fixed repayment and settlement terms, except as disclosed in Note 28.3, and are presented as Advances to and from Related Parties account in the consolidated statements of financial position.

25.5 Transactions with STL

SVC earns commission from sales of STL, a Group owned by SGI's majority stockholders, which is based in Hong Kong, to customers in the Philippines. Commissions earned are presented as part of Rendering of services under Revenues account in the consolidated statements of income. The outstanding balance arising from these transactions as of December 31, 2019 and 2018 are shown as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

In 2019, My Solid earns royalty income from STL based on the amount of sales recognized by STL from its use of My Solid's trademarks and licenses. Royalty income is presented as part of Rendering of services under Revenues account in the 2019 consolidated statement of income. There was no similar transaction in 2018. The outstanding receivables from these transactions, which are generally unsecured, noninterest-bearing and settled through cash are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

25.6 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2019	2018	2017
Short-term benefits	**P 43,843,908**	P 44,246,620	P 41,084,414
Post-employment benefit	**1,545,908**	4,833,797	2,217,550
	P 45,389,816	P 49,080,417	P 43,301,964

These amounts are shown as part of Salaries and employee benefits under General and Administrative Expenses account in the consolidated statements of income (see Notes 18 and 21.1).

25.7 Transactions with the Retirement Fund

The Group has established a formal multi-employer retirement plan which is administered by a trustee bank, except for CBHI, GSHMI, My Solid, SGTC and ZTC, whose retirement fund remained unfunded as of December 31, 2019 and 2018.

The retirement fund consists of government securities, corporate bonds, UITF and mutual funds with fair values totaling P203.1 million and P185.0 million as at December 31, 2019 and 2018, respectively (see Note 21.2). The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also has no investments in the Parent Company's shares of stock which are listed for trading at the PSE.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 21.2.

25.8 Sale of Goods

My Solid and SVC sells mobile phones, tablets and accessories, tapes and equipment to Avid. Revenues from said transactions are presented as part of Sale of Goods under Revenues account in the statements of income. The outstanding receivables from these transactions which are generally unsecured, noninterest-bearing and settled through cash within 30 to 45 days are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

25.9 Rendering of Services

OSSI provides leasing warehouse and distribution services to Avid. Revenues from the said transactions amounting to P3.7 million in 2019, P4.0 million in 2018 and P4.5 million in 2017 are presented as part of Rendering of Services under Revenues account in the consolidated statements of income.

The outstanding receivables arising from these transactions, which are generally unsecured, noninterest-bearing and settled through cash amounted to P0.7 million and P0.8 million as of December 31, 2019 and 2018, respectively, and is presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

25.10 Advances to Officers

In the ordinary course of business, the Group provided unsecured noninterest-bearing advances to its officers subject to liquidation. The outstanding receivable arising from these transactions are presented as part of Advances to officers and employees under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.2).

26. SIGNIFICANT CONTRACTS AND AGREEMENTS

26.1 Memorandum of Understanding with SPI

On July 1, 2003, SEC entered into a Memorandum of Understanding (MOU) with Sony for network support for Sony. Under the MOU, Sony authorized SEC to perform in-warranty and out-of-warranty services to customers in the Philippines for a fee calculated as a percentage of Sony's annual sales.

In-warranty services shall be rendered free of charge to customers. The actual cost of replacement parts related to in-warranty services shall be shouldered by Sony. Network support fees are billed at a fixed rate per month. The agreement is effective unless revoked by any of the parties.

Network support fees and in-warranty service fees relating to Sony products amounted to P94.1 million, P110.6 million and P86.7 million in 2019, 2018 and 2017, respectively, and are presented as part of Rendering of Services in the consolidated statements of income. Outstanding balances arising from these transactions amounted to P17.6 million and P25.1 million as of December 31, 2019 and 2018, respectively, and are included as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

26.2 Distributorship Agreement with Sony Corporation of Hong Kong Limited (Sony HK)

SVC has a non-exclusive Distributorship Agreement (the Agreement) with Sony HK, a corporation organized and existing under and by virtue of the laws of Hong Kong. Under the Agreement, SVC was designated by Sony HK as its non-exclusive distributor of Sony products in the Philippines. In addition, SVC shall provide the customers in the Philippines with repair and parts replacement services, including but not limited to repair and parts replacement services rendered by SVC which are covered under the 12 month-warranty period at its own costs and expenses. Management believes that the Agreement continues to be effective although no formal renewal has been made since 2007.

26.3 Management Agreement with Sky Cable Corporation

SBC and Sky Cable Corporation (SCC) agreed that the management and administration of the sale, assignment and transfer of its assets, equipment, contracts, permits, licenses and subscriber base (the "Assets") of SBC be entrusted to SCC. SCC, as the manager of the Assets, was given the overall power and responsibilities to handle all aspects necessary to carry out the administration and operations of the Assets and SBC, to accord the necessary additional authorizations, should the need arise.

Revenues arising from these transactions amounted to P3.0 million, P2.4 million and P2.2 million in 2019, 2018 and 2017, respectively, and is presented as part of Rendering of Services under Revenues in the consolidated statements of income. The outstanding receivable amounted to P0.4 million and P0.6 million as of December 31, 2019 and 2018, respectively, and is included as part of Trade receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1). The related expense is presented as part of Service fees under Cost of Services account in the consolidated statements of income (see Note 17.2).

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

27.1 Operating Lease Commitments – Group as Lessor

Certain subsidiaries lease out real estate properties under various non-cancellable lease agreements with terms ranging from 1 to 10 years. Some of these lease transactions are subject to 5% to 10% escalation rate.

The future minimum lease receivables under these non-cancellable operating leases as of December 31 are presented below.

	2019	2018
Within one year	**P 133,289,948**	P 116,911,898
After one year but not more than two years	**99,120,094**	72,257,015
After two year but not more than three years	**15,561,713**	68,800,735
After three year but not more than four years	**7,349,215**	40,249,123
After four year but not more than five years	**7,663,319**	5,320,571
More than five years	**46,933,095**	49,148,080
	P 309,917,384	P 352,687,422

The total rent income recognized from these transactions amounted to P250.9 million, P239.2 million and P233.3 million, including rent income resulting from the application of the straight-line basis of revenue recognition in accordance with PFRS 16 (previously PAS 17) in 2019, 2018 and 2017, respectively, and are presented as Rentals under Revenues account in the consolidated statements of income.

27.2 Operating Lease Commitments – Group as Lessee (2018)

The Group has non-cancellable operating lease agreements with various lessors covering several parcels of land, warehouses and offices. These leases have terms of 25 years expiring in 2019. Lease payments are fixed for the first five years. Thereafter, the lease on land is subject to 100% escalation rate every five years while the lease on land improvements is subject to an annual escalation rate of 10%. The future minimum rentals payable under these non-cancellable operating leases as of December 31, 2018 are shown below.

Within one year	P 8,183,429
After one year but not more than five years	10,059,290
	P 18,242,719

Rental expense charged to operations from these operating leases for the year ended December 31, 2018 and 2017 are allocated as follows:

	Notes	2018	2017
Cost of services	17.2	P 35,372,264	P 183,880,158
Cost of rentals	17.3	16,728,546	11,467,507
		P 52,100,810	P 195,347,665

Refundable deposits received in relation to these lease arrangements amounted to P14.3 million as of December 31, 2018. These amounts are presented as part of Other Current Assets and Other Non-current Assets in the consolidated statements of financial position (see Note 13).

27.3 Purchase Commitments

In 2007, ZTC has entered into several construction contracts with various subcontractors for the construction of Tri-Towers condominium building. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, while the construction of Tower 3 has not yet started, yet it has incurred expenses for the planning phase as of December 31, 2019 and 2018 (see Note 9.2). A portion of the retained earnings amounting to P128.0 million was appropriated for this construction.

27.4 Possible Impact of Government Project

In 2005, ZTC received a notification from the Urban Roads Projects Office (URPO) of the Department of Public Works and Highways (DPWH) that the location of the Tri Towers condominium building project might be affected by the plans of the National Government of the Philippines for the construction of the proposed 2nd Ayala Bridge (see Note 9.2). However, the URPO stated that it has not yet undertaken the detailed engineering design that will ascertain if the location of the ZTC's property will be affected by the road's right-of-way. The Group decided to continue the Tri Towers condominium building project despite the notification received from the DPWH because management believes that the likelihood of a possible expropriation of the land is remote given the current status of the government project.

27.5 Option Agreement

Relative to SBC's sale of its broadband assets and subscriber base, the Parent Company granted SCC with an option to purchase the Parent Company's shares in SBC. The said option is exercisable until December 31, 2013. As of December 31, 2013, SCC has not exercised this option (see Note 26.3); hence, the Parent Company still holds the ownership interests in SBC.

27.6 Deficiency Tax Assessments

In prior years, My Solid, SBC and SVC received deficiency tax assessments from the Bureau of Internal Revenue (BIR) indicating various deficiency taxes of those companies and MyTel Mobility Solutions, Inc. (MyTel). MyTel was absorbed by My Solid during its merger on 2012 resulting to the transfer of MyTel's assets and liabilities to My Solid by operations of law. These assessments are currently under protest with the BIR and/or these companies have filed for reinvestigation and/or review with the Court of Tax Appeals. The management believes that My Solid, SBC and SVC have enough evidence to support their claims and that the outcome of such tax assessments will not have a material impact in the Group's consolidated financial statements; hence, no provision was recognized as of December 31, 2019.

27.7 Others

The Group has unused credit facilities amounting to P1.1 billion both in 2019 and 2018.

There are other commitments, guarantees, litigations and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As of December 31, 2019, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Group's consolidated financial statements.

28. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 29. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate continuous returns.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

28.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency denominated trade and other receivables, interest-bearing loans and trade and other payables, which are primarily denominated in U.S. dollars. The Group also holds U.S. dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are as follows:

	2019	2018
Financial assets	**P 138,230,182**	P 19,836,671
Financial liabilities	**(27,036,280)**	(22,875,736)
Short-term exposure	**P 111,193,902**	(P 3,039,065)

The following table illustrates the sensitivity of the Group's profit before tax in 2019, 2018 and 2017 with respect to changes in the exchange rates of Philippine peso against foreign currencies. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months prior to the end of the reporting period at a 99% confidence level.

	2019		2018		2017	
	Reasonably Possible Change in Rate	**Effect in Profit Before Tax**	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Reasonably Possible Change in Rate	Effect in Profit Before Tax
PHP – USD	**12.37%**	**P 13,754,686**	19.64%	(P 596,872)	10.77%	(P 1,293,068)

If the Philippine peso had strengthened against the USD, with all other variables held constant, the Group's profit before tax would have been lower by P13.8 million in 2019 and would have been higher by P0.6 million and P1.3 million in 2018 and 2017, respectively. Conversely, if the Philippine peso had weakened against the USD by the same percentage, with all variables held constant, profit before tax and equity would have been higher in 2019 and lower in 2018 and 2017 by the same amount.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be a reasonable estimation of the Group's currency risk.

(b) Interest Rate Risk

At December 31, 2019 and 2018, the Group is exposed to changes in market interest rates through its cash and cash equivalents and short-term placements (presented under Other Assets), which are subject to variable interest rates (see Notes 5 and 13.1). All other financial assets and financial liabilities have fixed rates.

The following illustrates the sensitivity of profit before tax for the year to a reasonably possible change in interest rates of +/-3.11% in 2019, +/-4.80% in 2018 and +/-1.68% in 2017. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with effect estimated from the beginning of the year. All other variables held constant, if the interest rate increased by 3.11%, 4.80% and 1.68%, profit before tax in 2019, 2018 and 2017, would have increased by P244.1 million, P154.3 million and P47.0 million, respectively. Conversely, if the interest rate decreased by the same percentages, profit before tax in 2019, 2018 and 2017 would have been lower by the same amounts.

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value (i.e., financial assets classified as financial assets at FVTPL and financial assets at FVOCI). The Group manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

28.2 Credit Risk

Credit risk is the risk that the counterparties may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers including related parties, placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of real estate sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position and in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	**2019**	2018
Cash and cash equivalents	5	**P 3,491,034,266**	P 2,455,464,411
Trade and other receivables – net*	6	**1,086,653,102**	1,465,674,107
Short-term placements**	13	**762,445,571**	806,113,523
Refundable deposits**	13	**14,622,612**	14,329,299
Advances to related parties	25.4	**9,047,868**	9,445,656
Cash bond	13	**680,834**	692,234
		P 5,364,484,253	P 4,751,719,230

* *Except for Advances to supplier and Advances to officers and employees*
** *Presented as part of Other Assets*

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality.

(a) Cash and Cash Equivalents and Short-term Placements

The credit risk for cash and cash equivalents in the consolidated statements of financial position, is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Trade and Other Receivables

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

With respect to other receivables from third parties, management assessed that these financial assets have low probability of default since the Group can apply the related payables to these counterparties in case it defaults.

For loans receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about borrower default rates, management considers the credit quality of loans receivables that are not past due or impaired in assessing the credit risk.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic value factor affecting credit risk and ECL for the loan portfolio.

On that basis, the loss allowance as at December 31, 2019 and 2018 was determined based on months past due, for trade and other receivables (except advances to officers and employees, interest receivables and cash surrender value of investment in life insurance) are as follows:

	Not more than 60 days	More than 60 days but not more than 90 days	More than 90 days but not more than 120 days	More than 120 days	Total
December 31, 2019					
Expected loss rate	**2.03%**	**8.61%**	**61.69%**	**83.63%**	
Gross carrying amount	P 313,690,340	P 16,560,563	P 7,265,446	P 109,429,734	P 446,946,083
Loss allowance	**6,364,652**	**1,426,353**	**4,481,810**	**91,513,741**	**103,786,556**
December 31, 2018					
Expected loss rate	0.70%	7.35%	46.33%	81.52%	
Gross carrying amount	P 700,337,226	P 15,404,664	P 12,912,808	P 111,807,429	P 840,462,127
Loss allowance	4,910,231	1,132,967	5,982,723	91,148,981	103,174,902

Except for trade receivables arising from real estate sales, none of the financial assets are secured by collateral or credit enhancements. Trade receivables arising from real estate sales are secured by industrial lots and condominium units sold to buyers and are covered by postdated checks.

The reconciliation of allowance for impairment on trade and other receivables at the beginning and end of 2019 and 2018 is presented in Note 5.

(c) Advances to Related Parties

For intercompany receivables that are repayable on demand, the ECL is based on the assumption that repayment of the receivables is demanded at the reporting date. The management determines the probability of collection upon demand. If a related party is unable to make repayment, the management considers the manner of recovery (i.e., sustained operations, availability of liquid and illiquid asset, etc.) to measure the ECL.

(d) Refundable and Other Deposits

With respect to refundable and other deposits, management assessed that these financial assets have low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit rating). Moreover, the Group has operating lease contracts as lessee with the counterparty lessors, wherein the Group can apply such deposits to future lease payments in case of defaults.

28.3 Liquidity Risk

Liquidity risk is the risk that cash may not be available to meet operating requirements and to pay obligations when due at a reasonable cost. Prudent liquidity risk management requires maintaining sufficient cash and credit facilities at reasonable cost to satisfy current requirements whenever the need arises. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of December 31, 2019 and 2018, the Group's financial liabilities [except for lease liabilities (see Note 10.2)] have contractual maturities, which are presented below.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
2019			
Interest-bearing loans	P 67,956,468	P -	P -
Trade and other payables	385,314,446	-	-
Advances from related parties	1,881,570	-	-
Refundable deposits	-	-	23,491,992
	P455,152,484	**P -**	**P 23,491,992**
2018			
Interest-bearing loans	P126,624,628	P -	P -
Trade and other payables	348,675,821	-	-
Advances from related parties	1,881,570	-	-
Refundable deposits	-	-	29,298,575
	P477,182,019	P -	P 29,298,575

The above contractual maturities reflect the gross cash flows, which may differ with the carrying values of the financial liabilities at the end of reporting period.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

29.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below and in the succeeding page.

		2019		2018	
	Notes	**Carrying Amounts**	**Fair Values**	Carrying Amounts	Fair Values
Financial assets					
At amortized cost:					
Cash and cash equivalents	5	**P 3,491,034,266**	**P 3,491,034,266**	P 2,455,464,411	P 2,455,464,411
Trade and other receivables – net	6	**1,086,653,102**	**1,086,653,102**	1,465,674,107	1,465,674,107
Short-term placements	13	**762,445,571**	**762,445,571**	806,113,523	806,113,523
Refundable deposits	13	**14,622,612**	**14,622,612**	14,329,299	14,329,299
Advances to related parties	25.4	**9,047,868**	**9,047,868**	9,445,656	9,445,656
Cash bond	13	**680,834**	**680,834**	692,234	692,234
		5,364,484,253	**5,364,484,253**	4,751,719,230	4,751,719,230
Financial assets at FVOCI:					
Club shares	7	**26,100,000**	**26,100,000**	27,100,000	27,100,000
		P 5,390,584,253	**P 5,390,584,253**	P 4,778,819,230	P 4,778,819,230

	Notes	2019 Carrying Amounts	2019 Fair Values	2018 Carrying Amounts	2018 Fair Values
Financial liabilities					
At amortized cost:					
Interest-bearing loans – net	14	**P 67,956,468**	**P 67,956,468**	P 126,624,628	P 126,624,628
Trade and other payables	15	**385,314,446**	**385,314,446**	348,675,821	348,675,821
Refundable deposits	16	**23,491,992**	**23,491,992**	29,298,575	29,298,575
Lease liability		**15,363,477**	**15,363,477**	-	-
Advances from related parties	25.4	**1,881,570**	**1,881,570**	1,881,570	1,881,570
		P 494,007,953	**P 494,007,953**	P 506,480,594	P 506,480,594

See Notes 2.5 and 2.12 for a description of the accounting policies for financial assets and financial liabilities, respectively, including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 28.

29.2 Offsetting of Financial Instruments

The Group has not set-off financial instruments as of December 31, 2019 and 2018 and it does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the respective BODs and stockholders of both parties.

The following financial assets presented as part of Advances to related parties under Receivables account in the consolidated statements of financial position can be offset by the amount of outstanding Advances from and Due to a Related Parties account:

	Note	Gross amounts recognized in the consolidated statements of financial position	Related amounts not set off in the consolidated statements of financial position	Net amount
Advances to related parties:	25.4			
December 31, 2019		**P 9,047,868**	**P -**	**P 9,047,868**
December 31, 2018		9,445,656	-	9,445,656
Advances from and due to related parties:	25.4			
December 31, 2019		**P 1,881,570**	**P -**	**P 1,881,570**
December 31, 2018		1,881,570	-	1,881,570

Further, as at December 31, 2019 and 2018, the Group's cash surrender value of investment in life insurance amounting to P738.4 million and P723.2 million, respectively, and presented as part of Trade and Other Receivables account in the consolidated statements of financial position may be used to settle the outstanding loans of BRL amounting to P68.0 million and P123.8 million as at December 31, 2019 and 2018, respectively, and presented as Interest-bearing Loans in the consolidated statements of financial position (see Notes 6.4 and 14).

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, certain agreements between the Group and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both parties elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

30. FAIR VALUE MEASUREMENTS AND DISCLOSURES

30.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

30.2 Financial Instruments Measured at Fair Value

The Group's financial assets at FVOCI include proprietary golf club shares, which are categorized within Level 2 as their prices are not derived from market considered due to lack of trading activities among market participants at the end or close to the end of the reporting period. As of December 31, 2019 and 2018, the Group's financial assets at FVOCI measured at fair value amounted to P26.1 million and P27.1 million, respectively (see Note 7).

For unquoted equity securities classified as financial assets at FVOCI, the financial assets are measured at cost; hence, these assets are not included within the fair value hierarchy.

The Group has no financial liabilities measured at fair value as of December 31, 2019 and 2018.

There were neither transfers between Levels 1 and 2 nor changes in the carrying amount of Level 3 instruments in both years.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below and in the succeeding page summarize the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Notes	Level 1	Level 3	Total
2019				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	5	P 3,491,034,266	P -	P 3,491,034,266
Trade and other receivables – net	6	-	1,086,653,102	1,086,653,102
Short-term placements	13	762,445,571	-	762,445,571
Refundable deposits	13	-	14,622,612	14,622,612
Advances to related parties	25.4	-	9,047,868	9,047,868
Cash bond	13	-	680,834	680,834
		P 4,253,479,837	**P 1,111,004,416**	**P 5,364,484,253**
Financial Liabilities				
At amortized cost:				
Interest-bearing loans – net	14	P -	P 67,956,468	P 67,956,468
Trade and other payables	15	-	385,314,446	385,314,446
Refundable deposits	16	-	23,491,992	23,491,992
Lease Liability	10.2	-	15,363,477	15,363,477
Advances from related parties	25.4	-	1,881,570	1,881,570
		P -	**P 494,007,953**	**P 494,007,953**
2018				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	5	P 2,455,464,411	P -	P 2,455,464,411
Trade and other receivables – net	6	-	1,465,674,107	1,465,674,107
Short-term placements	13	806,113,523	-	806,113,523
Refundable deposits	13	-	14,329,299	14,329,299
Advances to related parties	25.4	-	9,445,656	9,445,656
Cash bond	13	-	692,234	692,234
		P 3,261,577,934	P 1,490,141,296	P 4,751,719,230

	Notes	Level 1		Level 3		Total
2018						
Financial Liabilities						
At amortized cost:						
Interest-bearing loans – net	14	P	-	P	126,624,628	P	126,624,628
Trade and other payables	15		-		348,675,821		348,675,821
Refundable deposits	16		-		29,298,575		29,298,575
Advances from related parties	25.4		-		1,881,570		1,881,570
		P	-	P	506,480,594	P	506,480,594

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments.

30.4 Fair Value Measurements of Non-financial Assets

The tables below show the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31.

		2019	
	Level 2	**Level 3**	**Total**
Land and improvements	P2,867,432,506	P -	P 2,867,432,506
Building and improvements	-	821,425,580	821,425,580
Construction in progress	-	51,264,577	51,264,577
	P2,867,432,506	**P 872,690,157**	**P 3,740,122,663**

		2018	
	Level 2	Level 3	Total
Land and improvements	P2,527,112,934	P -	P 2,527,112,934
Building and improvements	-	874,353,170	874,353,170
Construction in progress	-	4,975,802	4,975,802
	P2,527,112,934	P 879,328,972	P 3,406,441,906

The fair value of the Group's land and improvements, and building and improvements classified under Investment Properties (see Note 12) are determined on the basis of the appraisals performed by Royal Asia Appraisal Corporation in 2019, 2018 and 2017, all are independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of these non-financial assets were determined based on the following approaches:

(a) *Fair Value Measurement for Land and Improvements*

The Level 2 fair value of land and improvements was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(b) *Fair Value Measurement for Building and Building Improvements*

The Level 3 fair value of the buildings and improvements under Investment Property account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2019 and 2018.

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities, excluding amounts advances from related parties. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group's goal in capital management is to maintain a debt-to-equity structure ratio of not higher than 1:1 on a monthly basis.

The computation of the Group's debt-to-equity ratio is presented below.

	2019	2018
Total liabilities (excluding advances from related parties)	**P 1,477,455,416**	P 1,409,279,374
Total equity	**10,640,879,837**	10,547,287,338
	0.14 : 1.00	0.13 : 1.00

As at December 31, 2019 and 2018, the Group is not subject to any externally-imposed capital requirements, except for SMFI as indicated below.

Under Section 6 of RA No. 8556, SMFI is required to maintain a minimum paid-up capital of not less than P10.0 million. SMFI is in compliance with the minimum paid-up capital requirement as at December 31, 2019 and 2018.

32. EVENTS AFTER THE END OF THE REPORTING PERIOD

In December 2019, a novel strain of corona virus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern.' COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business suspension – disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

Though the disruption is currently expected to be temporary, the Group anticipates that these will have an adverse impact on economic and market conditions and affect various segments of its business. Work stoppage on construction sites and slowdown on the supply chain may potentially lead to delays on the targeted completion and turnover of projects. Community quarantine also requires temporary adjustment of mall operating hours and will reduce foot traffic. Likewise, travel restrictions have resulted into a reduction in hotel occupancies. Meanwhile, the Group's management has noted a decline in the fair value of its plan assets, which are mainly composed of investment in government securities and unit investment trust funds, amounting to P3.7 million as of March 31, 2020.

While management currently believes that it has adequate liquidity, considering that the Group has very minimal outstanding loans and liabilities, and business plans to continue to operate the business and mitigate the risks associated with COVID-19, the ultimate impact of the pandemic is highly uncertain and subject to change. The severity of these consequences will depend on certain developments, including the duration and spread of the outbreak, valuation of assets, and impact on the Group's customers, suppliers, and employees. Specifically, the Group foresee significant drop in consumer demand as the government restrict movement and closure on non-essential establishments. This will affect mobile phones sales of digital mobile segment. In relation to this, royalty income (presented as part of Rendering of Services account) from STL is also expected to drop as this is based on the amount of sales recognized by STL for the use of My Solid's trademarks and licenses.

Leasing operations shall likewise be affected due to limited operating hours and tenants' liquidity. This will affect the hotel and events revenues of the real estate segment. GSHMI and CBHI, particularly, has minimized certain variable costs and availed of extensions on utility payments. GSHMI and CBHI was able to operate at about 36% and 81%, respectively, of its occupancy capacity before the implementation of enhanced community quarantine in National Capital Region. However, CBHI had temporary closure of the hotel when ECQ was implemented on March 17, 2020. The management estimates a possible decrease in occupancy rate for GSHMI and CBHI to about 50% due to cancellations being requested by customers for hotel bookings supposedly reserved for the succeeding months. Subcontract manufacturing of the technical support and solutions segment, on the other hand, will also be effected by delayed shipments as a result of temporary shutdown of factories in China. Financial consequences of aforementioned impact are uncertain and cannot be predicted as of the date of the issuance of the Group's consolidated financial statements. Accordingly, management is not able to reliably estimate the impact of the outbreak on the Group's financial position and results of operation for future periods.

The Group would continue to conduct its business while placing paramount consideration on the health and welfare of its employees, customers, and other stakeholders. The Group has implemented measures to mitigate the transmission of COVID-19, such as by adjusting operating hours, making hand sanitizers available within its properties, increasing the frequency of disinfection of facilities, limiting face-to-face meetings, requiring temperature checks for employees and customers, and implementing health protocols for employees. The Group has also activated business continuity plans, both at the corporate level and business operations level, and conducted scenario planning and analysis to activate contingency plans.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, their impact was not reflected in the Group's consolidated financial statements as of and for the year ended December 31, 2019.

33. OTHER INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION

Republic Act (RA) No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (the Revised Corporation Code) took effect on March 8, 2019. The new provisions of the Revised Corporation Code or any amendments thereof have no significant impact to the Group's consolidated financial statements.