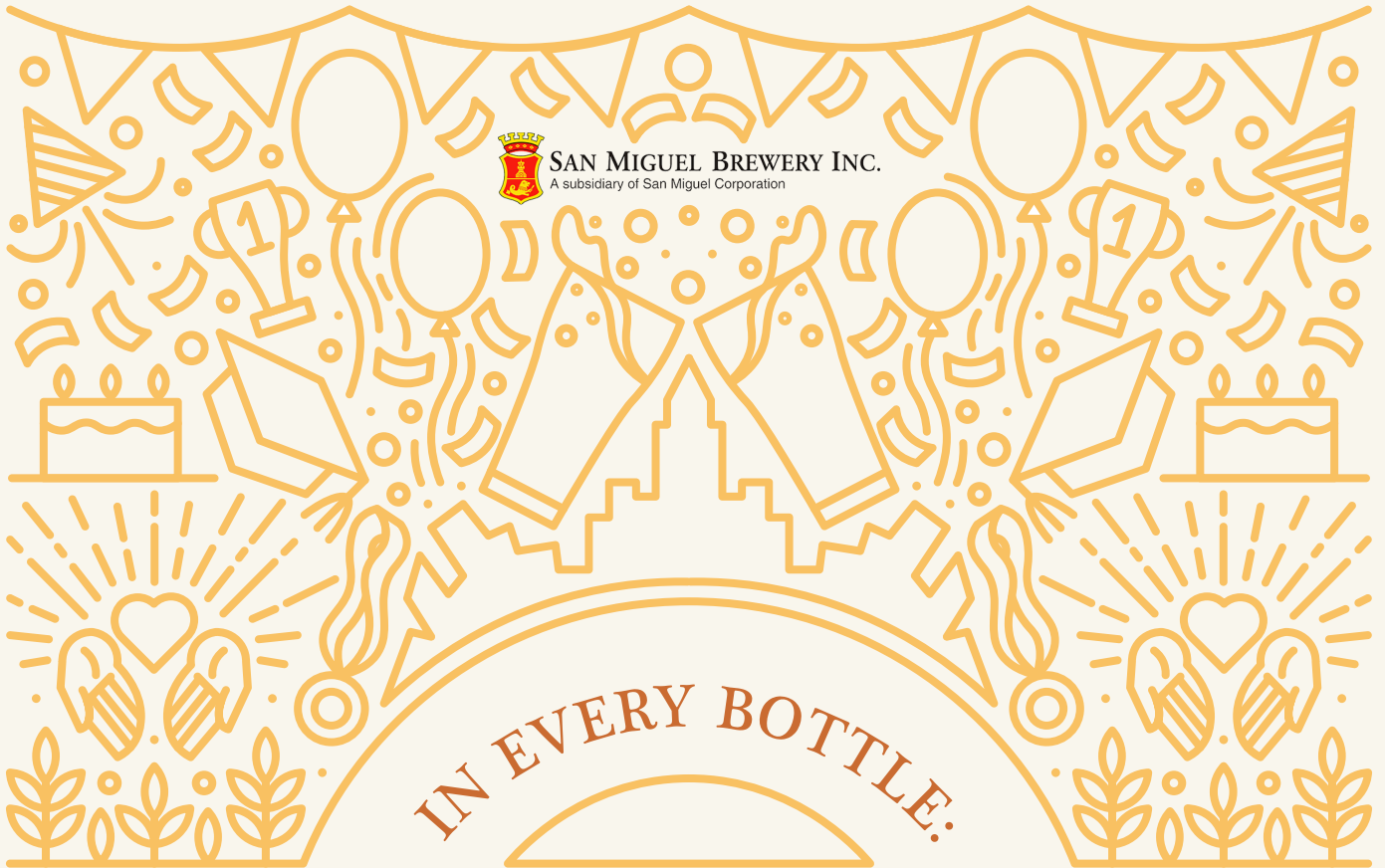




SAN MIGUEL BREWERY INC.
A subsidiary of San Miguel Corporation

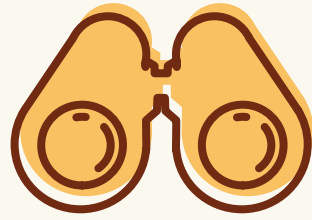


IN EVERY BOTTLE:

BREWING TOWARDS BETTER



ANNUAL REPORT 2019



Vision and Mission

Building on our tradition of San Miguel beer business excellence, we transform markets with our world-class and most loved brands, excellent service, and passionate employees.

Guided by our philosophy of profit with honor, we deliver superior long-term value to our stakeholders. Through our brands and services, every occasion is a Drink to Life.

**We are SMB: We are Vibrant, Inspired,
Bold and Entrepreneurial!**

**Up the Vibe!
Drink to Life!**



About The Cover

We focus on being the best at the fundamentals of our business. For us, this means finding better ways to brew our beers, transport our products, and serve our customers in a reliable, efficient and sustainable manner. We are the largest beer producer and market leader in the Philippines. We have the most extensive distribution network in the country. Our brands are internationally-recognized and exported to over 70 countries worldwide. While the journey to brewing towards better is challenging, we stand committed to stay the course, and continue to work doubly hard as we toast to celebrating life, friendships, and victories with our world-class beers.



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In memoriam, we are reprinting a tribute in memory of
San Miguel Corporation Chairman and CEO
Eduardo M. Cojuangco, Jr. from the SMC Annual Report.





Eduardo M. Cojuangco, Jr. (ECJ) was—despite his low-key style—one of the Philippines’ most respected businessmen, having successfully made the transition from politics to private enterprise.

Chairman and CEO of San Miguel Corporation, Cojuangco together with Ramon S. Ang rebuilt the foundations of the Company upon his return in 1998, streamlining and broadening the group’s business portfolio and later on, redefining the very nature of its core businesses.

For decades, ECJ helped steer the company. The values he lived by are at the heart of what it means to be San Miguel. In remembering his life and honoring his accomplishments, we will see that we are really praising what is best about the corporation he helped build—*malasakit* and *sama-sama*, the idea that in everything we succeed together, and that no one should be left behind.

An agriculturist and agronomist by training, Cojuangco made sure the company operated in keeping with his own ideas of civic mindedness and social responsibility. Success, for ECJ was measured in giving back to his country and countrymen.

Cojuangco was also a philanthropist who took a special interest in education. Through his Tarlac-based Eduardo Cojuangco Foundation (ECF), he launched in 2010 a teacher training program that benefited over 2,250 elementary and secondary school teachers. A similar program in Bacolod graduated close to 1,500 public school teachers, raising teaching proficiency levels to the highest in the Philippines at the time.

As a leader he was often asked what he considered important virtues. Cojuangco had this to say, “The courage to dream is important but humility is important too: To know when to step back and recognize that to win big, you have to trust other people with your vision.” San Miguel’s success, he would insist, was never his alone.

Eduardo M. Cojuangco, Jr. was born on June 10, 1935 in Paniqui, Tarlac and died on June 16, 2020. He was 85 years old.



Message to Stockholders

San Miguel Brewery Inc. (SMB) posted yet another year of growth in 2019, delivering strong volumes mainly driven by increased consumption backed by the implementation of fresh campaigns. We maximized our growth and implemented cost efficient measures to improve profitability while achieving the company's business goals and operational targets throughout the year.





Having turned in strong results in both our domestic and overseas markets, we are proud to report that consolidated revenues and operating income both posted a 10% parallel growth from last year at P142.3 billion and P38.7 billion, respectively. Operating margins were at a robust 27.2%. Our consolidated net income of P27.3 billion is 15% higher above last year's P23.8 billion.

We successfully grew our volume. Domestically, notwithstanding the challenges from certain sectors and natural calamities hitting areas of operations, the company capitalized on the opportunities presented by a strong financial climate and sustained growth coming from key regions in the rural areas and urban centers.

With SMB's leadership in the domestic beer market and in the broader alcoholic beverage industry, growing the business means growing the segment in its entirety. To this end, the company's efforts to develop engaging brand and trade activations resonated with the company's demographic prospects as immersive brand campaigns, demand-generating efforts, and competitive programs helped sustain SMB's profitability.

At the back end of these initiatives, we consistently labored to keep the supply chain efficient, strengthened operational capability and improved productivity to meet growing volume demand. Achieving these necessitated the updating of established processes and upgrading of existing infrastructure to ensure product availability at every point of demand.

“ We remain confident and undaunted in the face of adversity. We rely on the expertise of our people, our brands, and our business to surmount these obstacles. ”

In the long term, the completion of our new brewery in Tagoloan, Misamis Oriental will supplement the growing market in Northern Mindanao. Meanwhile, the ongoing conversion of our facility in Sta. Rosa into a full-fledged brewery will likewise enable us to cater to our consumers in South Luzon. These will pave the way for increased production to ensure our ability to meet the growing needs of our customers.

Our strong financial position puts us on stable ground and remains key to carrying out our ongoing capacity building program. In 2020, we anticipate a challenging operating climate amid the imposition of higher excise taxes on beer products and stronger competition. We, however, remain confident and undaunted in the face of adversity. We rely on the expertise of our people, our brands, and our business to surmount these obstacles.

To sustain our growth trend, we will strengthen and pursue programs that will drive the demand for beer and deepen brand love while we will focus on sales programs to improve and support trade efficiencies and tap growth opportunities. We will also continue to build a more cost effective organization.

Related to these, at the heart of these efficiency enhancement initiatives is further refining how we manage our supply chain. This means optimizing production through more efficient sourcing of raw materials and improved distribution of products.

One of the ways we can adjust is by maximizing the cycles of our glass bottles under the company's returnable glass bottle (RGB) system to reduce packaging cost while implementing sustainable development practices.

The confidence in our RGB system paved the way for the development of a new product, Agua Prima, our premium flavored water product offering in 100% recyclable packaging.

“ To sustain our growth trend, we will strengthen and pursue programs that will drive the demand for beer and deepen brand love while we will focus on sales programs to improve and support trade efficiencies and tap growth opportunities. ”



The past few months of 2020 have been particularly difficult, as we are only just emerging from the two and a half months lockdown and the restrictions this has placed on running our business, with circumstances that continue to change by the day due to COVID-19. As sudden as it is damaging, this health crisis has put a significant toll on both social and economic fronts on a global scale.

More than keeping the business in a position to recoup after this pandemic, we, together with other subsidiaries of San Miguel Corporation (SMC), are committed to see our great nation rise above the challenge of this epic scourge. This assurance stems from our company's deep-seated spirit of MALASAKIT, a value that each beerman imbibes and displays at every opportunity.

This commitment has resulted in the allocation of resources to aid communities and, more importantly, individuals running the frontlines of this crisis, particularly, the medical health professionals, public servants, and the armed forces. We are especially proud of our employee volunteers who participated in repacking goods and items for our fellowmen.

Most significant of this assistance is the sharing of access to our logistics network. With the breadth of our network, this group-wide shared access has contributed to the greater efficiency of the distribution of goods by SMC subsidiaries to their intended beneficiaries nationwide.





This health crisis has made us stronger together and has created an opportunity to live up to the vision, mission, and core values we re-dedicated ourselves to last year.

We enter the new decade with a revitalized business and healthy momentum. While our ongoing projects are entrenched in our operations and aligned to the United Nations Sustainable Development Goals (UNSDGs), we have also crafted our sustainability goals with the end objective of generating the greatest benefit for the greater good.

“ This health crisis has made us stronger together and has created an opportunity to live up to the vision, mission, and core values we re-dedicated ourselves to last year. ”

As we look ahead to the future, we acknowledge the contributions of our dedicated employees and along with our business partners, shareholders, and customers, we would like you to share in our vision, join our mission, and uphold the values that have made San Miguel Brewery Inc. great.

Cheers to brewing towards better!

Ramon S. Ang
Chairman of the Board

Roberto N. Huang
President



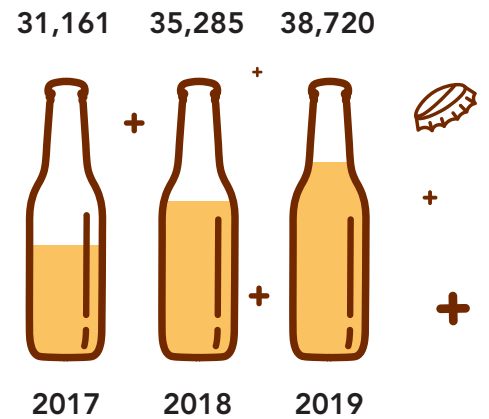
Financial Highlights

For the Years 2017-2019 in Peso Millions

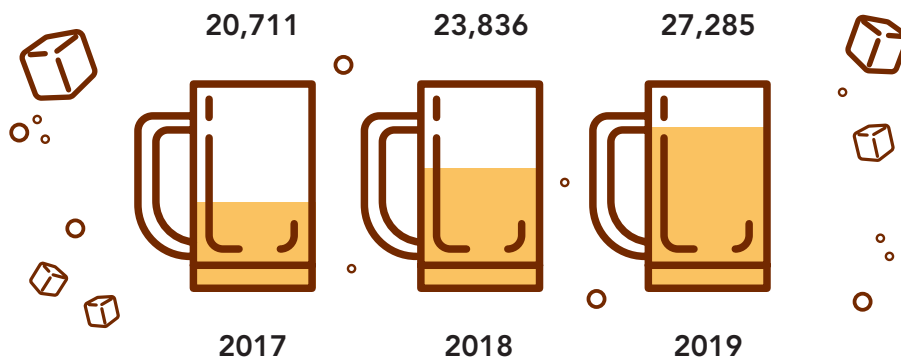
Revenue

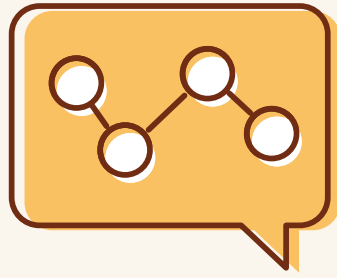


Operating Income



Net Income





Management's Discussion & Analysis

San Miguel Brewery Inc. (SMB), maintained its upward trend by posting robust operating results in 2019, the company's fourth consecutive year of strong growth.

Strategic pricing and strong sales performance contributed to substantial financial gains as consolidated revenues and operating income both posted a 10% parallel growth from last year at P142.3 Billion and P38.7 Billion, respectively, with an operating margin of 27.2%.





Domestic Operations

The company turned another defining performance from its top brands Red Horse Beer, San Miguel Pale Pilsen, San Mig Light, and San Miguel Flavored Beer. Overcoming challenges during the second half of 2019 caused by weaker growth in the agricultural sector and the effects of natural calamities, SMB finished strong owing to a healthy first semester performance buoyed by election-related spending.

To sustain market leadership, the company implemented engaging brand initiatives including immersive experiences and demand-generating efforts coupled with campaigns against competition.

Flagship brand San Miguel Pale Pilsen leaned on legacy equity by connecting generations with its “Kahit Kailan, Walang Iwanan” campaign.

Red Horse Beer held on to its “No. 1” status with materials that communicate the brand’s “Astig” identity while continuing to aggressively fuel local music with its Muziklaban and Pasiklaban campaigns.

San Mig Light spread the “woke” culture with socially-relevant content that amplifies its “Mahabang Usapan” promotion.

“ To sustain market leadership, the company implemented engaging brand initiatives including immersive experiences and demand-generating efforts coupled with campaigns against competition. ”

San Miguel Flavored Beer took a big step with the launch of its newest variant, San Miguel Flavored Beer Lychee. The positive feedback from customers coupled with aggressive activations helped grow the brand's entry-point drinker consumer base.

San Mig Zero continued to build equity through its "Vintage" advertising campaign focusing on exposure in high-affinity touchpoints.

On the other hand, Gold Eagle Beer maintained its foothold in rural communities in southern provinces with "Jamming" events and outlet-based activations.

San Miguel Super Dry pushed its "Smooth" label appealing to urbane beer drinkers. Together with Premium All-Malt, Cerveza Negra, and Kirin Ichiban, the entire San Miguel Premium Beers portfolio appealed to drinkers with sophisticated tastes through visibility efforts and enhancements in draft beer dispensing options.

“ The brand’s presence maintained its position in major festivals in the country preserving its equity as a brand synonymous with Filipino celebrations. ”

As a whole, San Miguel Beer engaged the market with its "Musta?" thematic campaign which focused on connections and opening up lines between people through a simple, one-word question. The company brought the brand even closer to the public with its annual San Miguel Oktoberfest Beer and Music Festival events with consumer promos and parties in selected locations and outlet clusters. Likewise, the brand's presence maintained its position in major festivals in the country thus preserving its equity as a brand synonymous with Filipino celebrations.



SMB's non-alcoholic beverage line pursued visibility and availability programs for Magnolia Fruit Drink and Healthtea in specific areas. It also added to its portfolio San Miguel's new premium flavored water, Agua Prima, marking SMB's re-entry into the packaged water market with a product that utilizes sustainable recyclable packaging.

The company enhanced trade execution and product availability in specific channels to address volume expansion requirements. This resulted to improvements in inventory management, delivery schedules, and customer servicing. Visibility was also prioritized as trade assets, merchandising, and draft beer operations were managed effectively.

In terms of production, SMB continued to execute its ongoing capacity-building program aimed at strengthening operational capability while improving productivity. Facilities currently in operation have been consistent in upgrading production and packaging equipment.

“ To optimize operations, the company incorporated alternative materials and suppliers, initiated quality improvement plans, and enhanced sourcing and distribution with new warehouse facilities. ”

Expansion efforts underscored the completion of the company's seventh production facility in the country with Tagoloan Brewery in Misamis Oriental. Another facility in Sta. Rosa, Laguna remains on-track in its conversion into a full-fledged brewery.

To optimize operations, the company incorporated alternative materials and suppliers, initiated quality improvement plans, and enhanced sourcing and distribution with new warehouse facilities. SMB also implemented new pick-up and delivery systems to serve key outlets.





Organizational wellness was addressed to support business development. From its core, SMB updated its Vision and Mission with a renewed commitment to the values that guide the way we do business. We also crafted our sustainability goals with the objective of generating the greatest benefit for the greater good.

Manning complement for new expansion facilities were completed side-by-side with leadership training and skills development programs to empower SMB's growing workforce. Bottomline results were protected with intensified cost-management initiatives while new laws and regulations were complied with diligently.

Priding itself in maintaining the world-class quality of its brews, SMB was again recognized for product excellence by the international award-giving bodies Monde Selection and Australian International Beer Awards. In the field of advertising, SMB likewise earned nods from

the Asia-Pacific Tambuli Awards, PANAta Awards, YouTube Ads Awards, Araw Values Awards, and the Global Native Advertising Awards.

Sustaining its eco-conscious initiatives, SMB received the Top Green Award and Silakbo Award for sustainable development and environmental campaigns. The company also earned the Healthy Workplace Award and the Environmental Partnership Award from the Environmental Management Bureau of the Department of Environment and Natural Resources.

“ Priding itself in maintaining the world-class quality of its brews, SMB was again recognized for product excellence by the international award-giving bodies Monde Selection and Australian International Beer Awards. ”



International Operations

San Miguel Brewery Inc.'s international operations under San Miguel Brewing International Limited (SMBIL) sustained its profit growth trend for a fourth straight year, with operating income increasing by 9% compared to previous year while total volume gains in Exports and Vietnam were offset by declines in North China and Indonesia. Favorable financial performance was a result of continued operational enhancements and prudent cost management. Profit growth was led by strong results of Thailand and Exports as well as double-digit improvements in Vietnam, South China and Hong Kong.

Thailand's operating income posted double-digit increase with higher exports contribution and lower fixed costs. While domestic volume declined in the first half of the year largely due to the shutdown of bar clusters for the redevelopment of tourist area Pattaya, volumes for the full year managed to grow as a result of San Mig Light's strong recovery.

Vietnam saw volume and profit improvement in 2019 as a result of upbeat performances from both local and exports volumes. Locally, volume growth was driven by San Miguel brands and W1n Bia on the back of increased outlet coverage and better outlet yield. Meanwhile, export production volumes increased to support rising demand from markets in the Middle East and parts of Africa.

“ Thailand's operating income posted a double-digit increase with higher exports contribution and lower fixed costs. Vietnam saw volume and profit improve in 2019 as a result of upbeat performances from both domestic and exports volumes. ”

Despite the political crisis in **Hong Kong**, volume for the year was just slightly lower than 2018. Even with the anti-government protests in the second half of the year, San Mig Light managed to grow

significantly in local bars and pubs. In addition, operating results were better than the previous year due to exports contribution and cost management programs. For the coming year, the San Miguel Hong Kong Brewery Company Limited will continue aggressive penetration efforts for wholesaler-served channels complemented by visibility campaigns and consumer promotions while sustaining double-digit growth momentum of San Mig Light by extending presence in retail chains and Chinese restaurants.

South China posted volume and profit improvements on account of higher sales of San Miguel and Dragon brands as well as increased contribution from exports operations. Volume expansion was driven by sponsorship of beer festivals, consumer and trade promotions, as well as, appointment of new dealers. To further accelerate growth of San Miguel and Dragon brands, plans for 2020 include implementation of a holistic program for the wholesaler channel, development of modern trade channel and outlet coverage expansion for bars and pubs, supported by merchandising and consumer activities. Meanwhile, North China continued to wane in 2019, with volumes and profit declining as a result of challenging market conditions and competitive environment.

“ To further accelerate growth of San Miguel and Dragon brands, plans for 2020 include implementation of a holistic program for the wholesaler channel, development of modern trade channel and outlet coverage expansion for bars and pubs, supported by merchandising and consumer activities. ”

In **Indonesia**, the beer industry contracted due to the 15.4% increase in excise tax and the abolition of the excise tax exemption in Batam. These prompted the beer industry to pass on the tax hike to consumers. As a result, operating income weakened in 2019. Moving forward, PT Delta Djakarta Tbk will focus on volume recovery for its Anker brand via a sustainable wholesaler program while taking advantage of the growing modern trade channel via increased availability and launch of new packaging/multipacks.



Exports operations sustained its profit uptrend primarily due to higher sales to UAE, US Mainland, Canada, Singapore and Pacific Islands as well as incremental volumes to new markets in Africa. In the past year, our Exports operations continued to develop new markets in Europe and Africa to further expand global reach of San Miguel brands. Red Horse and San Mig Light posted double-digit volume growth on account of outlet expansion programs supported by image-building activities and volume-generating programs. SMBIL Exports will continue opening new markets as well as support volume growth of existing markets via outlet-based expansion, development of the modern trade channel and new product launches in selected markets.



Better Brands - Beyond Brews

San Miguel Brewery Inc. (SMB) goes beyond serving brews. The country's leading alcoholic beverage manufacturer builds brands that don't just cater to customers but deliver messages that resonate through generations and across the world.

Always looking for ways to connect to its patrons, SMB saw 2019 elevate its brands from products that people love to social platforms that make statements. By showcasing San Miguel Beer, with its robust portfolio and riveting merchandising, the company was able to cultivate a lifestyle. Doing so allowed consumers to get a different perspective on the brand, one that caught the attention and appreciation of the market.

All these campaign efforts contributed to significant growth for the portfolio's brand image and total mindshare, thus helping make SMB a ubiquitous part of the customers' distinct and changing lifestyles.



San Miguel Pale Pilsen turned in a year to remember as it boasted the highest volumes recorded in the past 13 years. On top of that, it booked the highest ever trial percentage in the last six years with drinkership also at its highest in the past nine years successfully gaining brand loyalty from drinkers.

San Miguel Pale Pilsen's efforts throughout the year was highlighted by the "Side by Side" thematic campaign which performed spectacularly achieving above benchmark scores across all digital metrics as it reached a ground-breaking 10 million views in one month. The campaign was shortlisted in the 2019 SPIKES Awards in Singapore.

“ San Miguel Pale Pilsen turned in a year to remember as it boasted the highest volumes recorded in the past 13 years. On top of that, it booked the highest ever trial percentage in the last six years - with drinkership also at its highest in the past nine years ”

The brand also made its presence felt across key touchpoints such as the "Unusually Usual Father's Day Gifts" campaign, the innovative thermochromic BRRR Can, as well as well-placed support to various music and lifestyle events such as Wanderland and San Miguel Wanderbattle. The success serves as a prelude to another milestone for the brand as it looks forward to celebrating its 130th anniversary in 2020.



Red Horse Beer ran through 2019 like a stampede with recognitions and record-breaking numbers. Red Horse achieved all-time high sales volume with consumers drinking the most number of bottles in each occasion. The brand sustained its leadership in the total alcoholic beverage market by strengthening brand love among customers.

Red Horse likewise conquered the awards circuit receiving several plums for its New Year digital campaign material #PatugtogHindiPapatok. The material raked in YouTube Ad Awards, Boomerang Awards, Araw Values Awards, and Kidlat Awards. Aside from successful Red Horse events such as Pambansang Muziklaban, a total of 75 runs of Pasiklaban activations were implemented.

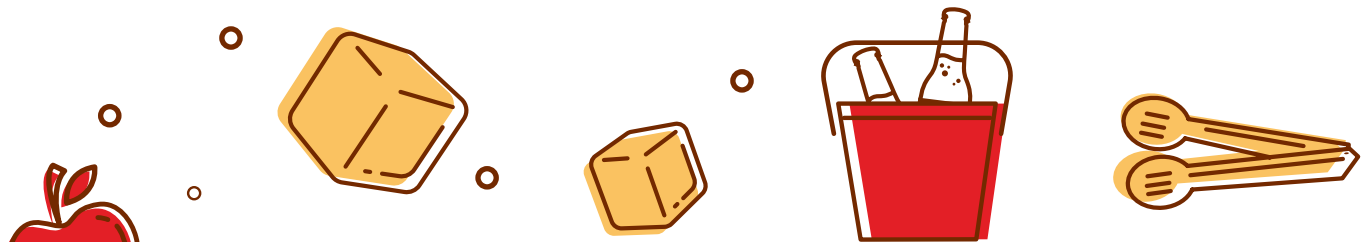
In terms of reaching out to the community, the brand exercised social responsibility by conducting six "Pera sa Basura" livelihood seminars and refurbishing 43 basketball courts in selected barangays nationwide.

San Mig Light's performance in 2019 was as spectacular, with scores in market share and penetration at their highest in five years. The implementation of successful promotions in leading clusters and tentpole celebrations also contributed to the growth of consumption per drinker.



“The future certainly looks bright for San Mig Light, a brand that will relish its time in the spotlight for years to come.”

On TV and digital media, the brand's socially-relevant content and thought-provoking executions were also able to achieve its targets. This primarily driven by the full-year implementation of the “What Did I Miss?” thematic campaign featuring Miss Universe 2018 Catriona Gray and the successful “Mahaba-Habang Usapan” series with the tail end of the series achieving unprecedented engagement rates during its period of release. With the brand's anniversary year looming, the future certainly looks bright for San Mig Light, a brand that will relish its time in the spotlight for years to come.



“#Sweeeet!”

One word describes the performance of **San Miguel Flavored Beer** in 2019, #Sweeeet! The hippest brand in SMB's portfolio has continued its extraordinary surge forward recording impressive growth in volume owing to an increase in consumption of entry-point drinkers. The growing consumer base was also driven by the various penetration programs and strong trade and consumer efforts throughout the year.

However, the biggest #Sweeeet! story of the brand was successfully launching the Lychee variant in the market which added a new element to the already popular San Miguel Flavored Beer Apple and Lemon variants. These efforts helped establish the brand's command of the entry-point drinker segment which continues on its way up in 2020 and beyond.

Consistency was the biggest takeaway of **San Mig Zero** from 2019. With the brand gaining traction and sales on an upward momentum, SMZ enjoyed significant gains in mind share points among drinkers 40 years old and over.

As the brand continued its efforts to increase household consumption, particularly in 8632-BEER, supermarkets, and convenience stores, **San Mig Zero** bottles found themselves in homes with increasing frequency. The brand also maintained its presence on key media platforms, out-of-home materials leading to point-of-purchases.

“ With the brand gaining traction and sales on an upward momentum, SMZ enjoyed significant gains in mind share points among drinkers 40 years old and over. ”



The TVC “Vintage” resonated strongly among the target market with spontaneous associations of zero bitterness to the brand, an effort that paid off after years of effort. Still strong in 2019 are the functional benefits that continue to drive consumption for San Mig Zero, especially among the silver market segment.



Gold Eagle Beer remained firmly entrenched in the consumption habits of drinkers in rural Visayas and Mindanao. The value-for-money brand perception allowed the brand to maintain its hold on its target market.

+

The television commercial “Everybody Now” was a hit while the ubiquitous “Budots” remained relevant for Gold Eagle Beer throughout the year as reflected in the brand’s above the line and activation efforts.

Despite the continued challenge from competitors in the upmarket segment, **San Miguel Premium Beers** recorded an overall growth in market share this past year.

San Miguel Super Dry, in particular, launched another thematic campaign using targeted placements. The brand also released a new back label packaging to further reinforce its ‘smooth’ equity.

San Miguel’s Premium Beer line also implemented various on-premise programs catered towards sophisticated drinkers including an exciting party series in trendy and newly opened upscale bars in Metro Manila and key locations nationwide. The launch of the Flexi Draft Kegerator also championed the draft beer line.



“ Despite the continued challenge from competitors in the upmarket segment, San Miguel Premium Beers recorded an overall growth in market share this past year. ”



These efforts all contributed to a great year for **San Miguel Super Dry, Premium All-Malt, Cerveza Negra, and Kirin Ichiban.**

In July 2019, San Miguel Brewery’s **Non-Alcoholic Beverages** introduced a fresh new take on bottled water, Agua Prima. Packaged in artisanal glass bottles, Agua Prima is the first sugar-free, unsweetened beverage flavored with natural lemon zest available in sparkling and still water variants.

Both recyclable and sustainable, **Agua Prima** is available in upscale bars, hotels, restaurants and supermarkets within the greater Manila area. Delicious and refreshing, it offers a responsible way to stay hydrated.



SML Chillax Nights



Following its successful launch in 2018, San Miguel Thailand implemented its series of SML Chillax Nights events for a second straight year in selected bars and restaurants in strategic locations. Aligned with San Mig Light’s regional Light Days campaign, SML Chillax Nights featured simple and enjoyable games as well as popular bands that provided extra fun for the consumers in a light and easy atmosphere. The event was supported by awareness activities via announcement on Facebook and other social media channels as well as outlet posters / banners.

Launched in 2005 in Thailand, San Mig Light continued to lead the light beer segment due to its popularity in tourist areas and growing acceptance in local outlets.



Anker Lychee

Initially introduced in November 2018 in Indonesia, Anker Lychee was fully pipelined in the market in 2019. Anker Lychee, PT Delta’s first low-alcohol, flavored beer offering, was launched in response to growing preference for fruity drinks in the market . It has 2.2% alcohol by volume and is available in bottle and can packaging. Since it’s launch, the brand has seen rising demand among younger consumers due to its distinctive flavor and unique taste. To prop up awareness and interest for the brand, various activities such as outdoor booth selling events, rooftop and garden parties, consumer promotions as well as digital media advertising were implemented all year round.



Board of Directors



Ramon S. Ang, 66, Filipino, has served as Chairman of the Company since July 26, 2007 and is the Chairman of the Company's Executive Committee. He also holds, among others, the following positions: Vice Chairman, President and Chief Operating Officer of San Miguel Corporation ("SMC"); Director, President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. ("Top Frontier"), SMFB, Petron Corporation and Northern Cement Corporation; Director and President of Ginebra San Miguel Inc. ("GSMI") and San Miguel Northern Cement, Inc.; Chairman and Chief Executive Officer and President and Chief Operating Officer of SMC Global Power Holdings Corp. ("SMC Power");

Chairman and President of San Miguel Holdings Corp., San Miguel Equity Investments Inc., San Miguel Properties, Inc. and San Miguel Energy Corporation; and Chairman of San Miguel Brewery Hong Kong Limited ("SMBHK") (Hong Kong), Eagle Cement Corporation, Petron Malaysia Refining & Marketing Berhad (Malaysia) ("Petron Malaysia"), SEA Refinery Corporation, San Miguel Foods, Inc. ("SMFI"), San Miguel Mills, Inc., Magnolia, Inc., San Miguel Super Coffeemix Co., Inc., The Purefoods-Hormel Company, Inc., San Miguel Yamamura Packaging Corporation ("SMYPC"), Anchor Insurance Brokerage Corporation ("AIBC"), Clariden Holdings, Inc., Philippine Diamond Hotel & Resort, Inc., Manila North Harbour Port, Inc. and Privado Holdings Corp. He is also the sole shareholder and Director of Master Year Limited. Mr. Ang has held directorships in various domestic and international subsidiaries of SMC during the last five (5) years and was previously the Company's President (2007- 2009). He was also a director/officer in other publicly listed companies outside of the San Miguel Group, including President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; Vice Chairman and Director of Manila Electric Company; and Chairman of Liberty Telecom Holdings, Inc. and Cyber Bay Corporation. Mr. Ang holds a Bachelor of Science Degree in Mechanical Engineering from Far Eastern University and a Doctorate in Business Engineering, Honoris Causa, from the same university.



Roberto N. Huang, 71, Filipino, has served as Director since October 8, 2007 and President of the Company since April 30, 2009; and is a Member of the Company's Executive Committee. He is also a Director of San Miguel Brewing International Limited ("SMBIL"), SMBHK and San Miguel Malaysia Pte Ltd. (Labuan, Malaysia); Director and Chief Operating Officer – Beer of SMFB; and Chairman and President of Iconic Beverages, Inc. ("IBI"), Brewery Properties Inc. ("BPI") and Brewery Landholdings, Inc. ("BLI"). He also served as General Manager of the Company (2007-2009). Mr. Huang holds a Bachelor of Science Degree in Mechanical Engineering from Mapua Institute of Technology and completed academic requirements for a Master's Degree in Business Administration from De La Salle University. He also attended the Nagoya International Training Center, Japan International Cooperation Agency Grant for Metal Works Engineering and Numerical Control Machines course.

Ferdinand K. Constantino, 68, Filipino, has served as Director of the Company since July 26, 2007 and is the Chairman of the Company's Executive Compensation Committee and a Member of its Audit Committee and Governance and Nomination Committee. He also holds, among others, the following positions: Group Chief Finance Officer and Treasurer of SMC; Director and Treasurer of SMFB and San Miguel Equity Investments Inc.; Director of Top Frontier, Petron Malaysia, SMYPC, Citra Metro Manila Tollways Corporation, Clariden Holdings, Inc, San Miguel Holdings Corp., Northern Cement Corporation, Petron Finance (Labuan) Limited (Labuan, Malaysia), San Miguel Malaysia Pte Ltd (Labuan, Malaysia), San Miguel Pure Foods International, Ltd. and San Miguel Aerocity, Inc.; Director and Vice Chairman of SMC Power; Director and President of AIBC; Chairman of SMC Stock Transfer Services Corporation and San Miguel Foundation, Inc.; Chairman and President of San Miguel Integrated Logistics Services, Inc.; and Director and Chief Finance Officer of San Miguel Northern Cement, Inc. He is also advisor to Bank of Commerce, GSMI and San Miguel Properties, Inc. Mr. Constantino is also a former Chief Finance Officer and Treasurer of the Company (2007-2009); and a former Director of SMC, GSMI and SMFI. Mr. Constantino has held directorships in various domestic and international subsidiaries of SMC during the last five (5) years and was also a director in other publicly listed companies outside of the San Miguel Group, including Director of PAL Holdings, Inc. and Philippine Airlines, Inc. Mr. Constantino holds a Bachelor of Arts Degree in Economics from the University of the Philippines and completed academic requirements for a Master's Degree in Economics from the University of the Philippines.

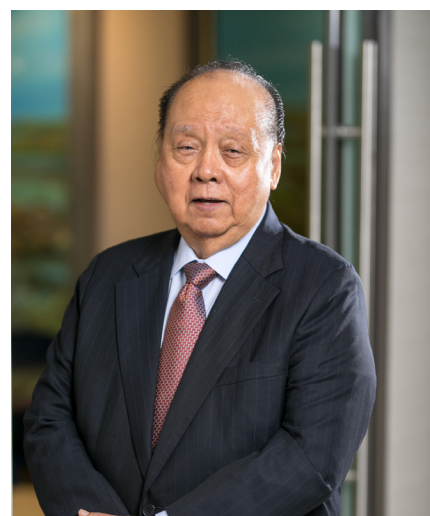


Keisuke Nishimura, 63, Japanese, has served as Director of the Company since April 30, 2009. He is the Representative Director of the Board and Senior Executive Vice President of Kirin Holdings Company, Limited ("Kirin"); Director and Vice Chairman of Myanmar Brewery Limited (Myanmar); and Director of Lion Pty Ltd (Australia) and China Resources Kirin Beverages (Greater China) Company, Limited. He was previously Senior Executive Officer of Kirin Company, Limited (2017-2019); Senior Director of the Board, Representative Director (2015-2017), Managing Director of the Board (2014-2015) and Director (2012-2014) of Kirin; and Vice Chairman of Myanmar Brewery Limited (2015-2016). He also served in the Kirin group of companies in various other capacities, and is a former Executive Vice President of the Company (2009-2011). Mr. Nishimura holds a Bachelor's Degree in Business from Yokohama National University and a Master's Degree in Business from the University of Washington.



Carmelo L. Santiago, 77, Filipino, has served as Independent Director of the Company since February 25, 2010. He was also an Independent Director of the Company from October 8, 2007 to April 30, 2009. He is the Chairman of the Company's Audit Committee and a Member of its Executive Committee, Executive Compensation Committee and Governance and Nomination Committee. He is also an Independent Director of SMFB; an Independent Non-executive Director of SMBHK; and Director of Terbo Concept, Inc. and the Aurora Pacific Economic Zone Freeport Authority. He was a former Independent Director of SMC (2008-2013), GSMI (2010-2012), AIBC and Liberty Telecoms Holdings, Inc. Mr. Santiago is the founder and owner of several branches of Melo's Restaurant and founder of Wagyu Restaurant. Mr. Santiago holds a Bachelor's Degree in Business Administration from the University of the East.

Alonzo Q. Ancheta, 87, Filipino, has served as an Independent Director of the Company since April 30, 2009 and is the Chairman of the Company's Governance and Nomination Committee and a Member of its Audit Committee. Atty. Ancheta is an Independent Director of PTFC Redevelopment Corporation and SMBHK; President of Zobella & Co. (A.Q. Ancheta and Partners): Trademark & Patent Attorneys; Co-Founding Partner/Senior Adviser of Quasha Ancheta Peña & Nolasco Law Offices; Chairman and President of Ogilvy & Mather (Philippines), Inc.; President of Growe Investments Ltd.; and a Member of the Board of Trustees of St. Luke's Medical Center. He is also a member of various organizations, including Intellectual Property Association of the Philippines (Council Adviser, 1988-present), Philippine Bar Association, Legal Management Council of the Philippines, Asian Patent Attorneys Association, International Trademark Association, LAWASIA (Vice President International, 2017-present), Licensing Executives Society International, ASEAN Law Association (Philippine National Committee member, 1986-2018 and Vice Chair, 2001-2018), ASEAN Intellectual Property Association, American Chamber of Commerce of the Philippines, Canadian Chamber of Commerce of the Philippines, Philippine American Guardian Association, Philippine-Japan Economic Committee, Philippines-Japan Society, Inc., Rotary Club of Marikina, Jaycees International (Senator) and For Love of Mother Earth, Inc. Atty. Ancheta holds a Bachelor of Arts Degree and Bachelor of Laws Degree from The University of Manila.



Carlos Antonio M. Berba, 55, Filipino, has served as Director of the Company since August 10, 2010. He is the Managing Director of SMBIL since January 1, 2008. He is also the Deputy Chairman of SMBHK; a Commissioner of PT Delta Jakarta Tbk (Indonesia) ("PTD"); and Chairman/Director of other subsidiaries of SMBIL, including San Miguel Beer (Thailand) Limited ("SMBTL"), San Miguel Holdings (Thailand) Limited ("SMHTL"), San Miguel Marketing (Thailand) Limited. Mr. Berba holds a Bachelor of Science Degree in Electrical Engineering from the University of the Philippines, a Master's Degree in Japanese Business Studies from the Japan America Institute of Management Science & Chaminade University of Honolulu, and a Master's Degree in Business Administration from the Wharton School, University of Pennsylvania.



Toshiya Miyoshi, 61, Japanese, has served as Director of the Company since March 27, 2015. He is the Director of the Board, Senior Executive Officer of Kirin. He was also the Senior Executive Officer (2015-2019), Senior Executive Officer, General Manager of Personnel Department (2014-2015) and Executive Officer, General Manager of Personnel Department (2013-2014) of Kirin Company, Limited; and Senior Executive Officer, Director of Group Personnel and General Affairs Department (2014-2015) and Executive Officer, Director of Group Personnel and General Affairs (2013-2014) of Kirin. Mr. Miyoshi also served the Kirin group of companies in various other capacities. Mr. Miyoshi holds a Bachelor's Degree in Commerce from Waseda University, Japan.



Daniel L. Henares, 62, Filipino, has served as Director of the Company since May 31, 2016. He is consultant to SMC (since 2014), serving as the Assistant Team Manager of the Company's San Miguel Beer team, and a Director of Henlich Development Corporation (since 1995). He was also a consultant for business development of corporate accounts for cargo and passenger business in Philippine Airlines, Inc. (2013-2014). Mr. Henares holds a Bachelor of Laws Degree from Ateneo de Manila University and a Bachelor of Arts Degree in Political Science from De la Salle University.

Tomoki Yamauchi, 52, Japanese, has served as Director and as Executive Financial Advisor of the Company since October 1, 2017. He is a member of the Executive Committee and Audit Committee of the Company. He is also a Director of SMBIL, SMBHK and SMBTL. He was previously the Senior Manager of Accounting Department of Kirin Company, Limited; Senior Manager of Planning Department of Kirin Beverage Company, Limited (2016-September 2017); Senior Manager of Management Planning Department of Kirin Company, Limited; and Senior Manager of Accounting Unit Group Finance of Kirin (2013 – 2016). Mr. Yamauchi graduated from Keio University with a Bachelor's Degree in Economics in 1992. He also completed a program for Management Development in Harvard Business School in 2004.



Kenji Uchiyama, 55, Japanese, has served as Director and as Executive Vice President of the Company since March 29, 2018. He is a member of the Executive Committee, Executive Compensation Committee and Audit Committee of the Company. He is also a Director of SMBIL, SMBHK, IBI, BPI, BLI, SMHTL and SMBTL. Mr. Uchiyama also held the following positions in the Kirin group: Executive Officer (2017) and General Manager of Corporate Planning Department (2014-2017) of Kirin Brewery Company, Limited; Director of Diageo Kirin Company, Limited, Heineken Kirin Company, Limited, Eishogen Company, Limited, Kirin Distillery Company, Limited and The Brooklyn Brewery Corporation; President and Chief Executive Officer of The Brooklyn Brewery Japan Company, Limited; and Deputy General Manager of Sales Department, in charge of Off-Premise Sales of Kirin Beer Marketing Company, Limited (2013-2014). Mr. Uchiyama graduated from Keio University with a Bachelor's Degree in Social Psychology in 1987.



Corporate Governance

San Miguel Brewery Inc. recognizes the importance of good governance in strengthening and maintaining confidence in the company, which results in contributing to, and sustaining, growth and value for its shareholders and other stakeholders. It remains committed to conducting its business affairs in an accountable, fair and transparent manner and in adhering to the highest ethical standards in all its business dealings.

The Company's corporate governance work and compliance in 2019 are described in this section.





Shareholder and Stakeholder Relations

The Company observes corporate governance practices which promote shareholder and stakeholder rights.

Voting and Shareholder Meetings

Each share in the name of the shareholder entitles such shareholder to one vote which may be exercised in person or by proxy at shareholders' meetings, including the Annual Stockholders' Meeting (ASM). The Company's disclosure on the agenda, date, time and place of the ASM meeting, and the deadlines for the submission and validation of proxies are submitted to the Securities and Exchange Commission (SEC) and the Philippine Dealing & Exchange Corp., as well as published in the Company's and PDEX's websites, more than one month prior to the ASM. In 2019, the Definitive Information Statement and Notices of the 2019 ASM were first sent to the stockholders on May 6, 2019.

Shareholders have the right to elect, remove and replace directors as well as vote on certain corporate acts in accordance with the Revised Corporation Code of the Philippines (Revised Corporation Code). Shareholders vote viva voce, unless a motion to cast votes by ballot is

made and duly seconded, and approved by the majority of the shareholders present or represented at the meeting as the method of voting.

Information and Investor Relations

The Company keeps an open, reliable and relevant communication with the investing community and its stakeholders on its financials and performance, as well as significant developments in its business and governance, through timely disclosures, announcements and periodic reports filed with the SEC and PDEX, regular quarterly briefings with investment and financial analysts, ASMs, the Company's website, www.sanmiguelbrewery.com.ph, emails and telephone calls. The regular briefings and meetings with investment and financial analysts are held through the Investor Relations of the San Miguel Group.

Dividend Policy

Under the dividend policy of the Company, shareholders will receive annual cash dividends equivalent to 100% of the prior year's recurring net income calculated without respect to extraordinary events that are expected to recur, based on the recommendation by the Board of Directors. Such recommendation will take into consideration factors such as the implementation of business plans, debt

service requirements, operating expenses, budgets, funding for new investments, acquisitions, appropriate reserves and working capital, among others, and shall be subject to the applicable provisions of the Revised Corporation Code. The Company paid out cash dividends of P1.00 per share in 2019.

Pre-emptive rights

Under the Company's amended articles of incorporation, shareholders may not subscribe to all issues of shares of the Company.

Business Partners, Creditors and Customers

The Company's business partners, creditors and customers play important roles in the creation and growth of value, stability and long-term competitiveness of the Company's business. The Company honors its obligations to its business partners and creditors as well as its commitment to provide products and services which delight and inspire loyalty in its customers.



Disclosure and Transparency

San Miguel Brewery Inc. observes disclosure procedures that ensure transparency regarding the Company's financial condition and state of corporate governance on a regular basis.

Ownership Structure

The top 20 common shareholders of the Company, including the shareholdings of certain record and beneficial owners who own more than 5% of its capital stock, its directors and key officers, are disclosed annually in its Definitive Information Statement distributed to shareholders prior to the ASM. The significant shareholders of the Company are San Miguel Food and Beverage, Inc., a subsidiary of San Miguel Corporation, and Kirin Holdings Company, Limited.

Reporting

Regular updates on operating and financial information are provided to the investing community and stakeholders through adequate and timely disclosures

filed with the SEC and the PDEx, and made available in the Company's website.

Full-year audited and quarterly unaudited interim financial statements are disclosed and submitted to the SEC and PDEx in accordance with prescribed rules. These financial statements conform to the Philippine Accounting Standards and Philippine Financial Reporting Standards, which are all in compliance with the International Accounting Standards. The financial results are presented to financial and investment analysts through a quarterly analysts' briefing. The full results of the prior fiscal year and the first quarter results of the current year are also provided to the shareholders prior to the ASM.

In addition to compliance with structural reportorial requirements of the SEC, the Company discloses, in a timely manner, information on significant developments in the Company, as well as dividend declarations. These disclosures and other up-to-date and relevant information on the Company may be found at its website.



Accountability and Audit

The Audit Committee provides oversight to external and internal auditors.

External Auditor

The accounting firm of R.G. Manabat & Co. served as the Company's external auditors for fiscal year 2019. The external auditor is appointed by the shareholders upon the nomination of the Board after the recommendation of the Audit Committee, and rotated every five years or earlier in accordance with SEC regulations.

Audit Fees and All Other Fees amounting to P7.40 million and P0.75 million, respectively, were paid by the Company to the external auditor in 2019. All Other Fees pertain to the data privacy consultancy services rendered by the external auditor, which were duly approved by the Audit Committee.

The external auditor facilitates an environment of good corporate governance as reflected in the Company's financial records and reports, through the conduct of an independent annual audit on the Company's business and rendition of an objective opinion on the reasonableness of such records and reports. They also attend the ASM and respond to appropriate questions during the meeting. They also have the opportunity to make a statement if they so desire. In instances when the external auditor suspects fraud or error during its conduct of audit, they are required to disclose and express their findings on the matter.

Internal Audit

Internal audit is carried out by an independent internal audit group which helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The internal audit group of the Company functionally reports directly to the Audit Committee, and administratively (i.e. day-to-day operations) to the Chief Finance Officer and Treasurer.

The role, authority, organization and responsibilities of the internal audit group are set out in the Internal Audit Charter. Under the Internal Audit Charter, the internal audit group of the Company is responsible for identifying and evaluating significant risk exposures and contributes to the improvement of risk management and control systems by assessing adequacy and effectiveness of controls covering the organization's governance, operations and information systems. By evaluating their effectiveness and efficiency, and by promoting continuous improvement, the group maintains effective controls of their responsibilities and functions.



Amended Manual on Corporate Governance

In December 2019, the SEC issued Memorandum Circular No. 24, series of 2019, adopting a new Corporate Governance Code for Public Companies and Registered Issuers (CG Code for Public Companies and

Registered Issuers) and requiring all public companies and registered issuers, such as the Company, to submit a new Manual on Corporate Governance based on the said new code by July 2020. The Company will align its current Manual on Corporate Governance (Manual) with the CG Code for Public Companies and Registered Issuers, and shall submit an amended Manual in compliance with the SEC directive.



Board of Directors

The Company's Board of Directors is at the core of the Company's corporate governance framework and practice. It is the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, exercised in the best interest of the Company, its shareholders, and other stakeholders. It exercises oversight of the business, affairs and integrity of the Company; and determines the Company's mission, long-term strategy and objectives.

The Board is likewise responsible for the review and approval of the Company's financial statements. The directors consider that the Company's financial statements have been prepared in conformity with the Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of management and the Board with an appropriate consideration to materiality.

Composition

The Board consists of eleven members.

Each director is elected by the stockholders with voting rights during the ASM, or by the remaining directors constituting at least a majority of the Board for those elected to replace outgoing directors and serve the remainder of such outgoing director's term. The Board members hold office for one year until successors are duly elected and qualified in accordance with the

amended by-laws of the Company, its Manual and applicable rules and regulations. The broad range of and varied skills, expertise, background and experience of the directors in the fields of business, finance, accounting and law ensure comprehensive evaluation of, and sound judgment on, matters relevant to the Company's businesses and related interests, as well as diversity in the Board which is essential in maintaining a competitive advantage in the industry that the Company operates.

Two of the directors, Atty. Alonzo Q. Ancheta and Mr. Carmelo L. Santiago sit as independent non-executive directors. The Company defines an independent director as a director who, apart from his fees and shareholdings, has no business or relationship with the Company which could, or could reasonably be perceived to, materially interfere with the exercise of his independent judgment in carrying out his responsibilities as a director. The independent directors are nominated and elected in accordance with the rules of the SEC. Pursuant to such rules, the independent directors issue a certification confirming their independence at the time of their nomination for election. Atty. Alonzo Q. Ancheta is the Company's Lead Independent Director.

The Chairman and the President

The Chairman of the Board is Mr. Ramon S. Ang, a non-executive director, while Mr. Roberto N. Huang holds the position of President. These positions are held by separate individuals with their respective roles clearly defined to ensure independence, accountability and responsibility in the discharge of their duties.

Board Performance and Attendance

The Board held seven meetings in 2019. To assist the directors in the discharge of their duties, each director is given access to the Corporate Secretary and Assistant Corporate Secretary, who serve as counsel to the Board of Directors and at the same time communicate with the Board, management, the Company's shareholders and the investing public. Below is the record of attendance of the directors at these meetings and at the ASM.

	February 1	March 8	May 3	May 28 2019 ASM	August 2	October 31	December 4
Ramon S. Ang*	✓	✓	✓	✓	✓	✓	✓
Roberto N. Huang*	✓	✓	✓	✓	✓	✓	✓
Ferdinand K. Constantino*	✓	✓	✓	✓	✓	✓	✓
Keisuke Nishimura*	✓	✓	✓	✓	✓	✓	✓
Alonzo Q. Ancheta*	✓	✓	✓	✓	✓	✓	✓
Carmelo L. Santiago*	✓	✓	✓	✓	✓	✓	✓
Carlos Antonio M. Berba*	✓	✓	✓	✓	✓	✓	✓
Toshiya Miyoshi*	✓	✓	✗	✓	✓	✓	✓
Daniel L. Henares*	✓	✓	✓	✓	✓	✓	✓
Tomoki Yamauchi*	✓	✓	✓	✓	✓	✓	✓
Kenji Uchiyama*	✓	✓	✓	✓	✓	✓	✓

✓ Present

✗ Absent

* Elected at the May 29, 2018 ASM and re-elected at the May 28, 2019 ASM.

Board Remuneration

Each director receives a reasonable per diem allowance of P20,000 and P10,000 for each Board and Board Committee meeting, respectively, attended by such director. Other than these per diem amounts, there are no standard arrangements pursuant to which the directors of the Company are compensated for services rendered by them.

In 2019, the Company paid a total of P1,750,000.00 in per diem allowances to the Board of Directors as follows:

Executive Directors	₱ 640,000.00
Non-Executive Directors (other than Independent Directors)	₱ 730,000.00
Independent Directors	₱ 380,000.00
	₱ 1,750,000.00



Board Committees

To assist the Board in complying with the principles of good corporate governance, the Board created four committees.

Executive Committee

The Executive Committee is composed of five directors. Mr. Ramon S. Ang sits as Chairman of the Committee with Mr. Roberto N. Huang, Mr. Carmelo L. Santiago (independent director), Mr. Kenji Uchiyama and Mr. Tomoki Yamauchi as members. The Committee acts within the power and authority granted upon it by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company, with the exception of such powers as provided in the Company's Articles of Incorporation, and such other powers as may be specifically limited by the Board or by law.

The Executive Committee did not hold meetings in 2019.

Governance and Nomination Committee

The Governance and Nomination Committee is composed of three voting directors – Atty. Alonzo Q. Ancheta, an independent director and the Chairman of the Committee, Mr. Ferdinand K. Constantino and Mr. Carmelo L. Santiago (also an independent director), and two non-voting members – Ms. Mercy Marie J. L. Amador, the Company's Chief Finance Officer and Treasurer, and Ms. Lynn B. Santos, the Company's Vice President, Business Planning and Quality and Productivity Management Manager.

The Governance and Nomination Committee is responsible for making recommendations to the Board of Directors on matters relating to the directors' appointment, election and succession, with the view of appointing individuals to the Board of Directors with the relevant experience and capabilities to maintain and improve the competitiveness of the Company and increase its value. The Committee screens and shortlists candidates for Board directorship in accordance with the qualifications and disqualifications for directors set out in the Company's Manual, the amended articles of incorporation and amended by-laws of the Company and applicable laws, rules and regulations.

The Governance and Nomination Committee also assists the Board in its oversight responsibilities in the development and implementation of the corporate governance principles, policies and systems of the Company, and in the establishment and implementation of mechanisms for the assessment and improvement of the performance of the Board of Directors, its members and the Board Committees, and evaluation of the Company's compliance with the Manual.

The Committee held one meeting in 2019 in which the Committee discussed and deliberated on, among others, the qualification of the nominees for election to the Board.

Executive Compensation Committee

Three directors comprise the Executive Compensation Committee: Mr. Ferdinand K. Constantino, Mr. Kenji Uchiyama and Mr. Carmelo L. Santiago, an independent director. Mr. Ferdinand K. Constantino is the Chairman of the Committee. The Executive Compensation

Committee advises and assists the Board in the establishment of formal and transparent policies and practices on directors and executive remuneration, succession planning, promotion and career advancement. The Committee also provides oversight over remuneration of directors, senior management and other key personnel to ensure that the Company's compensation scheme fairly and responsibly reward directors and executives based on their performance and the performance of the Company, and remain competitive to attract and retain directors and officers who are needed to run the Company successfully.

The Committee did not hold meetings in 2019.

Audit Committee

The Audit Committee is composed of five members with two independent directors as members, Mr. Carmelo L. Santiago, who also sits as Committee Chairman, and Atty. Alonzo Q. Ancheta. The other members are Mr. Ferdinand K. Constantino, Mr. Kenji Uchiyama and Mr. Tomoki Yamauchi.

The Audit Committee is responsible for assisting the Board of Directors in discharging its corporate governance and fiduciary duties in relation to financial reporting, internal control structure, internal and external audit processes, compliance with applicable laws and regulations, risk management systems and material related party transactions. It reviews and monitors, among others, the integrity of all financial statements and reports and ensures their compliance with pertinent accounting standards and regulatory

requirements. It also evaluates the adequacy and effectiveness of its internal control procedures and enterprise risk management framework and processes, performs oversight financial management functions, approves audit plans, directly interfaces with internal and external auditors, elevates to international standards the accounting and auditing processes, practices, and methodologies of the Company, and reviews material related party transactions.

The Company's Audit Committee has oversight function on enterprise risk management; while at the management level, the enterprise risk management function is headed by the Chief Risk Officer.

The Audit Committee held four meetings in 2019 wherein the Committee reviewed and approved, among others, the Company's 2018 Audited Financial Statements and the Company's unaudited interim quarterly financial statements for the first to the third quarters of the year, as prepared by Management. The Audit Committee likewise monitored and reviewed the adequacy and effectiveness of the Company's internal control systems through the regular reports of the internal audit. The Committee was appraised of the latest developments in regulatory requirements through the reports of the Compliance Officer.

Board Committee Attendance

The attendance of the members at the Board Committee meetings in 2019 is set out in the table below.

BOARD COMMITTEES

	Executive*	Audit	Executive Compensation*	Governance and Nomination
Ramon S. Ang	C (0/0)			
Roberto N. Huang	M (0/0)			
Ferdinand K. Constantino		M (4/4)	C (0/0)	M (1/1)
Alonzo Q. Ancheta		M (4/4)		C (1/1)
Carmelo L. Santiago	M (0/0)	C (4/4)	M (0/0)	M (1/1)
Tomoki Yamauchi		M (4/4)		
Kenji Uchiyama		M (4/4)	M (0/0)	
Mercy Marie J.L. Amador				M (1/1)
Lynn B. Santos				M (1/1)

*No meetings held in 2019.

C - Chairman
M - Member



Management

Management is primarily responsible for the day-to-day operations and business of the Company. The annual compensation of the President and the senior key executives of the Company are set out in the Definitive Information Statement distributed to shareholders.



Human Resources

The Company continues to support and dedicate resources for the training and development of its human resources. As such, career advancement and development opportunities are provided by the Company through numerous training programs and seminars. It also implements employee relations programs that promote individual and collective well-being, and holistic growth of its employees within the organization. These includes sports activities, hallmark holidays, and company occasions.

The Company ensures that it provides its employees with a safe and healthy work environment. The Company has an in-house clinic at its main office to take care of the employees' medical needs. Each production facility also has its own clinic. It is mandatory for employees to undergo an annual medical examination. Further, the Company has also initiated activities centered on the safety, health and welfare of its employees.

The Company's permanent employees also enjoy a funded, noncontributory retirement plan.

Benefits and privileges accruing to all regular employees are similarly discussed in the Employee Handbook. The Employee Handbook, which is provided to each employee, also contains the policies, guidelines for the duties and responsibilities of an employee of San Miguel Brewery Inc.

Through internal newsletters, and Company e-mails all facilitated by the Human Resources and the Business Affairs and Communications Department of the Company, employees are updated on material developments within the organization.



Policies

Securities Dealing

The Company has adopted a policy which regulates the acquisition and disposal of Company shares by its directors, officers and employees, and the use and disclosure of material non-public information by persons who have knowledge or are in possession thereof.

Whistleblowing Policy

Procedures were also established for the communication and investigation of concerns regarding the Company's accounting, internal accounting controls, auditing, and financial reporting matters to the Audit Committee under its whistleblowing policy.

These policies are available on the Company's website.

Code of Conduct

The Company also adopted a Code of Ethics that sets out the fundamental standards of conduct and values consistent with the principles of good governance and business practices that shall guide and define the actions and decisions of the directors, officers and employees of the Company.



Compliance Monitoring

Atty. Rosabel Socorro T. Balan is the Company's Compliance Officer. The Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of its Manual and ensuring adherence to corporate principles and best practices. The Compliance Officer holds the position of Vice President and is also the Company's General Counsel. As Compliance Officer, she has direct reporting responsibilities to the Chairman of the Board.



Operations Committee

Domestic Operations

Roberto N. Huang
President

Kenji Uchiyama
Executive Vice President

Mercy Marie Jacqueline L. Amador
VP and Chief Finance Officer and Treasurer

Tomoki Yamauchi
Executive Financial Advisor

Minerva Lourdes B. Bibonia
SVP and Marketing Manager

Atty. Rosabel Socorro T. Balan
VP and General Counsel, Corporate Secretary
and Compliance Officer

Debbie D. Namalata
VP and National Sales Manager

Rebecca S. Flores
VP and Brewing Technical Group Manager

Rene T. Ceniza
VP and National Logistics Manager

Feliciano M. Madlansacay
Finance Operations Manager

Enrico E. Reyes
VP and Human Resources and Business Affairs
And Communications Head

Rodney Ralph D. Holmes
VP and Executive Assistant to the President
And Financial Planning and Analysis Manager

Lynn B. Santos
VP and Business Planning and Quality
And Productivity Management Manager

Manuel M. Moreno
Manufacturing Manager

Alma Leonora C. Javenia
AVP and Information Systems Management Manager

Dario S. Feliciano
AVP and Business Procurement Group Head

International Operations

Carlos Antonio M. Berba
Managing Director

Fumiaki Ozawa
SMBIL Executive Vice President

Frederick R. Mariano
VP and SMBIL Chief Finance Officer

Jesus J. Bitanga, Jr.
SMBIL International Sales Manager

Frederick Gerard S. Martelino
VP and SMBIL Export Development Manager

Ernest John F. Estrera
VP and SMBIL Marketing Manager

Carmela R. Ortiz
VP and SMBIL Business Planning Head

Daniel B. Trajano
AVP and SMBIL Logistics Manager

Clifford T. Que
AVP and SMBIL Information Systems
Management Manager


Roxanne Angela B. Millan
AVP and SMBIL Human Resources Head


REPORT OF THE AUDIT COMMITTEE

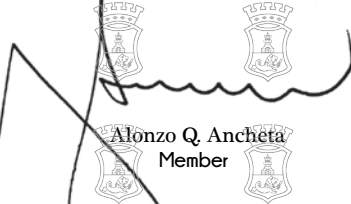
For the year ended December 31, 2019

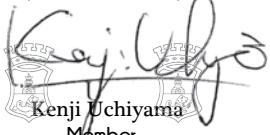
The Audit Committee assists the Board of Directors in its corporate governance and oversight responsibilities in relation to financial reporting, risk management, internal controls and internal and external audit processes and methodologies. In fulfillment of these responsibilities, the Audit Committee performed the following in 2019:


- recommended to the Board of Directors the re-appointment of R.G. Manabat & Co. as external auditors of the Company for 2019;
- reviewed and approved the terms of engagement of the external auditors, including the audit, audit-related and any non-audit services provided by the external auditors to the Company and the fees for such services, and ensured that the same did not impair the external auditors' independence and objectivity;
- reviewed and approved the scope of the audit and audit programs of the internal and external auditors, and have discussed the results of their audit processes and their findings and assessment of the Company's internal controls and financial reporting systems;
- reviewed, discussed and recommended for approval of the Board of Directors the Company's annual and quarterly consolidated financial statements, and the reports required to be submitted to regulatory agencies in connection with such consolidated financial statements, to ensure that the information contained in such statements and reports presents a true and balanced assessment of the Company's position and condition, and comply with the regulatory requirements of the Securities and Exchange Commission; and
- reviewed the effectiveness and sufficiency of the Company's financial and internal controls, risk management systems, and control and governance processes, and ensured that, where applicable, necessary measures are taken to address any concern or issue arising therefrom.


Carmelo L. Santiago
 Chairman


Ferdinand K. Constantino
 Member


Alonzo Q. Ancheta
 Member


Kenji Uchiyama
 Member


Tomoki Yamauchi
 Member



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Website home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Brewery Inc.
No. 40 San Miguel Avenue
Mandaluyong City

Opinion

We have audited the consolidated financial statements of San Miguel Brewery Inc. and its 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 notes, comprising significant accounting policies and other explanatory information.

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



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.

Impairment of Trademarks and Brand names (P33,595 million)

Refer to Note 15 to the consolidated financial statements.

The risk

The Group has assessed that the trademarks and brand names have indefinite useful lives in view of the fact that there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Trademarks and brand names represent 24% of the consolidated total assets of the Group. As required by Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, impairment testing is required annually for intangible assets with indefinite useful lives, irrespective of whether there is an indication that the related assets may be impaired.

Accordingly, we focused on this area because of the subjectivity and complexity of determining the recoverable amounts which involve significant estimation uncertainty. As a result, we assessed that the impairment testing is a key audit matter.

Our response

Our audit work included an evaluation and assessment of the methodology applied in the impairment review in accordance with PAS 36. We have updated our understanding of the management's annual impairment process. We evaluated the reasonableness of the future cash flow forecasts by comparing them with the latest Board of Directors' approved budgets and considering the historical accuracy of management's forecasts by comparing prior year forecasts to actual results. We challenged the key assumptions for long term growth rates in the forecasts by comparing them with historical results, economic and industry forecasts; and the discount rate used by recalculating the Group's weighted average cost of capital using market comparable information. We have involved our own valuation specialist in the evaluation. We have also assessed the appropriateness and adequacy of the presentation and the relevant disclosures in the consolidated financial statements.



Revenue Recognition (P142,272 million)

Refer to Note 3 to the consolidated financial statements.

The risk

The Group's revenue is mainly generated from selling and distribution of fermented, malt-based and non-alcoholic beverages. Significant risk of misstatement is associated with the operations of the Parent Company particularly with its sales to outlets (direct selling). The nature of Parent Company's operations poses a risk that revenue recognized may be inconsistent with the requirements of PFRS 15, *Revenue from Contracts with Customers*, since there is a timing difference between recording the transaction and transfer of significant control to the customers. Revenue may be inappropriately recognized in order to improve business results and achieve capital and revenue growths in line with the objectives of the Group. Moreover, due to the materiality of revenue in the consolidated financial statements, it is deemed as one of our key audit matters.

Our response

Our audit work included evaluation and assessment of the revenue recognition policies of the Group in accordance with PFRS 15. We have identified and assessed key controls over the revenue process. We have also involved our Information Technology (IT) specialists to assist in the audit of automated controls, including interface controls between different IT applications for the evaluation of relevant IT systems and the design and operating effectiveness of controls over the recording of revenue transactions. We tested sales throughout the period by selecting sample of transactions to ascertain that it met the revenue recognition criteria and traced it to source documentation to ensure propriety of recording. We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items. We checked whether transactions were recorded in the appropriate accounting period. In addition, a combination of third party confirmations and testing of subsequent collections of accounts receivable were conducted. We have also evaluated the appropriateness and adequacy of the presentation and the relevant disclosures in the consolidated financial statements.

Other Information

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

R.G. MANABAT & CO.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

PTR No. MKT 8116787

Issued January 2, 2020 at Makati City

March 6, 2020

Makati City, Metro Manila

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Food and Beverage, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Millions)

	December 31	December 31	January 1
Note	2019	2018 (As restated - see note 37)	2018 (As restated - see note 37)
ASSETS			
Current Assets			
Cash and cash equivalents	7, 33, 34	P30,451	P32,888
Trade and other receivables - net	4, 8, 28, 33, 34	6,479	4,808
Inventories - net	9, 37	2,893	2,963
Prepaid expenses and other current assets	10, 28, 33, 34	4,046	1,974
Total Current Assets		43,869	42,633
Noncurrent Assets			
Investments	11, 33, 34	39	41
Property, plant and equipment - net	4, 12	26,719	22,251
Right-of-use assets - net	4, 13	1,955	-
Investment property - net	4, 14	1,767	1,340
Intangible assets - net	4, 15	35,830	37,005
Deferred tax assets	6, 19	989	1,092
Other noncurrent assets - net	4, 16, 28, 30, 33, 34, 37	28,873	24,010
Total Noncurrent Assets		96,172	85,739
		P140,041	P128,372
			P113,016
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	17, 28, 33, 34	P17,732	P15,622
Lease liabilities - current portion	33, 34	229	-
Income and other taxes payable	6, 19	4,549	3,763
Loan payable	6, 18, 33, 34	-	500
Current maturities of long-term debt - net of debt issue costs	6, 18, 33, 34	-	12,804
Total Current Liabilities		22,510	32,689

Forward

		December 31		January 1
			2018	2018
	<i>Note</i>	2019	(As restated - see note 37)	(As restated - see note 37)
Noncurrent Liabilities				
Long-term debt - net of debt issue costs	6, 18, 33, 34	P31,866	P21,911	P34,665
Deferred tax liabilities	6, 19	-	29	26
Lease liabilities - net of current portion	33, 34	1,008	-	-
Other noncurrent liabilities	28, 30	425	729	1,091
Total Noncurrent Liabilities		33,299	22,669	35,782
Total Liabilities		55,809	55,358	52,232
Equity	20			
Equity Attributable to Equity Holders of the Company				
Capital stock		15,410	15,410	15,410
Additional paid-in capital		515	515	515
Equity reserves		(593)	(277)	(1,481)
Retained earnings:				
Appropriated		25,752	26,610	15,010
Unappropriated		40,510	28,384	29,076
Treasury stock		(1,029)	(1,029)	(1,029)
		80,565	69,613	57,501
Non-controlling Interests	2, 5	3,667	3,401	3,283
Total Equity		84,232	73,014	60,784
		P140,041	P128,372	P113,016

See Notes to the Consolidated Financial Statements.

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Food and Beverage, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Millions, Except Per Share Data)

	<i>Note</i>	2019	2018	2017
SALES	6, 28	P142,272	P129,249	P113,255
COST OF SALES	21, 27	79,591	72,361	62,974
GROSS PROFIT		62,681	56,888	50,281
SELLING AND ADMINISTRATIVE EXPENSES	22	(23,961)	(21,603)	(19,120)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	6, 18, 25	(1,706)	(2,239)	(2,283)
IMPAIRMENT LOSS ON NONCURRENT ASSETS	6, 27	(903)	(544)	(534)
INTEREST INCOME	6, 7	1,020	1,062	534
OTHER INCOME - Net	6, 26	1,635	156	210
INCOME BEFORE INCOME TAX		38,766	33,720	29,088
INCOME TAX EXPENSE	6, 19	11,481	9,884	8,377
NET INCOME	6	P27,285	P23,836	P20,711
Attributable to:				
Equity holders of the Company	6	P26,720	P23,404	P20,178
Non-controlling interests	6	565	432	533
		P27,285	P23,836	P20,711
Basic and Diluted Earnings Per Share	31	P1.74	P1.52	P1.31

See Notes to the Consolidated Financial Statements.

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Food and Beverage, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Millions)

	<i>Note</i>	2019	2018	2017
NET INCOME		P27,285	P23,836	P20,711
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified to profit or loss				
Equity reserve for retirement plan and others	30	(129)	661	230
Income tax	19	49	(202)	(61)
		(80)	459	169
Item that will be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations - net of tax		(340)	773	444
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		(420)	1,232	613
TOTAL COMPREHENSIVE INCOME		P26,865	P25,068	P21,324
Attributable to:				
Equity holders of the Company		P26,404	P24,608	P20,896
Non-controlling interests		461	460	428
		P26,865	P25,068	P21,324

See Notes to the Consolidated Financial Statements.

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Food and Beverage, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Millions)

	Equity Attributable to Equity Holders of the Company										
	Equity Reserves					Retained Earnings					
	Capital Stock (Note 20)	Additional Paid-in Capital	Reserve for Retirement Plan	Fair Value Reserve	Cumulative Translation Adjustments Reserve	Appropriated (Note 20)	Unappropriated (Note 20)	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of December 31, 2018, as previously reported (Audited)	P15,410	P515	(P1,650)	P1	P1,372	P26,610	P28,384	(P1,029)	P68,613	P3,401	P73,014
Adjustments due to Philippine Financial Reporting Standards (PFRS) 16 - net of tax	3, 13	-	-	-	-	-	(91)	-	(91)	-	(91)
As of January 1, 2019, as adjusted	15,410	515	(1,650)	1	1,372	26,610	28,293	(1,029)	68,522	3,401	72,923
Net income	-	-	-	-	-	-	26,720	-	26,720	565	27,285
Other comprehensive income (loss):											
Loss on exchange differences on translation of foreign operations and others - net of tax	-	-	-	(1)	(221)	-	-	-	(222)	(118)	(340)
Equity reserve for retirement plan - net of tax	30	-	(94)	-	-	-	-	-	(94)	14	(80)
Total comprehensive income (loss)	-	-	(94)	(1)	(221)	-	26,720	-	26,404	461	26,865
Additions to noncontrolling interests	28	-	-	-	-	-	(15,361)	-	(15,361)	390	390
Cash dividends	20	-	-	-	-	19,962	(19,962)	-	-	(585)	(15,946)
Appropriation	20	-	-	-	-	(20,820)	20,820	-	-	-	-
Reversal of appropriation	20	-	-	-	-	-	-	-	-	-	-
As of December 31, 2019	P15,410	P515	(P1,744)	P -	P1,151	P25,752	P40,510	(P1,029)	P80,565	P3,667	P84,232

Forward

Equity Attributable to Equity Holders of the Company													
	Note	Capital Stock (Note 20)	Additional Paid-in Capital	Reserve for Retirement Plan	Fair Value Reserve	Cumulative Translation Adjustments Reserve		Retained Earnings		Treasury Stock	Total	Non-controlling Interests	Total Equity
						Reserve	Reserve	Appropriated (Note 20)	Unappropriated (Note 20)				
As of December 31, 2017, as previously reported (Audited)		P15,410	P515	(P2,110)	P3	P626	P15,010	P29,076	(P1,029)	P57,501	P3,283	P60,784	
Adjustments due to Philippine Financial Reporting Standards (PFRS) 9 - net of tax	3, 8	-	-	-	-	-	-	100	-	100	-	100	
As of January 1, 2018, as adjusted		15,410	515	(2,110)	3	626	15,010	29,176	(1,029)	57,601	3,283	60,884	
Net income		-	-	-	-	-	-	23,404	-	23,404	432	23,836	
Other comprehensive income (loss):													
Gain (loss) on exchange differences on translation of foreign operations and others - net of tax		-	-	-	(2)	746	-	-	-	744	29	773	
Equity reserve for retirement plan - net of tax	30	-	-	460	-	-	-	-	-	460	(1)	459	
Total comprehensive income (loss)		-	-	460	(2)	746	-	23,404	-	24,608	460	25,068	
Cash dividends	20	-	-	-	-	-	-	(12,596)	-	(12,596)	(342)	(12,938)	
Appropriation	20	-	-	-	-	-	11,600	(11,600)	-	-	-	-	
As of December 31, 2018		P15,410	P515	(P1,650)	P1	P1,372	P26,610	P28,384	(P1,029)	P69,613	P3,401	P73,014	

Forward

	Equity Attributable to Equity Holders of the Company												
	Note	Capital Stock	Additional Paid-in Capital	Reserve for Retirement Plan	Equity Reserves			Retained Earnings		Treasury Stock	Total	Non-controlling Interests	Total Equity
					Fair Value Reserve	Cumulative Translation Adjustments Reserve	Appropriated	Unappropriated					
As of December 31, 2016		P15,410	P515	(P2,266)	(P9)	P76	P5,200	P29,768	(P1,029)	P47,665	P3,093	P50,758	
Net income		-	-	-	-	-	-	20,178	-	20,178	533	20,711	
Other comprehensive income (loss):													
Gain (loss) on exchange differences on translation of foreign operations and others - net of tax		-	-	-	12	550	-	-	-	562	(118)	444	
Equity reserve for retirement plan - net of tax		-	-	156	-	-	-	-	-	156	13	169	
Total comprehensive income		-	-	156	12	550	-	20,178	-	20,896	428	21,324	
Cash dividends		-	-	-	-	-	-	(11,060)	-	(11,060)	(238)	(11,298)	
Appropriation		-	-	-	-	-	9,810	(9,810)	-	-	-	-	
As of December 31, 2017		P15,410	P515	(P2,110)	P3	P626	P15,010	P29,076	(P1,029)	P57,501	P3,283	P60,784	

See Notes to the Consolidated Financial Statements.

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Food and Beverage, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

		December 31		January 1
	<i>Note</i>	2019	2018 (As restated- see note 37)	2018 (As restated- see note 37)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P38,766	P33,720	P29,088
Adjustments for:				
Depreciation, amortization and others	23	4,720	3,967	3,523
Interest expense and other financing charges	18, 25	1,706	2,239	2,283
Retirement costs	30	528	633	598
Provision for impairment losses on receivables and inventories - net	8, 9	630	565	773
Impairment loss on noncurrent assets	27	903	544	534
Loss (gain) on sale of property and equipment, investments and investment property	26	(7)	(3)	3
Interest income	7	(1,020)	(1,062)	(534)
Operating income before working capital changes		46,226	40,603	36,268
Decrease (increase) in:				
Trade and other receivables		(1,699)	350	272
Inventories		659	(4,286)	(2,262)
Prepaid expenses and other current assets		(1,966)	(348)	(369)
Increase (decrease) in:				
Accounts payable and accrued expenses		2,299	6,580	4,716
Other taxes payable		112	(57)	191
Other noncurrent liabilities		10	3	6
Cash generated from operations		45,641	42,845	38,822
Income taxes paid		(10,665)	(9,767)	(8,349)
Interest paid	18	(1,747)	(2,188)	(2,279)
Contributions paid to the retirement plan	30	(648)	(625)	(838)
Net cash flows provided by operating activities		32,581	30,265	27,356

Forward

		December 31		January 1
	<i>Note</i>	2019	2018 (As restated- see note 37)	2018 (As restated- see note 37)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		P1,066	P1,020	P516
Proceeds from sale of:				
Property and equipment		18	15	7
Investments		-	2	4
Increase in intangible assets and other noncurrent assets		(9,173)	(9,781)	(5,582)
Additions to:				
Property, plant and equipment	12	(6,769)	(5,230)	(1,747)
Investment property	14	(27)	(14)	-
Net cash flows used in investing activities		(14,885)	(13,988)	(6,802)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from long-term debt - net of debt issue costs		9,925	-	-
Additions to non-controlling interest		90	-	-
Proceeds from short-term borrowings	18	-	500	-
Deposit for future stock subscriptions	28	-	300	-
Payments of:				
Cash dividends	20	(15,359)	(12,595)	(11,059)
Lease liability		(526)	-	-
Loan payable	18	(500)	-	-
Dividends to non-controlling shareholders		(582)	(343)	(240)
Long-term debt	18	(12,810)	-	(3,000)
Net cash flows used in financing activities		(19,762)	(12,138)	(14,299)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		(371)	452	27
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(2,437)	4,591	6,282
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		32,888	28,297	22,015
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	7	P30,451	P32,888	P28,297

See Notes to the Consolidated Financial Statements.

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Food and Beverage, Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share and Number of Shares Data)

1. Reporting Entity

San Miguel Brewery Inc. (SMB or the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 26, 2007. The accompanying consolidated financial statements comprise the financial statements of the Company and its Subsidiaries (collectively referred to as the Group). The Company is a public company under Section 17.2 of the Securities Regulation Code and its Peso-denominated fixed rate bonds issued in 2009, 2012 and 2014 are listed on the Philippine Dealing & Exchange Corp. (PDEX).

The Company's common shares were listed on the Philippine Stock Exchange, Inc. (PSE) on May 12, 2008. The Company filed a petition for voluntary delisting with the PSE following the PSE's adoption of the minimum public ownership rule and denial by SEC of all requests made (including the Company's request) for the extension of the grace period to comply with such rule. The petition was approved by the PSE on April 24, 2013 and the Company's common shares were delisted effective May 15, 2013 (Note 20).

The Group is primarily engaged in manufacturing, selling and distribution of fermented, malt-based and non-alcoholic beverages. The Group is also engaged in acquiring, developing and licensing trademarks and intellectual property rights and in the management, sale, exchange, lease and holding for investment of real estate of all kinds including buildings and other structures.

In November 2017, San Miguel Corporation (SMC) announced its intention to undertake an internal restructuring and consolidation of its food and beverage businesses under San Miguel Food and Beverage, Inc. (SMFB), previously known as "San Miguel Pure Foods Company, Inc." (SMFB Consolidation). The SMFB Consolidation is expected to result in synergies in the food and beverage business units of the San Miguel group, unlock greater shareholder value by providing a sizeable consumer vertical market under SMC, and provide investors direct access to the consumer business of the San Miguel group through SMFB. As part of the SMFB Consolidation, SMC transferred all its shares in the Company to SMFB in consideration of new common shares in SMFB. The SMFB Consolidation was completed on June 29, 2018, thereby resulting in the Company becoming a subsidiary of SMFB. Prior to the transaction, the Company was a direct subsidiary of SMC.

SMFB is the parent company of the Group. SMC is the intermediate parent of the Group while Top Frontier Investment Holdings, Inc. (TFIH) is the ultimate parent company of the Group.

On February 20, 2019, the President of the Philippines signed into law Republic Act No. 11232 or the Revised Corporation Code of the Philippines (Revised Code). The Revised Code expressly repeals Batas Pambansa Blg. 68 or the Corporation Code of the Philippines. Section 11 of the Revised Code states that a corporation shall have perpetual existence unless its articles of incorporation provides otherwise. Corporations with certificates of incorporation issued prior to the effectivity of this Revised Code, and which continue to exist, shall have perpetual existence, unless the corporation, upon a vote of its stockholders representing a majority of its outstanding capital stock, notifies the Commission that it elects to retain its specific corporate term pursuant to its articles of incorporation: Provided, that any change in the corporate term under this section is without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Revised Code. The Revised Code took effect on February 23, 2019.

The registered office address of the Company is No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

2. Basis of Preparation

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

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

Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Bases
Derivative financial instruments	Fair value
Financial assets at fair value through other comprehensive income (FVOCI);	Fair value
Available-for-sale (AFS) financial assets - 2017	Fair value
Net defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency. All amounts have been rounded off to the nearest million (000,000), unless otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, as follows:

Name of Subsidiary	Place of Business	Proportion of Ownership Interest Held by the		Effective Equity Interest of the Company*	Line of Business
		Company	Subsidiaries		
Iconic Beverages, Inc. (IBI)	Philippines	100	-	100	Licensing trademarks
San Miguel Brewing International Limited (SMBIL)	British Virgin Islands	100	-	100	Manufacture and sale of beer
Neptunia Corporation Limited (NCL)	Hong Kong	-	100	100	Investment holding
San Miguel Company Limited	Hong Kong	-	100	100	Investment holding
San Miguel Company Limited Taiwan Branch	Taiwan	-	100	100	Beer distribution
San Miguel Brewery Hong Kong Limited (SMBHK)	Hong Kong	-	65.8	65.8	Manufacture and sale of beer
Hongkong Brewery Limited	Hong Kong	-	100	65.8	Dormant
San Miguel Shunde Holdings Limited (SMSH)	Hong Kong	-	92	60.5	Investment holding
San Miguel (Guangdong) Brewery Co., Ltd. (SMGB)	People's Republic of China	-	100	60.5	Manufacture and sale of beer
San Miguel (Guangdong) Limited (SMGL)	Hong Kong	-	93	61.2	Investment holding
Guangzhou San Miguel Brewery Co., Ltd. (GSMB)	People's Republic of China	-	70	42.8	Beer distribution
San Miguel (China) Investment Company Limited (SMCIC)	People's Republic of China	-	100	100	Investment holding
San Miguel (Baoding) Brewery Co., Ltd. (SMBB)	People's Republic of China	-	100	100	Manufacture and sale of beer

Forward

Name of Subsidiary	Place of Business	Proportion of Ownership Interest Held by the		Effective Equity Interest of the Company*	Line of Business
		Company	Subsidiaries		
San Miguel Holdings (Thailand) Limited (SMHTL)	Thailand	-	49	49	Investment holding
San Miguel Beer (Thailand) Limited (SMBTL)	Thailand	-	100	49	Manufacture and sale of beer
San Miguel Marketing (Thailand) Limited (SMMTL)	Thailand	-	100	100	Trading
Dragon Island Investments Limited (DIIL)	British Virgin Islands	-	100	100	Investment holding
San Miguel (Vietnam) Limited (SMVL)	Bermuda	-	100	100	Investment holding
San Miguel Brewery Vietnam Company Limited (SMBVL)	Republic of Vietnam	-	100	100	Manufacture and sale of beer
San Miguel Malaysia (L) Pte. Ltd.	Malaysia	-	100	100	Investment holding
PT. Delta Djakarta Tbk and Subsidiary (PTD)	Republic of Indonesia	-	58.3	58.3	Manufacture and sale of beer
Brewery Properties Inc. (BPI)	Philippines	40	-	40	Property holding
Brewery Landholdings, Inc. (BLI)	Philippines	-	100	40	Property holding

*Represents the ultimate equity interest in the subsidiary at the level of the Company after taking into consideration the dilutive effects of the non-controlling interests at the various intervening levels of ownership.

Best Investments International Inc., a subsidiary of SMBHK, was dissolved in April 2018.

Ravelin Limited, a subsidiary of SMBHK, ceased to exist as an entity separate from SMBHK with effect from June 19, 2019 pursuant to the vertical amalgamation of SMBHK with Ravelin Limited.

A subsidiary is an entity controlled by the Group. The Group controls an entity if, and only if, the Group is exposed to, 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. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continues to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income, and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Company.

Non-controlling interests include the interests not held by the Group in PTD, SMBTL, SMHTL, SMBHK group and BPI group in 2019 and 2018.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and, (iii) reclassifies the Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New and Amended Standards and Interpretation

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

New and Amended Standards and Interpretation Adopted in 2019

The Group has adopted the following PFRS starting January 1, 2019 and accordingly, changed its accounting policies in the following areas:

- PFRS 16, *Leases*, supersedes PAS 17, *Leases*, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

The Group has adopted PFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at January 1, 2019. Accordingly, the comparative information has not been restated and is presented, as previously reported, under PAS 17 and related interpretations.

As a lessee, the Group recognized right-of-use assets and lease liabilities for leases classified as operating leases under PAS 17, except for short-term leases and leases of low-value assets. The right-of-use assets are measured based on the carrying amount as if PFRS 16 had always been applied, discounted using the incremental borrowing rate at the date of initial application. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the weighted average incremental borrowing rate of 8.94% as at January 1, 2019.

The Group used the following practical expedients for leases previously classified as operating leases under PAS 17:

- applied the exemption not to recognize right-of-use assets and liabilities for leases with lease term that ends within 12 months at the date of initial application;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

For leases previously classified as finance leases, the Group determined the carrying amount of the lease assets and lease liabilities immediately before the transition as the carrying amount of the right-of-use assets and lease liabilities at the date of initial application.

Right-of-use assets and lease liabilities are presented separately in the consolidated statements of financial position. Right-of-use assets that meet the definition of investment property are presented within investment property.

The impact of the adoption of PFRS 16 as at January 1, 2019 is as follows:

ASSETS	
Prepaid expenses and other current assets	(P25)
Right-of-use assets - net	2,156
Investment property - net	457
Other intangible assets - net	(1,115)
Deferred tax assets	13
Other noncurrent assets - net	(44)
	P1,442
LIABILITIES AND EQUITY	
Lease liabilities - current portion	P399
Lease liabilities - net of current portion	1,145
Other noncurrent liabilities	(11)
Total Liabilities	1,533
Retained earnings	(91)
Total Equity	(91)
	P1,442

The operating lease commitments as at December 31, 2018 are reconciled as follows to the recognized lease liabilities as at January 1, 2019:

Operating lease commitments as at December 31, 2018	P229
Extension and termination options reasonably certain to be exercised	2,414
Effect from discounting at the incremental borrowing rate as at January 1, 2019	(1,099)
Lease liabilities recognized as at January 1, 2019	P1,544

- *Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments.* The interpretation clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the consolidated financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the chosen tax treatment. If it is not probable that the tax authority will accept the chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.
- *Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, Employee Benefits).* The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.
- *Prepayment Features with Negative Compensation (Amendment to PFRS 9, Financial Instruments).* The amendment covers the following areas:
 - *Prepayment Features with Negative Compensation.* The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

- *Modification of Financial Liabilities.* The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e. the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in the consolidated statements of income.
- Annual Improvements to PFRS Cycles 2015 - 2017
 - Income Tax Consequences of Payments on Financial Instrument Classified as Equity (*Amendments to PAS 12*). The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits - i.e., in profit or loss, other comprehensive income or equity.
 - Borrowing Costs Eligible for Capitalization (*Amendments to PAS 23, Borrowing Costs*). The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale, or any non-qualifying assets, are included in that general pool.

Except as otherwise indicated, the adoption of the new and amended standards and interpretation did not have a material effect on the consolidated financial statements.

New and Amended Standards and Framework Not Yet Adopted

A number of new and amended standards and framework are effective for annual periods beginning after January 1, 2019 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new and amended standards and framework on the respective effective dates:

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- Definition of a Business (*Amendments to PFRS 3, Business Combinations*). The amendments narrowed and clarified the definition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments:
 - confirmed that a business must include inputs and a process, and clarified that:
 - the process must be substantive; and
 - the inputs and process must together significantly contribute to creating outputs;

- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments apply to business combinations and asset acquisitions in annual reporting periods beginning on or after January 1, 2020, with early application permitted.

- **Definition of Material** (*Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of what is considered material. The amended definition of what is considered material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

The amendments apply prospectively for annual periods beginning on or after January 1, 2020, with early application permitted.

- **Interest Rate Benchmark Reform** (*Amendments to PFRS 9, PAS 39, Financial Instruments: Recognition and Measurement and PFRS 7, Financial Instruments: Disclosures*). The amendments provide temporary exceptions to all hedging relationships directly affected by interest rate benchmark reform - the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'. The exceptions relate to the following requirements:
 - **The Highly Probable Requirement.** When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.
 - **Prospective Assessments.** When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.
 - **PAS 39 Retrospective Assessment.** An entity is not required to undertake the PAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other PAS 39 hedge accounting requirements, including the prospective assessment.
 - **Separately Identifiable Risk Components.** For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.
 - An entity shall cease applying the exceptions when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows or the hedging relationship is discontinued. End of application does not apply to the test for separately identifiable risk components.
 - Specific disclosure requirements apply to hedging relationships affected by the amendments including information about the significant interest rate benchmarks, extent of risk exposure directly affected by the reform, how the entity manages the process to transition to alternative benchmark rates, significant assumptions and judgements made in applying the exceptions, and the nominal amount of the hedging instruments in those hedging relationships.

- The amendments apply for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.
- The amendments are still subject to the approval by the FRSC.

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (*Amendments to PFRS 10 and PAS 28*). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

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

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or a financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, at FVOCI and at fair value through profit and loss (FVPL). The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

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

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

The Group’s cash and cash equivalents, trade and other receivables and noncurrent receivables are included under this category (Notes 7, 8, 16, 28, 33 and 34).

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to the consolidated statements of income.

The Group has no investment in debt securities as of December 31, 2019 and 2018.

The Group's investments in equity securities included under "Investments" account in the consolidated statements of financial position are classified under this category (Note 11).

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or at FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in profit or loss as incurred. Changes in fair value and realized gains or losses are recognized in profit or loss. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets are classified under this category (Notes 10, 33 and 34).

Financial Liabilities

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in profit or loss. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities are classified under this category (Notes 17, 33 and 34).

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statements of income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

The Group's liabilities arising from its trade or borrowings such as accounts payable and accrued expenses, loan payable and long-term debt are included under this category (Notes 17, 18, 28, 33 and 34).

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether these financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in profit or loss.

Classification of Financial Instruments between Liability and Equity

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

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

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

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

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

Embedded Derivatives

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

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

However, an embedded derivative is not separated if the host contract is a financial asset. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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

The Group has embedded derivatives as of December 31, 2019 and 2018 (Notes 33 and 34).

Inventories

Finished goods, goods in process, and materials and supplies are measured at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Finished goods and goods in process	-	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; costs are determined using the moving-average method; and
Materials and supplies	-	at cost, using the moving-average method.

Finished Goods. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Goods in Process. 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.

Materials and Supplies. Net realizable value is the current replacement cost.

Any write-down of inventories to net realizable value and all losses of inventories are recognized as expense in the year of write-down or loss occurrence. The amount of reversals, if any, of write-down of inventories arising from an increase in net realizable value are recognized as reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

Prepaid Expenses and Other Current Assets

Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in the consolidated statements of income as they are consumed or expired with the passage of time.

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Business Combination

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

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

▪ *Goodwill in a Business Combination*

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

▪ *Intangible Assets Acquired in a Business Combination*

The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

Following initial recognition, intangible asset is measured at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

An intangible asset with finite life is amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in profit or loss.

Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO), if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Transportation equipment	3 - 7
Tools and other equipment	2 - 10
Office equipment, furniture and fixtures	2 - 20
Machinery and equipment	2 - 50
Buildings and improvements	5 - 50
Leasehold improvements	3 - 50 or term of the lease, whichever is shorter

The remaining useful lives, residual values, and depreciation and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

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

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the period of retirement and disposal.

Leases

Policy Applicable from January 1, 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset; and
- the Group has the right to direct the use of the identified asset.

Group as a Lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

Group as a Lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Policy Applicable before January 1, 2019

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

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

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

Finance Lease

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

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are recognized in the consolidated statements of income.

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

Operating Lease

Group as Lessee. Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Investment Property

Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is measured at cost less any impairment in value.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 50
Buildings and improvements	10 - 50

The useful lives, residual values and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in profit or loss in the period of retirement and disposal.

Transfers are made to investment property when, and only when, there is an actual change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is an actual 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 accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the following estimated useful lives of other intangible assets with finite lives:

	Number of Years
Computer software and licenses	2 - 10
Land use rights	42 - 50 or term of the lease, whichever is shorter

The Group assessed the useful lives of trademarks, some licenses and brand names to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Trademarks, licenses and brand names with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss, when the asset is derecognized.

Impairment of Non-financial Assets

The carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, investment property, deferred containers and intangible assets with finite useful lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Trademarks, licenses and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal of the asset. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurements

The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or the liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or the liability. The principal or most advantageous market must be accessible to the Group.

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

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

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

- Level 1: quoted 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 asset or the liability, either directly or indirectly; and
- Level 3: inputs for the asset or the liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

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

Deferred Containers

Returnable bottles and shells are measured at cost less accumulated amortization and impairment, if any. These are presented as “Deferred Containers” under “Other noncurrent assets” account in the consolidated statements of financial position and are amortized over the estimated useful lives of two to ten years. Depreciable amount is equal to cost less estimated residual value, equivalent to the deposit value. Amortization of deferred containers is included under “Selling and administrative expenses” account in the consolidated statements of income.

The remaining useful lives, residual values, and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of amortization are consistent with the expected pattern of economic benefits from deferred containers.

The carrying amount of deferred containers is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Refundable containers deposits are collected from customers based on deposit value and refunded when the containers are returned to the Group in good condition. These deposits are financial liabilities presented as “Customers deposit” under “Accounts payable and accrued expenses” account in the consolidated statements of financial position.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Capital Stock and Additional Paid-in Capital

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the “Additional paid-in capital” account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Deposit for Future Stock Subscriptions

Deposit for future stock subscriptions represents amounts received that will be applied as payment in exchange for a fixed number of the Group’s equity instruments. This is measured at cost and is reclassified to capital stock upon issuance of shares.

In accordance with SEC’s Financial Reporting Bulletin No. 006, the Group classifies deposit for future stock subscription under equity as a separate account from capital stock if, and only if, all of the following elements are present as at the end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD’s approval on the proposed increase in authorized capital stock (for which a deposit was received by the Group);
- There is stockholders’ approval of said proposed increase; and

- The application for the approval of said proposed increase has been presented for filing or has been filed with the SEC.

If any of the foregoing elements are not present, the deposit is recognized as a liability.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Retained earnings may be classified as unappropriated retained earnings and appropriated retained earnings. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Treasury Shares

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue Recognition

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

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

Revenue from Sale of Goods

Revenue from sale of goods (alcoholic and non-alcoholic contents) is recognized at the point in time when control of the goods is transferred to the buyer, which is normally upon delivery of the goods. The Group provides trade discounts and volume rebates to certain customers based on the level of their purchases. Trade discounts and volume rebates do not result to significant variable consideration and are generally determined on a per transaction basis.

Interest Income

Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Rent Income

Revenue from operating lease is recognized on a straight-line basis over the term of the lease.

Others

Revenue is recognized when earned.

Costs and Expenses

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

Share-based Payment Transactions

Under SMC's Employee Stock Purchase Plan (ESPP), employees of the Group receive remuneration in the form of share-based payment transactions, whereby the employees render services as consideration for equity instruments of SMC. Such transactions are handled centrally by SMC.

Share-based transactions in which SMC grants option rights to its equity instruments directly to the Group's employees are accounted for as equity-settled transactions. SMC charges the Group for the costs related to such transactions with its employees. The amount is charged to operations by the Group.

The cost of ESPP is measured by reference to the market price at the time of the grant less subscription price. The cumulative expenses recognized for share-based payment transactions at each reporting date until the vesting date reflect the extent to which the vesting period has expired and SMC's best estimate of the number of equity instruments that will ultimately vest. Where the terms of a share-based award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is annually reviewed for impairment when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs

The Company and some of its subsidiaries have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees.

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement liability or asset

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

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in profit or loss.

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

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and nonmonetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation, which are recognized in other comprehensive income.

Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

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

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

The measurement of deferred tax reflects the tax consequences that would follow 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.

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

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority, and they intend to settle current tax liabilities and current tax assets on a net basis or their tax assets and tax liabilities will be realized simultaneously.

Final Tax. Final tax represents tax on interest income derived from bank deposits and short-term investments. Final tax is recognized in profit or loss in the same period when the related interest income is recognized.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” or “Income and other taxes payable” accounts in the consolidated statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm’s length basis in a manner similar to transactions with non-related parties.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Company by the weighted average number of issued and outstanding common shares during the period, with retrospective adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of all dilutive common shares.

Operating Segments

The Group’s operating segments are organized and managed separately according to geographical location, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements. The President (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm’s length prices.

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

Contingencies

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

Events After the Reporting Date

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

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments, estimates and assumptions are revised and in any future period affected.

Judgments

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

Evaluating Control over its Investee. Determining whether the Company has control in an investee requires significant judgment. Although the Company owns less than 50% of the voting rights of BPI, management has determined that the Company controls this entity by virtue of its exposure and rights to variable returns from its involvement in this investee and its ability to affect those returns through its power over the investee.

The Company receives substantially all of the returns related to BPI's operations and net assets and has the current ability to direct BPI's activities that most significantly affect the returns. The Company controls BPI since it is exposed, and has rights, to variable returns from its involvement with BPI and has the ability to affect those returns through such power over BPI.

Classification of Financial Instruments. The Group exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 34.

Distinction between Investment Property and Owner-occupied Property. The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in marketing or administrative functions. Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

Determining whether an Arrangement Contains a Lease (Prior to the Adoption of PFRS 16). The Group uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating Lease Commitments - Group as Lessor/Lessee (Prior to the Adoption of PFRS 16). The Group has entered into various lease agreements either as a lessor or a lessee. The Group had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases while the significant risks and rewards for properties leased from third parties are retained by the lessors.

Rent income recognized in the consolidated statements of income amounted to P173, P171, and P153 in 2019, 2018 and 2017, respectively (Notes 26 and 29).

Rent expense recognized in the consolidated statements of income amounted to P684, P793 and P735 in 2019, 2018 and 2017, respectively (Notes 21, 22 and 29).

Estimating the Incremental Borrowing Rate (Upon the Adoption of PFRS 16). The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgement estimates.

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee (Upon the Adoption of PFRS 16). The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Assessment of Intangible Assets with Indefinite Useful Life. The Group has assessed that the intangible assets have an indefinite useful life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group (Note 15).

Contingencies. The Group is currently involved in pending claims for tax refund and tax cases which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and tax cases has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group has recognized provision for possible tax assessment amounting to nil, P52, and nil in 2019, 2018 and 2017, respectively (Notes 17 and 35).

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment of ECL on Trade and Other Receivables. The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade and other receivables for at least two years. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different types of receivables. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each type of receivables to reflect the effects of current and forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on receivables is not material because substantial amounts of receivables are normally collected within three months. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its receivables.

Trade and other receivables written-off amounted to P28 and P32 in 2019 and 2018, respectively. The allowance for impairment losses on trade and other receivables amounted to P189 and P220 as of December 31, 2019 and 2018, respectively. (Note 8).

The carrying amount of trade and other receivables amounted to P6,479 and P4,808 as of December 31, 2019 and 2018m respectively. (Note 8).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2019 and 2018. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2019	2018
Cash and cash equivalents (excluding cash on hand)	7, 33	P29,730	P32,693
Noncurrent receivables (included under "Other noncurrent assets" account)	16,33, 34	10	11

There was no allowance for impairment losses on noncurrent receivables recognized in the consolidated statements of financial position as of December 31, 2019 and 2018.

Impairment of Trademarks, Licenses and Brand Names with Indefinite Useful Lives. The Group determines whether trademarks, licenses and brand names are impaired at least annually. This requires the estimation of value in use of the trademarks, licenses and brand names. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the trademarks, licenses and brand names and to choose a suitable discount rate to calculate the present value of those cash flows.

The combined carrying amount of trademarks, brand names and licenses with indefinite useful lives amounted to P35,805 and P35,791 as of December 31, 2019 and 2018, respectively (Note 15).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 30 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P12,642 and P11,600 as of December 31, 2019 and 2018, respectively (Note 30).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on property, plant and equipment, right-of-use assets, investment property, deferred containers and intangible assets with finite useful lives when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses of property, plant and equipment, right-of-use assets, deferred containers and intangible assets with finite useful lives, including cumulative translation adjustments, amounted to P13,367 and P13,044 as of December 31, 2019 and 2018, respectively (Notes 12, 13, 15 and 16).

The combined carrying amount of property, plant and equipment, right-of-use assets, investment property, deferred containers and intangible assets with finite useful lives amounted to P56,666 and P47,774 as of December 31, 2019 and 2018, respectively (Notes 12, 13, 14, 15 and 16).

5. Investments in Shares of Stocks of Subsidiaries

Investments in Shares of Subsidiaries/Non-controlling Interest

The following table summarizes the financial information relating to each of the Group's subsidiaries that has material non-controlling interests:

	December 31, 2019				December 31, 2018					
	BPI	SMBHK	PTD	SMBTL	SMHTL	BPI	SMBHK	PTD	SMBTL	SMHTL
Non-controlling percentage on profit or loss	7%	-	-	-	-	7%	-	-	-	-
Non-controlling ownership interest percentage	60%	34.2%	41.7%	51.0%	51.0%	60%	34.2%	41.7%	51.0%	51.0%
Non-controlling voting interest percentage	60%	34.2%	41.7%	9.4%	9.4%	60%	34.2%	41.7%	9.4%	9.4%
Carrying amount of non-controlling interests	P872	P1,148	P1,845	(P1,196)	P20	P482	P1,150	P1,942	(P1,164)	P19
Current assets	P199	P1,741	P4,297	P602	P6	P248	P1,851	P4,666	P2,378	P6
Noncurrent assets	3,259	3,029	1,581	2,149	209	2,807	3,216	1,491	2,236	202
Current liabilities	(51)	(1,346)	(1,272)	(5,096)	(176)	(95)	(781)	(1,325)	(2,538)	-
Noncurrent liabilities	-	(70)	(178)	-	-	(1,000)	(924)	(171)	(4,360)	(170)
Net assets (liabilities)	P3,407	P3,354	P4,428	(P2,345)	P39	P1,960	P3,362	P4,661	(P2,284)	P38
Dividends paid to non-controlling interests	P -	P -	P566	P -	P -	P11	P -	P327	P -	P -
Net income (loss) attributable to non-controlling interests	P11	P19	P484	P9	P -	P11	(P171)	P520	P20	P -
Other comprehensive income (loss) attributable to non-controlling interests	P11	P22	P69	(P244)	P6	P -	(P8)	(P107)	(P8)	P -
Sales	P241	P3,851	P5,553	P2,145	P -	P220	P3,948	P5,625	P1,992	P -
Net income (loss)	P160	P55	P1,162	P18	P -	P162	(P499)	P1,248	P39	P -
Other comprehensive income (loss)	-	65	165	(478)	11	-	(22)	(258)	(15)	-
Total comprehensive income (loss)	P160	P120	P1,327	(P460)	P11	P162	(P521)	P990	P24	P -
Cash flows provided by operating activities	P135	P46	P358	(P16)	P -	P154	P38	P537	P12	P -
Cash flows provided by (used in) investing activities	(444)	(20)	26	(15)	-	(986)	(155)	(25)	(62)	-
Cash flows provided by (used in) financing activities	288	-	(565)	-	-	757	(1)	(334)	(25)	-
Effects of exchange rate changes on cash and cash equivalents	-	1	59	17	-	-	(1)	(88)	2	-
Net increase (decrease) in cash and cash equivalents	(P21)	P27	(P122)	(P14)	P -	(P75)	(P119)	P90	(P73)	P -

6. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products produced. The operating businesses are organized and managed separately according to geographical location, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's reportable segments are domestic and international operations.

Domestic operations produce and market fermented, malt-based and non-alcoholic beverages within the Philippines and distribute beer products to some export markets.

International operations produce and market fermented, malt-based and non-alcoholic beverages in several foreign markets.

Segment Assets and Segment Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories and property, plant and equipment, net of allowances, accumulated depreciation and amortization and impairment. Segment liabilities include all operating liabilities and consist primarily of accounts payable and accrued expenses, wages and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Financial information about the operating segments follow:

	For the Year Ended December 31, 2019			
	Domestic	International	Eliminations	Total
Sales				
External sales	P128,512	P13,760	P -	P142,272
Inter-segment sales	33	-	(33)	-
Total Sales	P128,545	P13,760	(P33)	P142,272
Result				
Segment result	P36,886	P1,813	P21	P38,720
Interest expense and other financing charges	(1,706)	-	-	(1,706)
Interest income	-	-	-	1,020
Impairment loss on noncurrent assets	-	-	-	(903)
Other income - net	-	-	-	1,635
Income tax expense	-	-	-	(11,481)
Net Income	P -	P -	P -	P27,285
Attributable to:				
Equity holders of the Company	P -	P -	P -	P26,720
Non-controlling interests	-	-	-	565
Net Income	P -	P -	P -	P27,285

	As of and For the Year Ended December 31, 2019			
	Domestic	International	Eliminations	Consolidated
Other Information				
Segment assets	P96,491	P22,852	(P13,952)	P105,391
Trademarks and brand names	32,000	1,595	-	33,595
Other assets	-	-	-	66
Deferred tax assets	-	-	-	989
Consolidated Total Assets	P -	P -	P -	P140,041
Segment liabilities	P15,715	P3,349	(P32)	P19,032
Loan payable	-	-	-	-
Long-term debt including current maturities - net of debt issue costs	31,866	-	-	31,866
Income and other taxes payable	-	-	-	4,549
Accrued interests and dividends payable	-	-	-	362
Deferred tax liabilities	-	-	-	-
Consolidated Total Liabilities	P -	P -	P -	P55,809
Capital expenditures	P6,614	P155	P -	P6,769
Depreciation and amortization of property, plant and equipment	1,150	309	-	1,459
Noncash items other than depreciation and amortization of property, plant and equipment	3,027	1,134	3	4,164
	For the Year Ended December 31, 2018			
	Domestic	International	Eliminations	Total
Sales				
External sales	P115,622	P13,627	P -	P129,249
Inter-segment sales	33	-	(33)	-
Total Sales	P115,655	P13,627	(P33)	P129,249
Result				
Segment result	P33,617	P1,668	P -	P35,285
Interest expense and other financing charges	(2,239)	-	-	(2,239)
Interest income	-	-	-	1,062
Impairment loss on noncurrent assets	-	-	-	(544)
Other income - net	-	-	-	156
Income tax expense	-	-	-	(9,884)
Net Income	P -	P -	P -	P23,836
Attributable to:				
Equity holders of the Company	P -	P -	P -	P23,404
Non-controlling interests	-	-	-	432
Net Income	P -	P -	P -	P23,836

	As of and For the Year Ended December 31, 2018			
	Domestic	International	Eliminations	Consolidated
Other Information				
Segment assets	P84,883	P22,602	(P13,976)	P93,509
Trademarks and brand names	32,000	1,656	-	33,656
Other assets	-	-	-	115
Deferred tax assets	-	-	-	1,092
Consolidated Total Assets	P -	P -	P -	P128,372
Segment liabilities	P12,960	P2,858	(P36)	P15,782
Loan payable	500	-	-	500
Long-term debt including current maturities - net of debt issue costs	34,715	-	-	34,715
Income and other taxes payable	-	-	-	3,763
Accrued interests and dividends payable	-	-	-	569
Deferred tax liabilities	-	-	-	29
Consolidated Total Liabilities				P55,358
Capital expenditures	P4,095	P252	P883	P5,230
Depreciation and amortization of property, plant and equipment	1,045	351	-	1,396
Noncash items other than depreciation and amortization of property, plant and equipment	2,566	545	5	3,116
	For the Year Ended December 31, 2017			
	Domestic	International	Eliminations	Total
Sales				
External sales	P100,198	P13,057	P -	P113,255
Inter-segment sales	36	-	(36)	-
Total Sales	P100,234	P13,057	(P36)	P113,255
Result				
Segment result	P29,717	P1,444	P -	P31,161
Interest expense and other financing charges	(2,283)	-	-	(2,283)
Interest income	-	-	-	534
Impairment loss on noncurrent assets	-	-	-	(534)
Other income - net	-	-	-	210
Income tax expense	-	-	-	(8,377)
Net Income	P -	P -	P -	P20,711
Attributable to:				
Equity holders of the Company	P -	P -	P -	P20,178
Non-controlling interests	-	-	-	533
Net Income	P -	P -	P -	P20,711

	As of and For the Year Ended December 31, 2017			
	Domestic	International	Eliminations	Consolidated
Other Information				
Segment assets	P71,025	P21,008	(P13,980)	P78,053
Trademarks and brand names	32,000	1,573	-	33,573
Other assets	-	-	-	73
Deferred tax assets	-	-	-	1,317
Consolidated Total Assets	P -	P -	P -	P113,016
Segment liabilities	P10,763	P2,568	(P39)	P13,292
Long-term debt - net of debt issue costs	34,665	-	-	34,665
Income and other taxes payable	-	-	-	3,685
Accrued interests and dividends payable	-	-	-	564
Deferred tax liabilities	-	-	-	26
Consolidated Total Liabilities	P -	P -	P -	P52,232
Capital expenditures	P1,539	P208	P -	P1,747
Depreciation and amortization of property, plant and equipment	935	333	-	1,268
Noncash items other than depreciation and amortization of property, plant and equipment	2,203	586	-	2,789

7. Cash and Cash Equivalents

This account consists of:

	Note	2019	2018
Cash in banks and on hand		P6,613	P4,892
Short-term investments		23,838	27,996
	33, 34	P30,451	P32,888

Cash in banks earn annual interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the short-term investment rates ranging from 0.75% to 6.87%. Interest income from cash in bank and short-term investments amounted to P1,020, P1,062 and P534 for the years December 31, 2019, 2018 and 2017, respectively.

8. Trade and Other Receivables

This account consists of:

	Note	2019	2018
Trade:			
Amounts owed by third parties		P5,818	P4,205
Amounts owed by related parties	28	14	13
Non-trade:			
Amounts owed by third parties		672	691
Amounts owed by related parties	28	164	119
		6,668	5,028
Less allowance for impairment losses	4	189	220
	4, 33, 34	P6,479	P4,808

Trade receivables are non-interest bearing and are generally on a 7 to 90-day credit term.

Non-trade receivables include receivables from employees, insurance and freight claims, interest and other receivables.

The movements in the allowance for impairment losses are as follows:

	Note	2019	2018
Balance at beginning of year		P220	P274
Write-off during the year	4	(28)	(32)
Reversal of impairment losses during the year	22	(2)	(24)
Currency translation adjustments		(1)	2
Balance at end of year		P189	P220

9. Inventories

This account consists of:

	2019	2018 (As restated - see note 37)
At net realizable value:		
Finished goods and goods in process	P1,467	P1,659
Materials and supplies	1,426	1,304
	P2,893	P2,963

The cost of inventories as of December 31 are as follows:

	2019	2018
Finished goods and goods in process	P1,492	P1,676
Materials and supplies	1,438	1,317
	P2,930	P2,993

The write-down of inventories recognized as expense amounted to P12, P21 and P3 for the years ended December 31, 2019, 2018 and 2017, respectively. Reversal of write-down of inventories amounted to nil for the years ended December 31, 2019 and 2018.

Inventory charged to cost of sales amounted to P14,895, P13,600 and P11,304 for the years ended December 31, 2019, 2018 and 2017, respectively (Note 21).

10. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	2019	2018
Prepaid taxes and licenses		P3,436	P1,635
Prepaid supplies/materials		347	163
Prepaid insurance		167	76
Prepaid rent	27, 28	12	28
Derivative assets	33, 34	55	18
Others		29	54
		P4,046	P1,974

Others include promotional and miscellaneous expenses.

11. Investments

Financial Assets at FVOCI

The Group's financial assets at FVOCI pertain to investments in shares of stock and club shares amounting to P39 and P41 as of December 31, 2019 and 2018 (Notes 33 and 34).

The methods and assumptions used to estimate the fair value of financial assets at FVOCI are discussed in Note 34.

12. Property, Plant and Equipment

The movements in this account are as follows:

	Land	Machinery and Equipment	Buildings and Improvements	Transportation Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Tools and Other Equipment	CPIP	Total
Cost									
January 1, 2018	P8,117	P41,948	P12,222	P811	P338	P596	P138	P902	P65,072
Additions	883	3,030	221	187	285	45	23	556	5,230
Disposals/reclassifications	-	(159)	(26)	(35)	-	(15)	164	2	(69)
Currency translation adjustments	65	401	202	1	-	10	3	-	682
December 31, 2018	9,065	45,220	12,619	964	623	636	328	1,460	70,915
Additions	-	3,847	1,492	159	9	53	30	1,179	6,769
Disposals/reclassifications	-	(168)	456	(39)	(488)	(23)	(9)	(13)	(284)
Currency translation adjustments	41	(741)	(307)	(2)	(2)	(8)	(3)	(1)	(1,023)
December 31, 2019	9,106	48,158	14,260	1,082	142	658	346	2,625	76,377
Accumulated Depreciation and Amortization									
January 1, 2018	-	27,763	5,382	662	233	459	75	-	34,574
Additions	-	967	267	67	32	38	25	-	1,396
Disposals/reclassifications	-	(154)	(8)	(33)	-	(12)	128	-	(79)
Currency translation adjustments	-	224	86	1	-	7	2	-	320
December 31, 2018	-	28,800	5,727	697	265	492	230	-	36,211
Additions	-	1,044	252	67	30	42	24	-	1,459
Disposals/reclassifications	-	(135)	150	(39)	(171)	(22)	(8)	-	(225)
Currency translation adjustments	-	(276)	(101)	(2)	(1)	(5)	(3)	-	(388)
December 31, 2019	-	29,433	6,028	723	123	507	243	-	37,057

Forward

	Land	Machinery and Equipment	Buildings and Improvements	Transportation Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Tools and Other Equipment	CPIP	Total
Accumulated Impairment Losses									
January 1, 2018	P -	P9,001	P2,701	P10	P1	P42	P11	P -	P11,766
Additions	-	89	455	-	-	-	-	-	544
Disposals/reclassifications	-	7	(17)	-	-	(3)	11	-	(2)
Currency translation adjustments	-	146	(3)	-	-	2	-	-	145
December 31, 2018	-	9,243	3,136	10	1	41	22	-	12,453
Additions	-	627	194	1	-	13	6	-	841
Disposals/reclassifications	-	(31)	(73)	-	-	(1)	(1)	-	(106)
Currency translation adjustments	-	(427)	(158)	(1)	-	(2)	1	-	(587)
December 31, 2019	-	9,412	3,099	10	1	51	28	-	12,601
Carrying Amount									
December 31, 2018	P9,065	P7,177	P3,756	P257	P357	P103	P76	P1,460	P22,251
December 31, 2019	P9,106	P9,313	P5,133	P349	P18	P100	P75	P2,625	P26,719

Depreciation and amortization charged to operations amounted to P1,459, P1,396, and P1,268 in 2019, 2018 and 2017, respectively (Notes 21, 22 and 23). No interest was capitalized in 2019 and 2018.

Following the impairment testing of the Group, impairment losses recognized on property, plant and equipment related to its foreign operations amounted to P841, P544, and P534 in 2019, 2018 and 2017, respectively (Note 27).

13. Right-of-use Assets

The movements in right-of-use assets are as follows:

	Note	Land, Land and Leasehold Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Total
Cost						
Adjustment due to adoption of PFRS 16	3	P2,001	P546	P4	P181	P2,732
Additions		29	36	-	41	106
Currency translation adjustments		(61)	(1)	-	-	(62)
December 31, 2019		1,969	581	4	222	2,776
Accumulated Depreciation and Amortization						
Adjustment due to adoption of PFRS 16	3	494	-	-	-	494
Additions		75	118	3	78	274
Currency translation adjustments		(27)	-	-	-	(27)
December 31, 2019		542	118	3	78	741
Accumulated Impairment Losses						
Adjustment due to adoption of PFRS 16	3	82	-	-	-	82
Currency translation adjustments		(2)	-	-	-	(2)
December 31, 2019		80	-	-	-	80
Carrying Amount						
December 31, 2019		P1,347	P463	P1	P144	P1,955

The Group recognized right-of-use assets for leases of office space, warehouse, delivery trucks and parcels of land. The leases typically run for a period of one to ten years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group.

14. Investment Property

The movements in this account, including the effects of currency translation adjustments, are as follows:

	Note	ROU Asset	Land and Land Improvements	Buildings and Improvements	Total
Cost					
January 1, 2018		P -	P942	P709	P1,651
Additions		-	14	-	14
Reclassifications		-	(1)	-	(1)
Currency translation adjustments		-	-	36	36
December 31, 2018		-	955	745	1,700
Additions		-	21	6	27
Reclassifications		-	-	-	-
Adjustment due to adoption of PFRS 16	3	681	-	-	681
Currency translation adjustments		(20)	-	(24)	(44)
December 31, 2019		661	976	727	2,364

Forward

	Note	ROU Asset	Land and Land Improvements	Buildings and Improvements	Total
Accumulated Depreciation and Amortization					
January 1, 2018		P -	P -	P328	P328
Additions		-	-	15	15
Reclassifications		-	-	17	17
December 31, 2018		-	-	360	360
Additions		16	-	16	32
Adjustment due to adoption of PFRS 16	3	224	-	-	224
Currency translation adjustments		(7)	-	(12)	(19)
December 31, 2019		233	-	364	597
Carrying Amount					
December 31, 2018		P -	P955	P385	P1,340
December 31, 2019		P428	P976	P363	P1,767

No impairment loss was recognized in 2019, 2018 and 2017.

The fair value of investment property amounting to P4,568, and P1,558 as of December 31, 2019 and 2018, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques.

The fair value of investment property was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group's investment property.

Rent income on the Group's investment property recognized as part of other income amounted to P169, P163, and P145 in 2019, 2018 and 2017, respectively (Note 26).

Valuation Technique and Significant Unobservable Inputs

Domestic. The market value was determined using the Market (Comparison) Approach. The market approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance, and marketability.

The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment ranges from 3% to 5%.

International. The valuation is determined using the Income Approach which considers the capitalization of net rent income receivable from existing tenancies and the reversionary value of the property after tenancies expire by reference to market sales transactions. The significant unobservable input in the fair value measurement is the discount rate, which ranged from 2.0% to 4.5% and 2.2% to 4.2% in 2019 and 2018, respectively.

15. Intangible Assets

The movements in this account are as follows:

	Trademarks and Brand Names	Licenses	Computer Software and Licenses	Land Use Rights (see Note 3)	Total
Cost					
December 31, 2017	P33,843	P2,013	P247	P1,853	P37,956
Additions	-	-	9	-	9
Disposals/reclassifications	-	-	(3)	-	(3)
Currency translation adjustments	96	122	4	58	280
December 31, 2018	33,939	2,135	257	1,911	38,242
Additions	-	-	15	-	15
Disposals/reclassifications	-	-	-	-	-
Adjustment due to adoption of PFRS 16	-	-	-	(1,915)	(1,915)
Currency translation adjustments	(70)	75	(4)	4	5
December 31, 2019	33,869	2,210	268	-	36,347
Accumulated Amortization					
December 31, 2017	43	-	209	656	908
Additions	-	-	15	42	57
Disposals/reclassifications	-	-	(2)	-	(2)
Currency translation adjustments	1	-	4	18	23
December 31, 2018	44	-	226	716	986
Additions	-	-	16	-	16
Disposals/reclassifications	-	-	(1)	-	(1)
Adjustment due to adoption of PFRS 16	-	-	-	(718)	(718)
Currency translation adjustments	(1)	-	(3)	2	(2)
December 31, 2019	43	-	238	-	281
Accumulated Impairment Losses					
December 31, 2017	228	-	6	6	240
Currency translation adjustments	11	-	-	-	11
December 31, 2018	239	-	6	6	251
Disposals/reclassifications	-	-	-	73	73
Adjustment due to adoption of PFRS 16	-	-	-	(82)	(82)
Currency translation adjustments	(8)	-	(1)	3	(6)
December 31, 2019	231	-	5	-	236
Carrying Amount					
December 31, 2018	P33,656	P2,135	P25	P1,189	P37,005
December 31, 2019	P33,595	P2,210	P25	P -	P35,830

Trademarks and brand names with indefinite useful lives amounted to P33,595 and P33,656 as of December 31, 2019 and 2018, respectively. Licenses with indefinite useful lives amounted to P2,210 and P2,135 as of December 31, 2019 and 2018, respectively.

The following are the main reasons or factors that played a significant role in determining that such assets have indefinite useful lives:

- Expected continuous cash flows from the asset;
- Stability of industry in which the assets operate; and
- Full control over the assets.

The aggregate cost of fully amortized trademarks and brand names amounted to P274 and P283 as of December 31, 2019 and 2018, respectively.

Trademarks and Brand Names

a. Domestic Operations

The recoverable amount of the trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The 2% growth rate used is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections is 9.0% in 2019 and 2018.

No impairment loss recognized in the value of trademarks and brand names in 2019, 2018 and 2017.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount of trademarks and brand names is based would not cause its carrying amount to exceed its recoverable amount.

b. International Operations

The recoverable amount of the trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The 2% to 3% growth rates used are consistent with the long-term average growth rates for the industry. The discount rates applied to after tax cash flow projections range from 6.0% to 15.1% in 2019 and 2018.

Management assessed that there was no impairment loss in the value of trademarks and brand names for the years ended December 31, 2019 and 2018.

The calculations of value in use (terminal value) are most sensitive to the following assumptions:

Discount Rate. The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Growth Rate. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years.

16. Other Noncurrent Assets

This account consists of:

	Note	2019	2018 (As restated - see note 37)
Deferred containers - net:			
Bottles		P16,311	P14,297
Shells		9,889	8,672
		26,200	22,969
Others	4, 28, 30, 33, 34	2,673	1,041
		P28,873	P24,010

Others include unamortized cost of pallets, kegs and CO2 cylinders, defined benefit retirement asset, long-term receivable, and other noncurrent assets.

The movements in the deferred containers are as follows:

	Note	2019	2018 (As restated - see note 37)
Gross Carrying Amount			
Balance at beginning of year		P34,964	P27,840
Additions		6,836	8,545
Disposals/reclassifications		(1,846)	(1,422)
Currency translation adjustments		(13)	1
Balance at end of year		39,941	34,964
Accumulated Amortization			
Balance at beginning of year		11,416	10,306
Amortization	23	2,900	2,568
Disposals/reclassifications		(1,246)	(1,464)
Currency translation adjustments		(10)	6
Balance at end of year		13,060	11,416
Accumulated Impairment			
Balance at beginning of year		579	412
Impairment		682	568
Disposals/Reclass		(580)	(401)
Balance at end of year		681	579
		P26,200	P22,969

17. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2019	2018
Trade:			
Amounts owed to third parties		P4,706	P4,950
Amounts owed to related parties	28	2,798	2,739
Containers deposit	3	6,922	5,350
Non-trade:			
Derivative liabilities	33, 34	3	45
Amounts owed to related parties	28	4	5
Accruals:			
Payroll		1,194	864
Capital projects		524	-
Advertising and promotions		432	176
Interests	18	336	548
Contracted services		97	17
Materials and supplies		69	168
Utilities		17	14
Taxes		7	324
Others		623	422
		P17,732	P15,622

Accounts payable and accrued expenses are unsecured and non-interest bearing.

Others include accruals for repairs and maintenance, freight, trucking and handling, dividends payable and other payables.

18. Loan Payable and Long-term Debt

Loan Payable

On December 19, 2018, the Group obtained a short-term loan with a local bank amounting to P500 with an interest rate of 6.87% per annum, which matured and was paid on January 23, 2019. The loaned amount was used to purchase United States (US) Dollar that was used to pay foreign currency-denominated obligations.

Long-term Debt

This account consists of:

	Note	2019	2018
Unsecured peso-denominated term notes:			
Series C bonds, fixed interest rate of 10.50%		P -	P2,809
Series E bonds, fixed interest rate of 5.93%		-	9,995
Series F bonds, fixed interest rate of 6.60%		6,979	6,971
Series G bonds, fixed interest rate of 5.50%		12,436	12,417
Series H bonds, fixed interest rate of 6.00%		2,526	2,523
Term Loan, fixed interest rate of 4.63%		9,925	-
	33, 34	31,866	34,715
Less: Current maturities		-	12,804
		P31,866	P21,911

Bonds

The amount represents unsecured long-term debt incurred by the Company: (a) to finance its acquisition of SMC's interest in IBI and BPI; (b) to support the redemption of the Series A bonds which matured on April 3, 2012; (c) to support the partial prepayment of the US\$300 unsecured loan facility agreement (which was paid in full in 2013); and (d) to support the redemption of the Series B bonds which matured on April 4, 2014.

The Company's unsecured long-term notes comprise the Philippine peso-denominated fixed rate bonds in the aggregate principal amount of: (a) P2,810 pertaining to the aggregate principal amount of the Series C bonds which remain outstanding of the P38,800 bonds (P38,800 Bonds) which were issued on April 3, 2009 (P38,800 Bonds Issue Date); (b) P17,000 pertaining to the aggregate principal amount of Series E and F bonds which remain outstanding of the P20,000 bonds (P20,000 Bonds) which were issued on April 2, 2012 (P20,000 Bonds Issue Date); and (c) P15,000 (P15,000 Bonds) which were issued on April 2, 2014 (P15,000 Bonds Issue Date).

The P38,800 Bonds, which originally consisted of the Series A bonds (with a term of three years from the P38,800 Bonds Issue Date), the Series B bonds (with a term of five years and one day from the P38,800 Bonds Issue Date), and the Series C bonds (with a term of ten years from the P38,800 Bonds Issue Date), were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 17, 2009. The P38,800 Bonds were listed on the PDEX on November 17, 2009. The Series A bonds with an aggregate principal amount of P13,590 matured on April 3, 2012 and were accordingly redeemed by the Company on April 3, 2012. Part of the proceeds of the Company's P20,000 Bonds were used to pay such maturity. The Series B bonds with an aggregate principal amount of P22,400 matured on April 4, 2014 and were accordingly redeemed by the Company on April 4, 2014. The proceeds of the Company's P15,000 Bonds were used to partially pay such maturity. The Series C bonds with an aggregate principal amount of P2,810 matured on April 3, 2019 and were accordingly redeemed by the Company on April 3, 2019. The Company used its available cash to finance the maturity. Unamortized debt issue costs related to the Series C bonds amounted to nil and P1 as of December 31, 2019 and 2018, respectively.

The P20,000 Bonds which originally consisted of the Series D bonds (with a term of five years and one day from the P20,000 Bonds Issue Date), the Series E bonds (with a term of seven years from the P20,000 Bonds Issue Date), and the Series F bonds (with a term of ten years from the P20,000 Bonds Issue Date). The P20,000 Bonds were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 16, 2012. The Series E bonds and Series F bonds were listed on the PDEX for trading on April 2, 2012, while the Series D bonds were listed on the PDEX for trading on October 3, 2012. The Series D bonds with an aggregate principal amount of P3,000 matured on April 3, 2017 and was accordingly redeemed by the Company on the said date. The Series E bonds with an aggregate principal amount of P10,000 matured on April 2, 2019 and were accordingly redeemed by the Company on April 2, 2019. Only the Series F bonds remain outstanding of the P20,000 Bonds. The Company used its available cash to finance the maturity of the Series D bonds and Series E bonds. Unamortized debt issue costs related to the Series E bonds and Series F bonds amounted to P21 and P34 as of December 31, 2019 and 2018, respectively.

The P15,000 Bonds consist of the Series G bonds (with a term of seven years from the P15,000 Bonds Issue Date) and Series H bonds (with a term of ten years from the P15,000 Bonds Issue Date). The P15,000 Bonds were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 17, 2014 and were listed on the PDEX for trading on April 2, 2014. Unamortized debt issue costs related to the P15,000 Bonds amounted to P38 and P60 as of December 31, 2019 and 2018, respectively.

Interest on the Series C bonds are paid semi-annually, every April 3 and October 3 of each year. Interest on the P20,000 Bonds are paid semi-annually every April 2 and October 2 of each year (each, a P20,000 Bonds Interest Payment Date), save for the first interest payment of the Series D bonds which was made on October 3, 2012. The Company may (but shall not be obligated to) redeem all (and not a part only) of the outstanding P20,000 Bonds on the day after the 10th P20,000 Bonds Interest Payment Date for the Series E bonds, and the 14th P20,000 Bonds Interest Payment Date for the Series F bonds. Interest on the P15,000 Bonds are paid every April 2 and October 2 of each year (each, a P15,000 Bonds Interest Payment Date). The Company may also (but shall likewise not be obligated to) redeem all (and not a part only) of the outstanding P15,000 Bonds on the 11th P15,000 Bonds Interest Payment Date for the Series G bonds, and on the 14th, 16th or 18th P15,000 Bonds Interest Payment Dates for the Series H bonds.

On December 5 and 16, 2014, the BOD of the Company (through the Executive Committee in the December 16, 2014 meeting) approved the conduct of a solicitation process for the consents of the majority of the holders of record as of December 15, 2014 of the Company's Series C bonds, Series D bonds, Series E bonds and Series F bonds (Series CDEF Bonds Record Bondholders) for the amendment of the negative covenants in the trust agreements covering the Series C bonds, Series D bonds, Series E bonds and Series F bonds to align the same with the negative covenants of the trust agreement covering the Series G bonds and Series H bonds (Series GH Bonds Trust Agreement), and allow the Company to engage, or amend its Articles of Incorporation to engage, in the business of manufacturing, selling, distributing, and/or dealing, in any and all kinds of beverage products (Negative Covenant Amendment). The Company obtained the consents of the Series CDEF Record Bondholders representing 90% of the outstanding aggregate principal amount of the Series C bonds and 81.05% of the combined outstanding aggregate principal amount of the Series D bonds, Series E bonds and Series F bonds, for the Negative Covenant Amendment. The supplemental agreements amending the trust agreements covering the Series C bonds, Series D bonds, Series E bonds and Series F bonds to reflect the Negative Covenant Amendment were executed by the Company and the respective trustees of the said bonds on February 2, 2015.

In November 2017, SMC announced its intention to undertake the SMFB Consolidation. The SMFB Consolidation was expected to result in synergies in the food and beverage business units of the San Miguel group, unlock greater shareholder value by providing a sizeable consumer vertical market under SMC, and provide investors direct access to the consumer business of the San Miguel group through SMFB.

To allow the Company to remain under the effective control of SMC through SMFB in the implementation of the SMFB Consolidation (and thus ensure that the trust agreements covering the Company's outstanding bonds remain consistent with their original intended purpose), the BOD of the Company, in its meeting on November 3, 2017, approved the conduct of a solicitation process for the consents of the majority of the holders of record as of November 8, 2017 of the Company's Series C bonds, Series E bonds and Series F bonds (Series CEF Bonds Record Bondholders) to align the change in control default provision under the trust agreements covering the Series C bonds, Series E bonds and Series F bonds with the change in control default provision under the Series GH Bonds Trust Agreement (Change in Control Amendment). Under the Series GH Bonds Trust Agreement, a change in control of the Company occurs when SMC ceases to have the ability to consolidate the Company as a subsidiary in its consolidated financial statements in accordance with the accounting principles and standards applicable to SMC then in effect.

The Company obtained the consents of the Series CEF Record Bondholders representing 88.28% of the outstanding aggregate principal amount of the Series C bonds, and 78.1803% of the combined outstanding aggregate principal amount of the Series E bonds and Series F bonds, for the Change in Control Amendment. The supplemental agreements amending the trust agreements covering the Series C bonds, Series E bonds and Series F bonds to reflect the Change in Control Amendment were executed by the Company and the respective trustees of the said bonds on December 19, 2017.

Term Loan

On December 19, 2019, SMB entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P10,000 to be used for general corporate requirements. The loan is carried at amortized cost and bears annual interest rate at Philippine peso fixed-rate of 4.63%. The loan is payable in five years and will mature in December 2024.

As of December 31, 2019, the outstanding balance and unamortized debt issue costs of the term loan amounted to P10,000 and P75, respectively.

The Group is required to comply with two financial covenants: minimum interest coverage ratio of 4.75 and maximum debt to equity ratio of 3.5. As of December 31, 2019 and 2018, the Group was in compliance with its debt covenants.

The movements in debt issue costs are as follows:

	Note	2019	2018
Balance at beginning of year		P95	P145
Additions		75	-
Amortization	25	(36)	(50)
Balance at end of year		P134	P95

Repayment Schedule

As of December 31, 2019, the annual maturities of long-term debt are as follows:

Year	Gross Amount	Debt Issue Costs	Net
2019	P -	P -	P -
2021	12,462	26	12,436
2022	7,000	21	6,979
2024	12,538	87	12,451
	P32,000	P134	P31,866

Interest expense recognized in the consolidated statements of income amounted to P1,535, P2,189, and P2,235 in 2019, 2018 and 2017, respectively (Note 25).

Valuation Technique

The market value was determined using the market comparison technique. The fair values are based on PDEX. The bonds are traded in an active market and the quotes reflect the actual transactions in similar instruments.

The fair value of long-term debt amounting to P33,151 and P34,171 as of December 31, 2019 and 2018, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 34).

Reconciliation of the opening and closing balance of loan payable and long-term debt are as follows:

2019	Loan Payable	Long-term Debt	Accrued Interests	Total
Opening balance	P500	P34,715	P548	P35,763
Proceeds from borrowings	-	9,925	-	9,925
Interest expense and other financing charges	-	36	1,535	1,571
Payments	(500)	(12,810)	(1,747)	(15,057)
Closing balance	P -	P31,866	P336	P32,202

2018	Loan Payable	Long-term Debt	Accrued Interests	Total
Opening balance	P -	P34,665	P547	P35,212
Proceeds from borrowings	500	-	-	500
Interest expense and other financing charges	-	50	2,189	2,239
Payments			(2,188)	(2,188)
Closing balance	P 500	P34,715	P548	P35,763

19. Income Taxes

Deferred tax assets and deferred tax liabilities arise from the following:

	2019	2018
Items recognized in profit or loss		
Allowance for inventory losses	P222	P206
Net defined benefit retirement liability	(122)	102
Allowance for impairment losses on trade and other receivables	53	47
Unrealized losses on derivatives - net	14	37
Unrealized foreign exchange gains - net	(3)	(1)
Leases*	53	-
Others	52	13
Item recognized directly in other comprehensive income		
Equity reserve for retirement plan	720	659
	P989	P1,063

*including the effect of PFRS 16 transition adjustment (Note 3)

The movements in deferred tax assets and deferred tax liabilities are as follows:

	December 31, 2019					
	Balance at Beginning of the Year - net	Recognized in Profit or Loss	Recognized Directly in Comprehensive Income	Recognized Directly in Retained Earnings*	Balance at End of the Year - net	Deferred Tax Liabilities
Equity reserve for retirement plan	P659	P -	P49	P -	P708	P6
Allowance for inventory losses	206	16	-	-	222	-
Net defined benefit retirement liability	102	(187)	-	(1)	(86)	(18)
Allowance for impairment losses on receivables	47	6	-	-	53	-
Unrealized losses (gains) on derivatives - net	37	(22)	-	(1)	14	-
Unrealized foreign exchange gains - net	(1)	(2)	-	-	(3)	-
Leases*	4	36	-	13	53	-
Others	9	17	-	2	28	12
Net assets	P1,063	(P136)	P49	P13	P989	P -

*in relation to the adoption of PFRS 16 (Note 3)

	December 31, 2018					
	Balance at Beginning of the Year - net	Recognized in Profit or Loss	Recognized Directly in Comprehensive Income	Recognized Directly in Retained Earnings*	Balance at End of the Year - net	Deferred Tax Liabilities
Equity reserve for retirement plan	P861	P -	(P202)	P -	P659	P2
Allowance for inventory losses	148	58	-	-	206	-
Net defined benefit retirement liability	155	(53)	-	-	102	18
Allowance for impairment losses on receivables	102	(11)	-	(44)	47	1
Unrealized losses (gains) on derivatives - net	46	(9)	-	-	37	-
Unrealized foreign exchange gains - net	-	(1)	-	-	(1)	-
Others	(21)	34	-	-	13	(50)
Net assets	P1,291	P18	(P202)	(P44)	P1,063	(P29)

*in relation to the adoption of PFRS 9

The components of income tax expense are shown below:

	2019	2018	2017
Current	P10,987	P9,631	P8,260
Final	358	271	147
Deferred	136	(18)	(30)
	P11,481	P9,884	P8,377

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rates is as follows:

	2019	2018	2017
Statutory income tax rate	30.00%	30.00%	30.00%
Decrease in income tax rate resulting from:			
Income subjected to final tax	(0.79)	(0.94)	(0.55)
Others	(0.37)	(0.32)	(0.65)
Effective income tax rate	28.84%	28.74%	28.80%

20. Equity

Capital Stock

Pursuant to the registration statement rendered effective, and permit to sell issued, by the SEC on April 28, 2008, 15,488,309,960 common shares of the Company were registered and were offered for sale at an offer price of P8.00 per common share.

The Company's common shares were listed on the PSE on May 12, 2008. Following the SEC's denial of all requests made (including the request of the Company) for the extension of the grace period requirement for listed companies to comply with the PSE's minimum public ownership requirement and the PSE's imposition of a trading suspension on the common shares of the Company, effective January 1, 2013 as a result of such denial, the BOD of the Company approved on February 15, 2013, the voluntary delisting of the Company's common shares from the PSE. A petition for the same was thereafter filed by SMB with the PSE on February 20, 2013.

To comply with the PSE requirements on voluntary delisting, the Company undertook a tender offer to buy back all of the common shares held by the public (other than those held by its major stockholders and directors) at an offer price of P20.00 per common share. The tender offer commenced on March 4, 2013 and ended on April 3, 2013. A total of 51,425,799 common shares were tendered and accepted by the Company, equivalent to 0.3337% of its then total issued and outstanding shares, and were accordingly recorded as treasury shares.

Thereafter, the PSE approved the petition for the voluntary delisting of the Company in its April 24, 2013 board meeting and has authorized the delisting of the Company's common shares from its official registry effective May 15, 2013.

The Company has 25,000,000,000 authorized common shares with P1 par value. As of December 31, 2019 and 2018, the Company has a total of 15,359,053,161 issued and outstanding common shares (excluding the 51,425,799 common shares tendered and accepted by the Company during the tender offer and recorded as treasury shares) and 1,039 and 1,030 shareholders of record, respectively. As of December 31, 2019 and 2018, the Certificate Authorizing Registration (CAR) for 48,777,899 common shares out of the 51,425,799 common shares tendered and accepted during the tender offer (equivalent to 94.85% of the total tendered and accepted) were secured and presented to the Company. The CARs for the remaining common shares tendered and accepted during the tender offer have yet to be issued by the Bureau of Internal Revenue (BIR) as of December 31, 2019.

Retained Earnings

The Group's unappropriated retained earnings include the accumulated earnings in subsidiaries not available for declaration as dividends until declared by the respective subsidiaries.

The Company's BOD declared cash dividends as follows:

December 31, 2019

Date of Declaration	Stockholders of Record	Date Paid	Dividend Per Share	Amount
February 1, 2019	February 18, 2019	March 6, 2019	P0.25	P3,840
May 3, 2019	May 23, 2019	June 6, 2019	0.25	3,840
August 2, 2019	August 20, 2019	September 4, 2019	0.25	3,840
October 31, 2019	November 18, 2019	December 4, 2019	0.25	3,841
				P15,361

December 31, 2018

Date of Declaration	Stockholders of Record	Date Paid	Dividend Per Share	Amount
March 9, 2018	April 6, 2018	April 18, 2018	P0.20	P3,072
May 3, 2018	June 1, 2018	June 13, 2018	0.20	3,072
August 3, 2018	August 31, 2018	September 10, 2018	0.20	3,072
October 2, 2018	October 16, 2018	October 26, 2018	0.22	3,380
				P12,596

On February 7, 2020, the BOD of the Company declared cash dividends at P0.25 per share to all stockholders of record as of February 21, 2020 which was paid on February 28, 2020.

The movements in appropriated retained earnings are as follows:

	Note	2019	2018
Balance at beginning of year		P26,610	P15,010
Additional appropriations	20a, 20b	19,962	11,600
Reversal of appropriations	20b, 20c, 20d	(20,820)	-
Balance at end of year		P25,752	P26,610

- On December 4, 2019, the Company appropriated an additional P19,962 of retained earnings for the redemption of the Series G bonds in April 2021 and capacity expansion of the Company's brewery in Bacolod City, Negros Occidental to support volume growth of the Group. The project is expected to be completed in 2020.
- Of the P11,600 appropriations in 2018 for the construction of a new brewery in Tagoloan, Misamis Oriental and for the construction of brewhouse and cellars in the Company's Sta. Rosa, Laguna production facility, P5,810 was disbursed for the foregoing projects in 2019 and was accordingly reversed.
- The P12,810 appropriations in 2017 for the redemption of the Company's Series C and Series E bonds was reversed upon the redemption of the Series C and E bonds in April 2019.
- The remaining P2,200 appropriations in 2016 for the various ongoing projects to support volume growth namely, the additional packaging line in the Company's production facility in Sta. Rosa, Laguna, the new brewery in Tagoloan, Misamis Oriental and additional non-alcoholic beverage facilities in the Company's production plants in Valenzuela City and Davao City was reversed in 2019 upon the disbursement of the said amount for the foregoing projects.

The Company makes regular declaration of cash dividends out of its unrestricted retained earnings in accordance with its dividend policy and as part of its capital management.

21. Cost of Sales

This account consists of:

	<i>Note</i>	2019	2018	2017
Taxes and licenses		P57,595	P52,060	P45,726
Inventories		14,895	13,600	11,304
Communications, light, fuel and water		2,891	2,699	2,416
Personnel	24	1,890	1,759	1,589
Depreciation and amortization	23	1,161	1,095	1,012
Repairs and maintenance		673	663	527
Tolling fee		-	30	132
Rent	4, 29	22	32	30
Others		464	423	238
		P79,591	P72,361	P62,974

Taxes and licenses include excise, real property and business taxes.

Others include insurance, contracted services, research and development and various items of manufacturing overhead which are individually immaterial.

22. Selling and Administrative Expenses

This account consists of:

	2019	2018	2017
Selling	P12,731	P11,382	P10,042
Administrative	11,230	10,221	9,078
	P23,961	P21,603	P19,120

Selling expenses consist of:

	<i>Note</i>	2019	2018	2017
Advertising and promotion		P5,334	P4,501	P4,108
Freight, trucking and handling		3,617	3,307	2,735
Personnel	24	2,055	1,970	1,868
Rent	4, 29	595	618	562
Taxes and licenses		313	319	235
Depreciation and amortization	23	248	86	79
Travel and transportation		169	158	141
Repairs and maintenance		110	105	109
Communications, light, fuel and water		98	99	86
Reversal of impairment losses on receivables	8	(2)	(24)	(82)
Others		194	243	201
		P12,731	P11,382	P10,042

Others include insurance, contracted services, office supplies and various items which are individually immaterial.

Administrative expenses consist of:

	Note	2019	2018	2017
Personnel	24	P3,410	P3,390	P3,203
Depreciation and amortization	23	3,335	2,908	2,521
Contracted services		954	823	758
Provision for inventory losses	9	632	589	413
Communications, light, fuel and water		411	248	228
Management fees	28	400	465	328
Breakages		344	288	282
Repairs and maintenance		328	248	243
Professional fees		272	163	156
Taxes and licenses		167	87	86
Donations		158	304	112
Travel and transportation		150	131	113
Research and development		98	81	81
Rent	4, 29	67	143	143
Shipping expenses		34	53	47
Others		470	300	364
		P11,230	P10,221	P9,078

Others include insurance, office supplies and various items which are individually immaterial.

23. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	Note	2019	2018	2017
Cost of sales:				
Property, plant and equipment	12, 21	P1,146	P1,095	P1,012
Right-of-use of assets		15	-	-
		1,161	1,095	1,012
Selling and administrative expenses:				
Deferred containers	16	2,900	2,568	2,243
Property, plant and equipment	12, 22	313	301	256
Right-of-use of assets		275	-	-
Others	13, 14, 15	95	125	101
	22	3,583	2,994	2,600
		P4,744	P4,089	P3,612

Others include amortization of investment property, computer software and licenses, land use rights, pallets, kegs and CO2 cylinders.

24. Personnel Expense

This account consists of:

	Note	2019	2018	2017
Salaries and wages		P4,506	P4,377	P4,019
Other employee benefits		2,321	2,109	2,043
Retirement costs	30	528	633	598
		P7,355	P7,119	P6,660

Personnel expense is distributed as follows:

	Note	2019	2018	2017
Cost of sales	21	P1,890	P1,759	P1,589
Selling expenses	22	2,055	1,970	1,868
Administrative expenses	22	3,410	3,390	3,203
		P7,355	P7,119	P6,660

25. Interest Expense and Other Financing Charges

This account consists of:

	Note	2019	2018	2017
Interest expense - Long-term debt	18	P1,535	P2,189	P2,235
Interest expense - Lease		115	-	-
Interest expense - Actuarial		20	-	-
Amortization of debt issue costs	18	36	50	48
		P1,706	P2,239	P2,283

26. Other Income - net

This account consists of:

	Note	2019	2018	2017
Rent income	4, 14, 29	P173	P171	P153
Royalty income		28	27	36
Foreign exchange gains (losses) - net	33	23	(44)	51
Gain (loss) on sale of:				
Property and equipment		7	2	(4)
Investment property		-	1	-
Derivatives - net	34	130	(1)	(9)
Investments	11	-	-	1
Miscellaneous items		1,430	-	-
Others		(156)	-	(18)
		P1,635	P156	P210

Miscellaneous items pertain to tax credit certificates issued by Bureau of Internal Revenue (BIR) to the Company for the tax refund cases of San Mig Light for the years 2009 and 2010 (Note 35). Others include dividend income, bank charges and other various items which are individually immaterial.

27. Impairment Loss on Noncurrent Assets

a. North China Operations

In 2019, the Group incurred losses in its North China operations due to fierce market competitions resulting in the decline in product demand compared to forecasted sales. These factors, among others, are indications that noncurrent assets of the Group's North China operations, comprising mainly of the production plant located in Baoding, Hebei Province and other intangible assets, may be impaired.

In March 2020, SMBB has stopped operations and production activities after SMBIL and SMCIC, the shareholders of SMBB, passed a resolution approving the dissolution of SMBB. Accordingly, the Group assessed the recoverable amounts of SMBB's assets and determined that the carrying amounts of the assets are higher than their recoverable amounts. Impairment losses were recognized to reduce carrying amounts to recoverable amounts of property, plant and equipment and deferred expenses amounting to P903 and nil in 2019 and 2018, respectively.

As SMBB's assets have been reduced to their recoverable amounts, any adverse change in the assumptions used in the calculation of recoverable amounts would result in further impairment losses.

b. Hong Kong Operations

In 2018, due to the fierce market competition in Hong Kong, the Group tested the SMBHK production plant located in Yuen Long, New Territories for impairment.

The Group assessed the recoverable amount of SMBHK's production plant and determined that the carrying amount of the assets was higher than its recoverable amount of P2,067. Accordingly, impairment loss was recognized to reduce carrying amount to recoverable amount of property, plant and equipment amounting to nil and P544 in 2019 and 2018.

The recoverable amount of SMBHK's assets is determined based on a value in use calculation and the cash flows are discounted using a discount rate of 10.2%. The discount rate used is pre-tax and reflects specific risks relating to the Hong Kong brewing operations.

In 2019, the Group reassessed the recoverable amount of SMBHK's production plant and concluded that no further impairment losses or reversals of previously recognized impairment losses are required in 2019.

As SMBHK's assets have been reduced to their recoverable amount, any adverse change in the assumptions used in the calculation of the recoverable amount would result in further impairment losses.

Management determined the growth rate and gross contribution rate based on past experiences and future plans and expected market trends.

28. Related Party Disclosures

The Group, in the normal course of business, purchases products and services from and sells products to related parties. Transactions with related parties are made at normal market prices and terms. Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as of December 31:

	Note	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent		2019 2018	P34 38	P1,180 1,116	P27 28	P132 109	On demand; non-interest bearing	Unsecured; no impairment
Shareholder		2019 2018	- -	- -	3 5	- -	On demand; non-interest bearing	Unsecured; no impairment
Under Common Control		2019 2018	376 341	12,196 13,164	147 166	3,379 2,635	On demand; non-interest bearing	Unsecured; no impairment
Associate of Ultimate Parent		2019 2018	- -	- -	- -	- -	On demand; non-interest bearing	Unsecured; no impairment
Retirement Plan	30	2019 2018	- -	- -	- -	- 305	On demand; non-interest bearing	Unsecured; no impairment
		2019	P410	P13,376	P177	P3,511		
		2018	P379	P14,280	P199	P3,049		

- a. Amounts owed by related parties consist of trade and non-trade receivables and share in expenses (Note 8). Amounts owed by related parties included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position amounted to nil and P23 as of December 31, 2019 and 2018, respectively (Note 10). Amounts owed by related parties included under "Other non-current assets" account amounted to nil and P44 million as of December 31, 2019 and 2018, respectively (Note 16).

- b. Amounts owed to related parties consist of trade payables arising from purchases of materials, bottles, shells, cartons and non-trade payables arising from the purchase of SMC's shares in BPI, professional fees, insurance, lease of outdoor advertising spaces, management fees (Note 22), reimbursement of expenses, deposit for future stock subscriptions and other services rendered by related parties (Note 17). Amounts owed to related parties included under "Lease liabilities" account in the consolidated statements of financial position amounted to P707 and nil for December 31, 2019 and 2018, respectively. Amounts owed to related parties included under "Other noncurrent liabilities" account in the consolidated statements of financial position amounted to P2 and P305 for December 31, 2019 and 2018, respectively.

On August 3, 2018, the stockholders and BOD of BPI approved the increase of authorized capital stock from P1,600 to P2,600 which shall be divided into 5,200,000 common shares with a par value of P350 and 7,800,000 preferred shares with a par value of P100. The Company shall subscribe to additional 2,000,000 common shares in the amount of P700 while San Miguel Brewery Inc. Retirement Plan (SMBRP) shall subscribe to additional 3,000,000 preferred shares in the amount of P300. BPI received P300 as deposit for future stock subscription from SMBRP for its subscription to additional 3,000,000 preferred shares and included the same as part of "Other noncurrent liabilities" account in the consolidated statements of financial position as of December 31, 2018 in compliance with SEC Financial Reporting Bulletin No.006. On March 8, 2019, the stockholders and BOD of BPI approved the further increase in the authorized capital stock of BPI by P300 in addition to the P1,000 increase approved on August 3, 2018, which will bring the current authorized capital stock of BPI from P1,600 to P2,900. The Company shall subscribe to an additional 600,000 common shares in the amount of P210, while SMBRP shall subscribe to an additional 900,000 preferred shares in the amount of P90. BPI's application for the increase in capital stock was approved by the SEC last September 16, 2019.

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

	2019	2018	2017
Short-term employee benefits	P224	P215	P201
Retirement costs	29	34	27
	P253	P249	P228

29. Leasing Agreements

Operating Leases

Group as Lessor

The Group leases some of its investment property, offices and machinery and equipment under operating lease arrangements to third parties. The leases typically run for a period of one to five years. Some lease agreements provide an option to renew the lease at the end of the lease term and are subject to review to reflect current market rentals.

Lease receivables for non-cancellable leases are as follows:

	2018
Less than one year	P158
Between one and five years	206
	P364

Rent income recognized in the consolidated statements of income amounted to P173, P171, and P153 in 2019, 2018 and 2017, respectively (Notes 4 and 26).

Group as Lessee

The Group leases the land and buildings where some of its offices and warehouses are located under operating lease arrangements. The leases typically run for a period of one to ten years. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

Lease payables for non-cancellable leases are as follows:

	2018
Less than one year	P60
Between one and five years	124
More than five years	45
	P229

As at January 1, 2019, the Group recognized right-of-use assets and lease liabilities for these leases, except for short-term leases and leases of low-value assets (Notes 3 and 13).

Amounts recognized in profit or loss:

2019 - Leases under PFRS 16	Note	
Interest on lease liabilities	25	P115
Income from sub-leasing right-of-use assets		(156)
Expenses relating to short-term leases and low-value assets		684
		P643

Rent expense recognized in the consolidated statements of income amounted to P684, P793, and P735 in 2019, 2018 and 2017, respectively (Notes 4, 21 and 22).

30. Retirement Plans

The Company and some of its international subsidiaries have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering certain number of their permanent employees. The Company's Retirement Plan pays out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2019. Valuations are obtained on a periodic basis.

The Company's Retirement Plan, SMBRP, is registered with the BIR as a tax qualified plan under Republic Act No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees (BOT) of each Retirement Plan. The BOT of the Company's Retirement Plan exercises voting rights over the shares it has invested in and approves material transactions. SMBRP's accounting and administrative functions are undertaken by the Retirement Funds Office of SMC.

Retirement costs recognized in profit or loss by the Company amounted to P470, P553, and P523 in 2019, 2018 and 2017, respectively, while those charged by the subsidiaries amounted to P58, P80, and P75 in 2019, 2018 and 2017, respectively (Note 24). The Group's annual contributions to the Retirement Plans consist of payments covering the current service cost.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Present Value of Defined Benefit Retirement Obligation		Fair Value of Plan Assets		Net Defined Benefit Retirement Liability	
	2019	2018	2019	2018	2019	2018
Balance at beginning of year	P11,600	P11,935	P11,215	P10,888	P385	P1,047
Recognized in Profit or Loss						
Current service cost	526	567	-	-	526	567
Interest expense	826	658	-	-	826	658
Interest income	-	-	806	593	(806)	(593)
Administrative expense paid out of plan assets	-	-	(2)	(1)	2	1
	1,352	1,225	804	592	548	633
Recognized in Other Comprehensive Income						
Remeasurements:						
Actuarial (gains) losses arising from:						
Experience adjustments	128	646	-	-	128	646
Changes in financial assumptions	188	(1,475)	-	-	188	(1,475)
Changes in demographic assumptions	5	92	-	-	5	92
Return on plan assets excluding interest	-	-	192	(76)	(192)	76
	321	(737)	192	(76)	129	(661)
Others						
Contributions		-	648	625	(648)	(625)
Benefits paid	(608)	(848)	(598)	(841)	(10)	(7)
Translation and other adjustments	(23)	25	(20)	27	(3)	(2)
	(631)	(823)	30	(189)	(661)	(634)
Balance at end of year	P12,642	P11,600	P12,241	P11,215	P401	P385

As of December 31, 2019 and 2018, the net defined benefit retirement liability included as part of "Other noncurrent liabilities" account in the consolidated statements of financial position amounted to P407 and P390, respectively.

As of December 31, 2019 and 2018, the net defined benefit retirement asset included as part of "Other noncurrent assets" account in the consolidated statements of financial position amounted to P6 and P5, respectively.

The retirement costs amounting to P528, P633 and P598 in 2019, 2018 and 2017, respectively, are recognized as part of "Personnel expense" account in the consolidated statements of income (Note 24).

The carrying amounts of the Group's retirement fund approximate fair values as of December 31, 2019 and 2018.

The plan assets of the Group's Retirement Plans consist of the following:

	In Percentages	
	2019	2018
Investments in marketable securities and shares of stock	73	74
Investment in pooled funds:		
Stock trading portfolio	4	8
Fixed income portfolio	9	8
Others	15	10

Investments in Marketable Securities

As of December 31, 2019, the plan assets of the Group's Retirement Plans include the following plan assets of SMBRP:

	Type	Number of Shares	Fair Value
SMB	Common	28,549,900	P20.00 per share
	Bond		306
SMC	Common	19,957,120	164.00 per share
	Preferred:		
	Subseries D	2,729,900	75.00 per share
	Subseries E	1,333,400	77.00 per share
	Subseries F	8,000,000	75.80 per share
	Subseries I	6,153,600	75.20 per share
	Bonds		660
TFIH	Common	1,863,814	214.00 per share
Ginebra San Miguel Inc. (GSMI)	Common	2,865,032	38.00 per share
Petron Corporation (Petron)	Preferred	200,000	1,055.00 per share
SMFB	Preferred	200,000	997.00 per share
South Luzon Tollway Corporation (SLTC)	Bond	-	200
SMC Global Power Holdings Corp. (SMC Global)	Bond	-	382

As of December 31, 2018, the Group's plan assets include the following plan assets of SMBRP:

	Type	Number of Shares	Fair Value
SMB	Common	28,549,900	P20.00 per share
	Bond		788
SMC	Common	19,593,980	147 per share
	Preferred:		
	Subseries B	53,000	75.00 per share
	Subseries D	2,729,900	74.95 per share
	Subseries E	1,333,400	73.00 per share
	Subseries F	8,000,000	75.00 per share
	Subseries I	6,153,600	73.50 per share
	Bonds		502
TFIH	Common	1,863,814	249.80 per share
GSMI	Common	640,032	26.75 per share
Petron	Preferred	200,000	980.00 per share
SMFB	Preferred	200,000	997.00 per share
SLTC	Bond		182
SMC Global	Bond		190

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as of reporting date.

SMBRP recognized gains on the investment in marketable securities of SMC and its subsidiaries amounting to P439, P389 and P404 in 2019, 2018 and 2017, respectively.

Dividend income of SMBRP from the investment in shares of stock of SMC and its subsidiaries amounted to P179, P162 and P156 in 2019, 2018 and 2017, respectively.

Investments in Shares of Stock

As of December 31, 2019 and 2018, SMBRP has an investment in BPI representing 8,608,494 and 4,708,494 preferred shares (inclusive of nominee shares) amounting to P 859 and P769, respectively, accounted for under cost method, which approximates fair value (Note 28).

Interest in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of SMC and its domestic subsidiaries (including SMBRP) to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The BOT of SMBRP approved the percentage of assets to be allocated to fixed income instruments and equities. SMBRP has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT of SMBRP may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Approximately 37.19% and 33.28% of the SMBRP's investment in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2019 and 2018, respectively.

Approximately 13.99% and 8.52% of the SMBRP's investment in pooled funds in fixed income portfolio include investment in shares of stock of SMC and its subsidiaries as of December 31, 2019 and 2018, respectively.

Others

Others include cash and cash equivalents, interest receivable, receivables from BLI and other retirement plans of SMC and its subsidiaries.

The BOT of each Retirement Plan reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute P535 to the Retirement Plans in 2020.

The Retirement Plans expose the Group to certain risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on the historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2019	2018
Discount rate	1.8-8.3	1.7-8.3
Salary increase rate	4.0-8.0	4.0-8.0

Assumptions for mortality and disability rate are based on published statistics and mortality and disability tables.

As of December 31, 2019 and 2018, the weighted average duration of defined benefit retirement obligation is 6.0-9.34 years.

As of December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below.

	2019		2018	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P785)	P906	(P721)	P813
Salary increase rate	903	(796)	816	(728)

BLI has amounts owed to SMBRP amounting to nil and P5 as of December 31, 2019 and 2018, included as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position (Note 28). Transactions with the Retirement Plans are made at normal market prices. Outstanding balance as of December 31, 2018 is unsecured and settlement is made in cash.

31. Earnings Per Share

Basic and diluted EPS is computed as follows:

	2019	2018	2017
Net income attributable to equity holders of the Company (a)	P26,720	P23,404	P20,178
Weighted average number of shares outstanding (in millions) (b)	15,359	15,359	15,359
Basic/diluted EPS (a/b)	P1.74	P1.52	P1.31

As of December 31, 2019, 2018 and 2017, the Group has no dilutive debt or equity instruments.

32. Employee Stock Purchase Plan

SMC offers shares of stocks to employees of SMC and its subsidiaries under the ESPP. Under the ESPP, all permanent Philippine-based employees of SMC and its subsidiaries who have been employed for a continuous period of one year prior to the subscription period will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. A participating employee may acquire at least 100 shares of stock through payroll deductions.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to SMC until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from exercise date.

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions.

There were no shares offered under the ESPP in 2019 and 2018.

33. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVOCI, noncurrent receivables, long-term debt and derivative instruments. Cash and cash equivalents are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables and accounts payable and accrued expenses arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency and interest rate risks arising from the operating and financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD of the Company has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD of the Company constituted the Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management's process to assess and manage the Group's enterprise risk issues; f) evaluation and monitoring of related party transactions; and g) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also review the financial reports required to be included in the Group's annual report.

The Audit Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The Group does not account for any fixed rate financial assets or financial liabilities at FVPL and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The Group has no floating rate borrowings in 2019 and 2018.

The terms and maturity profile of fixed rate interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

	1 - 3 Years	> 3 - 5 Years	> 5 Years	Total
December 31, 2019				
Philippine peso-denominated	P19,462	12,538	P -	P32,000
Interest rate	5.5%-6.6%	4.6%-6.0%	-	-
December 31, 2018				
Philippine peso-denominated	P25,272	P7,000	P2,538	P34,810
Interest rate	5.5%-10.5%	6.6%	6%	-

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity.

The Group uses natural hedges and/or purchases foreign currencies at spot rates, where necessary, to address short-term imbalances from importations, revenue and expense transactions, and other foreign currency-denominated obligations.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents as at December 31 are as follows:

	2019		2018	
	United States (US) Dollar*	Peso Equivalent	United States (US) Dollar*	Peso Equivalent
Assets				
Cash and cash equivalents	\$237.3	P12,017	\$203.5	P10,699
Trade and other receivables	34.1	1,727	32.6	1,716
Noncurrent receivables	0.2	9	0.2	9
	271.60	13,753	236.3	12,424
Liabilities				
Accounts payable and accrued expenses	83.0	4,205	50.2	2,638
Lease liabilities	0.5	25	-	-
Net Foreign Currency-denominated Monetary Assets				
	\$188.1	P9,523	\$186.1	P9,786

* US dollar equivalent of foreign currency-denominated balances as of reporting date

The Group reported net foreign exchange gains (losses) amounting to P23, (P44) and P51 in 2019, 2018 and 2017, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 26). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
December 31, 2019	50.64
December 31, 2018	52.58
December 31, 2017	49.93

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and monetary liabilities) and the Group's equity (due to translation of results and financial position of foreign operations):

December 31, 2019	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P12)	(P234)	P12	P234
Trade and other receivables	(1)	(34)	1	34
	(13)	(268)	13	268
Accounts payable and accrued expenses	23	76	(23)	(76)
Lease liabilities	-	1	-	(1)
	P10	(P191)	(P10)	P191

December 31, 2018	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P12)	(P200)	P12	P200
Trade and other receivables	(1)	(32)	1	32
	(13)	(232)	13	232
Accounts payable and accrued expenses	2	49	(2)	(49)
	(P11)	(P183)	P11	P183

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

December 31, 2019

	Carrying Amount	Contractual Cash flow	1Year or Less	> 1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P30,451	P30,451	P30,451	P -	P -	P -
Trade and other receivables - net	6,479	6,479	6,479	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	55	55	55	-	-	-
Financial assets at FVOCI (included under "Investments" account)	39	39	-	-	-	39
Noncurrent receivables (included under "Other noncurrent assets" account)	10	10	-	4	5	1
Financial Liabilities						
Accounts payable and accrued expenses (excluding cash dividends payable)	17,703	17,703	17,703	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	3	3	3	-	-	-
Long-term debt (including current maturities)	31,866	36,889	1,770	13,719	21,400	-
Lease liabilities (including current portion)	1,237	2,251	290	226	418	1,317
Noncurrent liabilities	17	17	-	-	4	13

December 31, 2018

	Carrying Amount	Contractual Cash flow	1Year or Less	> 1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P32,888	P32,888	P32,888	P -	P -	P -
Trade and other receivables - net	4,808	4,808	4,808	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	18	18	18	-	-	-
Financial assets at FVOCI (included under "Investments" account)	41	41	-	-	-	41
Noncurrent receivables (included under "Other noncurrent assets" account)	11	11	-	4	6	1
Financial Liabilities						
Accounts payable and accrued expenses (excluding cash dividends payable)	15,557	15,557	15,557	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	45	45	45	-	-	-
Loan payable	500	502	502	-	-	-
Long-term debt (including current maturities)	34,715	38,882	14,335	1,300	20,670	2,577

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of dealers, wholesalers and retailers as these factors may have an influence on the credit risk.

The Group obtains collateral so that in the event of default, the Group would have a secured claim.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment or cash basis.

Financial information on the Group's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	<i>Note</i>	2019	2018
Cash and cash equivalents (excluding cash on hand)	4	P29,730	P32,693
Trade and other receivables - net	8	6,479	4,808
Derivative assets	10	55	18
Noncurrent receivables	16	10	11
		P36,274	P37,530

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	2019					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-Month ECL	Lifetime ECL not credit Impaired	Lifetime ECL - credit Impaired			
Cash and cash equivalents (excluding cash on hand)	P29,730	P -	P -	P -	P -	P29,730
Trade and other receivables - net	6,479	-	-	-	-	6,479
Derivative assets	-	-	-	55	-	55
Noncurrent receivables	10	-	-	-	-	10

	2018					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-Month ECL	Lifetime ECL not credit Impaired	Lifetime ECL - credit Impaired			
Cash and cash equivalents (excluding cash on hand)	P32,693	P -	P -	P -	P -	P32,693
Trade and other receivables - net	4,808	-	-	-	-	4,808
Derivative assets	-	-	-	18	-	18
Noncurrent receivables	11	-	-	-	-	11

The Group computes impairment loss on trade and other receivables based on past collection experiences, current circumstances and the impact of future economic conditions, if any, available at the reporting period. Loss rates are based on actual credit loss experience over the past two years. Any adjustment to the loss rates for forecasts of future economic conditions are not expected to be material. The Group applies the simplified approach in providing for ECL prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix. The maturity of the Group's trade and other receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

The following tables provides information about the exposure to credit risk and ECL of trade and other receivables:

2019

Aging	Gross Carrying Amount		ECL Rate		ECL Amount
	Trade Receivables	Other Receivables	Trade Receivables	Other Receivables	
Current	P5,101	P709	0.40%	5.74%	P61
Past due					
Less than 30 days	561	64	1.80%	12.96%	18
30 - 60 days	35	5	22.13%	52.90%	11
61 - 90 days	23	13	0.83%	14.03%	2
Over 90 days	112	45	71.02%	37.92%	97
	P5,832	P836	2.03%	8.46%	P189

2018

Aging	Gross Carrying Amount		ECL Rate		ECL Amount
	Trade Receivables	Other Receivables	Trade Receivables	Other Receivables	
Current	P3,701	P645	0.33%	2.94%	P31
Past due					
Less than 30 days	369	22	2.73%	17.13%	14
30 - 60 days	15	33	18.69%	42.95%	17
61 - 90 days	3	24	9.31%	13.36%	3
Over 90 days	130	86	91.94%	40.76%	155
	P4,218	P810	3.43%	9.26%	P220

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgages are held by the Group for certain credit limits. The Group has no right to sell or pledge the collaterals in the absence of default by the customers.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The credit risk for cash and cash equivalents, derivative asset, financial assets at FVOCI is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of a counterparty. Generally, the maximum credit risk exposure of trade and other receivables is the carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock, equity reserves and cumulative translation adjustments are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

There were no changes in the Group's approach to capital management during the year.

34. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments:

	December 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P30,451	P30,451	P32,888	P32,888
Trade and other receivables - net	6,479	6,479	4,808	4,808
Derivative assets (included under "Prepaid expenses and other current assets" account)	55	55	18	18
Financial assets at FVOCI (included under "Investments" account)	39	39	41	41
Noncurrent receivables (included under "Other noncurrent assets" account)	10	10	11	11
Financial Liabilities				
Accounts payable and accrued expenses (excluding cash dividends payable)	17,703	17,703	15,557	15,557
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	3	3	45	45
Loan payable	-	-	500	502
Long-term debt (including current maturities)	31,866	33,151	34,715	34,171

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables and Noncurrent Receivables. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. Fair values for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. Unquoted equity securities are carried at cost less impairment, which approximates fair value.

Accounts Payable and Accrued Expenses. The carrying amount of accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

Loan payable and Long-term Debt. The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instrument as of reporting date. As of December 31, 2019 and 2018, discount rates used ranged from 3.20% to 4.07% and from 1.68% to 7.04%, respectively.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of embedded derivative financial instruments that are not designated as hedges are discussed below.

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in profit or loss.

Embedded Currency Forwards

The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$41 and US\$29 as of December 31, 2019 and 2018. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net positive (negative) fair value of these embedded currency forwards amounted to P52 and (P27) in 2019 and 2018, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to P130, (P1) and (P9) in 2019, 2018 and 2017, respectively (Note 26).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	2019	2018
Balance at beginning of year	(P27)	(P56)
Net change in fair value of non-accounting hedges	130	(1)
	103	(57)
Less fair value of settled instruments	(51)	30
Balance at end of year	P52	(P27)

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value, by valuation method.

	December 31, 2019			December 31, 2018		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P55	P55	P -	P18	P18
Financial assets at FVOCI	39	-	39	41	-	41
Financial Liabilities						
Derivative liabilities	-	3	3	-	45	45

As of December 31, 2019 and 2018, the Group has no financial instruments valued based on Level 3. During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

35. Other Matters

a. Commitments

The outstanding purchase commitments of the Group as of December 31, 2019 amounted to P11,458.

Amount authorized but not yet disbursed for capital projects as of December 31, 2019 is approximately P14,232.

b. Foreign Exchange Rates

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine peso in 2019 and 2018 were closing rates of P50.64 and P52.58, respectively for consolidated statements of financial position accounts, and average rates of P51.79, P52.69 and P50.40 in 2019, 2018 and 2017, respectively, for income and expense accounts.

c. Claims for Tax Refund

Filed by SMC

On April 12, 2004 and May 26, 2004, SMC was assessed by the BIR for deficiency excise tax on "San Mig Light", one of its beer products. SMC contested the assessments before the Court of Tax Appeals (CTA) First Division under two cases: CTA Case Nos. 7052 and 7053. To these cases was consolidated SMC's claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it for its "San Mig Light" product for the period of February 2, 2004 to November 30, 2005 (docketed as CTA Case No. 7405). The CTA, through its First Division, and the CTA En Banc (on appeal), both ruled in favor of SMC. On April 1, 2013, the BIR elevated the consolidated cases to the Supreme Court (docketed as G.R. No. 205723).

SMC filed with the CTA by way of petition for review (Third Division and docketed as CTA Case No. 7708), a second claim for refund for overpayments of excise taxes for the period of December 1, 2005 to July 31, 2007 on November 27, 2007, as SMC was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate. The CTA Third Division granted SMC's petition for review and ordered the BIR to refund or issue a tax credit certificate in favor of SMC. The BIR elevated the decision of the Third Division to the CTA En Banc but its appeal was denied. Subsequently, the BIR filed a petition for review with the Supreme Court (docketed as G.R. No. 205045).

On January 25, 2017, the Supreme Court decided in the consolidated cases of GR Nos. 205045 and 205723 to uphold the decision of the CTA requiring the BIR to refund excess taxes erroneously collected in the amount of P926 for the period December 1, 2005 to July 31, 2007, and P782 for the period February 2, 2004 to November 30, 2005. The Office of the Solicitor General filed motions for reconsideration, which were denied by the Supreme Court with finality on April 19, 2017. On November 12, 2018, after the cases under G.R. Nos. 205045 and 205723 were remanded by the Supreme Court to the CTA, SMC filed a motion for execution in CTA Case Nos. 7052, 7053 and 7405 on the final judgment of the CTA of P782 representing refund of excess taxes erroneously collected by the BIR for the period of February 2, 2004 to November 30, 2005; and another separate motion for execution in CTA Case No. 7708 on the final judgment of P926 for the period of December 1, 2005 to July 31, 2007. On April 4, 2019, the Writ of Execution in CTA Case No. 7708 was issued by the Court and subsequently served on the BIR Commissioner, and on April 11, 2019, the Writ of Execution in CTA Case No. 7405 (consolidated with CTA Cases Nos. 7052 and 7053) was also issued and served on the Commissioner.

SMC filed its third claim for refund with the CTA (Third Division docketed as CTA Case No. 7953) on July 24, 2009 for overpayments of excise taxes for the period of August 1, 2007 to September 30, 2007. This case was consolidated with CTA Case No. 7973 below.

i. Filed by SMB

In the meantime, effective October 1, 2007, SMC spun off its domestic beer business into SMB. SMB continued to pay the excise taxes on "San Mig Light" at the higher rate required by the BIR and in excess of what it believes to be the excise tax rate applicable to it.

SMB filed 11 claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review on the following dates:

- (a) first claim for refund of overpayments for the period from October 1, 2007 to December 31, 2008 - Second Division docketed as CTA Case No. 7973 (September 28, 2009);
- (b) second claim for refund of overpayments for the period of January 1, 2009 to December 31, 2009 - First Division docketed as CTA Case No. 8209 (December 28, 2010);
- (c) third claim for refund of overpayments for the period of January 1, 2010 to December 31, 2010 - Third Division docketed as CTA Case No. 8400 (December 23, 2011);
- (e) fourth claim for refund of overpayments for the period of January 1, 2011 to December 31, 2011 - Second Division docketed as CTA Case No. 8591 (December 21, 2012);
- (e) fifth claim for refund of overpayments for the period of January 1, 2012 to December 31, 2012 - Second Division docketed as CTA Case No. 8748 (December 19, 2013);
- (f) sixth claim for refund of overpayments for the period of January 1, 2013 to December 31, 2013 - Third Division docketed as CTA Case No. 8955 (December 19, 2014);
- (g) seventh claim for refund of overpayments for the period of January 1, 2014 to December 31, 2014 - Third Division docketed as CTA Case No. 9223 (December 22, 2015);
- (h) eighth claim for refund of overpayments for the period of January 1, 2015 to December 31, 2015 - Second Division docketed as CTA Case No. 9513 (December 28, 2016);
- (i) ninth claim for refund of overpayments for the period of January 1, 2016 to December 31, 2016 - First Division docketed as CTA Case No. 9743 (December 29, 2017);
- (j) tenth claim for refund of overpayments for the period of January 1, 2017 to December 31, 2017 - Third Division docketed as CTA Case No. 10000 (December 27, 2018); and,
- (k) eleventh claim for refund of overpayments for the period of January 1, 2018 to December 31, 2018 - First Division docketed as CTA Case No. 10223 (December 6, 2019).

CTA Case No. 7973 was consolidated with CTA Case No. 7953. For CTA Case No. 7973, the CTA Third Division decided in favor of SMC and SMB and ordered the BIR to refund SMB the amount of P828 and the amount of P106 to SMC. The BIR appealed to the CTA En Banc which affirmed the decision of the Third Division. The BIR then elevated the case to the Supreme Court but its petition was denied by the Supreme Court through its September 11, 2017 and December 11, 2017 Resolutions (docketed as GR No. 232404). With the decision in favor of SMC and SMB, both companies, through counsel, on January 23, 2019, moved for the execution of the decision as the records of the case were returned to the CTA. The Writ of Execution was issued on March 18, 2019 by the CTA Special Second Division in the amount of P828. SMB filed an application for the issuance of a Tax Credit Certification with the BIR on August 22, 2019.

CTA Case No. 8209 was decided in favor of SMB by the CTA First Division, ordering the BIR to refund the amount of P731. The case was not elevated within the prescribed period, thus, the decision became final and executory. The BIR filed a Petition for Relief from Judgment which was denied by the CTA. Separately, the First Division granted SMB's Motion for Execution for the refund of P731, while the BIR filed a Petition for Certiorari before the Supreme Court (docketed as GR No. 221790). The Petition for Certiorari was dismissed by the Supreme Court with finality but the BIR still filed an Urgent Motion for Clarification. Subsequently, SMB received a clarificatory Resolution dated February 20, 2017 wherein the Supreme Court reiterated its grounds for the denial of the BIR's Petition for Certiorari and expunged from the records all pleadings of the BIR filed after its denial of BIR's Petition for Certiorari had become final and executory. SMB, filed an application for the issuance of a Tax Credit Certificate in the amount of P731. On November 6, 2019, the BIR issued a Tax Credit Certificate No. TCC20160000202 in favor of SMB.

CTA Case No. 8400 was decided in favor of SMB by both the CTA Third Division and the CTA En Banc. The BIR was ordered to refund to SMB the amount of P699. The BIR elevated the case to the Supreme Court but the Supreme Court denied the BIR's petition through its March 20, 2017 Resolution. The BIR moved for reconsideration but the same was similarly denied by the Supreme Court through its July 24, 2017 Resolution. With the decision in favor of SMB, SMB, moved for the execution of the decision on January 23, 2019 as the records of the case were already returned to the CTA. On May 30, 2019, CTA Special Third Division issued a Writ of Execution in the amount of P699 in favor of SMB. SMB filed an application for Tax Credit Certificate on August 5, 2019. The BIR issued Tax Credit Certificate No. TCC20160000204 in favor of SMB on November 13, 2019.

CTA Case No. 8591 was decided in favor of SMB by the CTA Second Division and CTA En Banc. The BIR was ordered to refund to SMB the amount of P740. The BIR elevated the case to the Supreme Court by way of petition for review (docketed as GR No. 232776), where it was denied on February 21, 2018. The BIR filed a Motion for Reconsideration, which was denied with finality on July 23, 2018. SMB filed a motion for the execution of the decision with the CTA Second Division.

The CTA Second Division issued a Writ of Execution in the amount of P740 on November 13, 2019. SMB filed an application for Tax Credit Certificate with the BIR in January 2020.

CTA Case No. 8748 was decided in favor of SMB by the CTA Second Division, ordering the BIR to refund to SMB the amount of P761. The BIR appealed the decision to the CTA En Banc by way of a Petition for Review, which was denied on October 11, 2018. A Motion for Reconsideration was filed by the BIR on November 5, 2018 (docketed as CTA EB Case No. 1730) to which SMB filed an opposition. The CTA En Banc denied BIR's Motion for Reconsideration. Thus, the BIR filed a Petition for Review with the Supreme Court in June 2019.

CTA Case No. 8955, SMB's claim for refund for P83, was decided against SMB by the CTA Third Division for having purportedly availed of the wrong mode of appeal as SMB should have filed the petition with the Regional Trial Court rather than through a collateral attack on issuances of the BIR via a judicial claim for refund. SMB, through counsel, filed a Motion for Reconsideration, arguing that the case involves a claim for refund and is at the same time a direct attack on the BIR issuances which imposed excise tax rates which are contradictory to, and violative of, the rates imposed in the Tax Code. With the denial of SMB's Motion for Reconsideration on January 5, 2018, SMB elevated the case to the CTA En Banc by way of a Petition for Review. On September 19, 2018, the CTA En Banc reversed and set aside the decision of the CTA Third Division and remanded the case to the CTA Third Division for the resolution of the same on the merits (docketed as CTA EB Case No. 1772). A Motion for Reconsideration was filed by the BIR which was subsequently denied by the CTA En Banc in a resolution dated January 24, 2019. The BIR filed a Petition for Review with the Supreme Court docketed as G.R. No. 244738.

CTA Case No. 9223, SMB's claim for refund for P60, was decided in favor of SMB by the CTA Third Division. The BIR filed a Motion for Reconsideration with the CTA Third Division.

CTA Case No. 9513, SMB's claim for refund for P48, was decided in favor of SMB. The Motion for Reconsideration filed by the BIR was denied by the CTA Second Division. The case is pending with CTA En Banc.

CTA Case No. 9743, SMB's claim for refund for P30, was decided in favor of SMB by the CTA First Division. The Motion for Reconsideration filed by the BIR is still pending with the CTA First Division

CTA Case No. 10000, SMB's claim for refund for P122, was filed on December 27, 2018 and is pending with the CTA Third Division.

CTA Case No. 10223, SMB's claim for refund for P147, was filed on December 11, 2019 and is pending with the CTA First Division.

d. *Pending Tax Cases*

i. IBI

- (a) The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on IBI deficiency tax liabilities, including interest and penalties, for the tax year 2009. IBI treated the royalty income earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to 20% final tax. However, the BIR is of the position that said royalty income is regular business income subject to the 30% regular corporate income tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment issued on January 7, 2013, the BIR denied IBI's protest and reiterated its demand to pay the deficiency income tax, including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the CTA contesting the 2009 Assessment. The case was docketed as CTA Case No. 8607 with the CTA First Division. On August 14, 2015, the CTA First Division partially granted the Petition for Review of IBI, by cancelling the compromise penalty assessed by the BIR. However, IBI was still found liable to pay the deficiency income tax, interests and penalties as assessed by the BIR. The Motion for Reconsideration was denied by the CTA First Division on January 6, 2016. On January 22, 2016, IBI filed its Petition for Review before the CTA En Banc and the case was docketed as CTA EB Case No. 1417. To interrupt the running of interests, IBI filed a Motion to Pay without Prejudice, which was granted by the CTA En Banc. As a result, IBI paid the amount of P270 on August 26, 2016. On January 30, 2018, the CTA En Banc rendered a decision affirming the decision of the CTA First Division. IBI filed a Motion for Partial Reconsideration and the BIR filed its Motion for Reconsideration, which were denied by CTA En Banc in a resolution dated July 16, 2018. IBI and the BIR elevated the case to the Supreme Court with IBI filing its Petition for on September 7, 2018 docketed as G.R.Nos. 241147-48 and was raffled to the First Division of the Supreme Court. On the other hand, the BIR's Petition was docketed as G.R. nos. 240651 and 240665 and was raffled to the Second Division of the Supreme Court.

On January 16, 2019, the Supreme Court denied IBI's Petition to which a Motion for Reconsideration was filed by IBI on April 5, 2019.

On September 3, 2019, IBI file a Motion to Consolidate G.R. Nos. 241147-48 and G.R. Nos. 240651 and 240665.

On October 3, 2019, IBI received a Resolution dated June 26, 2019 denying its Motion for Reconsideration. IBI also filed a Manifestation on October 21, 2019 informing the Court that in view of its payment of P270 on August 26, 2016, IBI shall be deemed to have fully satisfied the judgment award in accordance with the CTA First Division's Decision dated August 14, 2015.

On February 4, 2020, the IBI received a Resolution dated October 4, 2019 denying its Motion to Consolidate.

On March 11, 2019, the Supreme Court issued a Resolution requiring IBI to file its comment to the BIR's Petition. IBI filed its Comment on June 17, 2019.

On October 21, 2019, IBI filed a Manifestation informing the Supreme Court that the issuance of its Resolution dated June 26, 2019 in G.R. Nos. 241147-48 rendered the BIR's Petition as moot and academic.

In its Manifestation and Motion dated January 28, 2020 filed before the Supreme Court, the BIR confirmed the execution of a Compromise Agreement in connection with its pending Petition for Review and sought permission to be allowed to withdraw its Petition docketed as G.R. nos. 240651 and 240665.

The case is still pending with the Supreme Court for resolution.

- (b) On November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice for tax year 2010 (2010 Assessment) from the BIR with a demand for payment of income tax and VAT deficiencies with administrative penalties. The BIR maintained its position that royalties are business income subject to the 30% regular corporate tax. The 2010 Assessment was protested by IBI before the BIR through a letter dated November 29, 2013. A Petition for Review was filed with the CTA Third Division and the case was docketed as CTA Case No. 8813. The CTA Third Division held IBI liable to pay deficiency income tax, interests and penalties. IBI thus filed its Petition for Review before the CTA En Banc (docketed as CTA Case EB No. 1563 and 1564). In 2017, IBI filed an application for abatement, with corresponding payment of basic tax, in the amount of P110, where IBI requested for the cancellation of the surcharge and interests. On September 19, 2018, the CTA En Banc did not consider the payment of basic deficiency tax of P110 for failure to attach certain requirements relating to the application for abatement; thus, IBI was ordered to pay a modified amount of P501 in light of the TRAIN Law amendments on interest. IBI filed a Motion for Reconsideration and, at the same time, submitted the original documents in relation to the application for abatement. The BIR also filed its Motion for Partial Reconsideration, to which IBI filed its Comment/Opposition. The CTA En Banc has likewise ordered the BIR to file its Comment/Opposition to IBI's Motion for Reconsideration but IBI has yet to receive the same. Meanwhile, IBI's application for abatement remains pending for resolution by the BIR. As of December 31, 2018, the Group recognized a provision amounting to P52.

Noting the BIR's failure to file its Comment/Opposition, the Court issued a Resolution dated April 17, 2019, which IBI received on May 9, 2019, denying the BIR's Motion for Partial Reconsideration of the CTA En Banc Decision promulgated on September 18, 2018 and partially granting the Motion for Reconsideration filed by IBI of the said CTA En Banc Decision.

IBI and the BIR filed their respective Petitions for Review with the Supreme Court docketed as G.R. Nos. 246911 and 246865, respectively. Both Petitions were consolidated by the Supreme Court through a Resolution dated July 1, 2019.

IBI filed a Manifestation and Motion on November 27, 2019 praying for the deferment of the resolution of the consolidated Petitions in view of the pending compromise settlement of the parties. On December 4, 2019, IBI received the BIR's Manifestation informing the Supreme Court that it received a Proposal for Compromise/Amicable Settlement from IBI.

On December 27, 2019 IBI filed a Manifestation informing the Supreme Court that on December 5, 2019 and December 16, 2019, IBI and the BIR, respectively, executed a Compromise Agreement to amicably settle IBI's deficiency taxes for taxable year 2010. In its Manifestation dated February 26, 2020, the BIR confirmed receipt of payment pursuant to the Compromise Agreement executed between the IBI and the BIR. The case is still pending with the Supreme Court for resolution.

- (c) On December 27, 2016, IBI received a Formal Letter of Demand for tax year 2012 with a demand for payment of income tax, VAT, withholding tax, documentary stamp tax and miscellaneous tax deficiencies with administrative penalties. IBI addressed the assessment of each tax type with factual and legal bases in a Protest filed within the reglementary period. Due to the inaction of the BIR, IBI filed a Petition for Review with the CTA Third Division and docketed as CTA Case No. 9657. In the meantime, an application for abatement was submitted to the BIR in August 2017. Both the Petition for Review and the application for abatement remain pending at the CTA Third Division and the BIR, respectively, with IBI submitting its Formal Offer of Evidence in October 2018 to the CTA Third Division. The Petition for Review, however, was subsequently transferred from the CTA Third Division to the First Division pursuant to CTA Administrative Circular No. 02-2018 dated September 18, 2018, reorganizing the three (3) Divisions of the Court.

On March 2, 2020, the CTA First Division promulgated its Decision partially granting IBI's Petition for Review. The assessment for deficiency income tax, value-added tax, documentary stamp tax and compromise penalty were cancelled and set aside. However, the assessment for deficiency expanded withholding tax was affirmed, and IBI was ordered to pay deficiency expanded withholding tax including interest and surcharges amounting to P5.

36. Event After the Reporting Date

There are reported cases of the Corona Virus Disease 2019 (COVID-19) in the Philippines as of the start of March 2020. A significant increase in COVID-19 cases and the imposition by the national and local government of measures to contain its spread in the country will possibly affect the country's economic performance which may impact the Group's business and results of operations in 2020.

For the Group's international operations, a significant decline in volume is expected due to the COVID-19 pandemic. In late January to February, various government-mandated responses and safety measures in some managed countries resulted in temporary cessation of manufacturing operations and work-from-home arrangements, travel and distribution restrictions, liquor bans, curfew hours, and temporary closure of retail establishments. Meanwhile, the effects of COVID-19 are expected to be felt in major Exports markets in the succeeding months.

Despite this challenging business environment, the Group does not foresee any going concern issue affecting its business operations. The extent of the consequences, including the financial effect to the Group, will depend on certain developments, including the duration of the spread of COVID-19, impact on the Group's customers, suppliers and accessibility and effectiveness of government support programs, all of which are uncertain and cannot be reliably determined as at March 6, 2020.

37. Reclassification

Certain accounts in the consolidated financial statements have been reclassified by the Group to attain a presentation that is more relevant to users of the consolidated financial statements and to conform with the interpretation recently provided by the securities regulator.

The following table summarizes the reclassification on the Group's consolidated statement of financial position as of January 1, 2018.

	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
<i>Current Assets</i>			
Inventories - net	P4,032	(P1,480)	P2,552
<i>Noncurrent Assets</i>			
Other noncurrent assets	12,109	5,213	17,322
<i>Current Liabilities</i>			
Accounts payable and accrued expenses	P9,032	P3,733	P12,765

The following table summarizes the reclassification on the Group's consolidated statement of financial position as of December 31, 2018.

	As Previously Reported	Adjustments	As restated
<i>Current Assets</i>			
Inventories	P9,156	(P6,193)	P2,963
<i>Noncurrent Assets</i>			
Other noncurrent assets	17,817	6,193	24,010

The reclassifications did not have any impact on the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows (except the presented decrease/increase in inventories and other noncurrent assets, both within cash flows from operating activities) for the years ended December 31, 2018 and 2017.

COVER SHEET

For AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	7	1	1	8	2	8
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COMPANY NAME

S	A	N	M	I	G	U	E	L	B	R	E	W	E	R	Y	I	N	C	.	A	N	D			
S	U	B	S	I	D	I	A	R	I	E	S	(A	S	u	b	s	i	d	i	a	r	y	o	f
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I	n	c	.)																					

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

N	o	.	4	0	S	a	n	M	i	g	u	e	l	A	v	e	n	u	e					
M	a	n	d	a	l	u	y	o	n	g	C	i	t	y										

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

rpatalinghug@smb.sanmiguel.com.ph

Company's Telephone Number/s

632-3000

Mobile Number

--

No. of Stockholders

1,039

Annual Meeting (Month / Day)

Last Tuesday of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATIONThe designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Raymund Patalinghug

Email Address

rpatalinghug@smb.sanmiguel.com.ph

Telephone Number/s

632-2258

Mobile Number

--

CONTACT PERSON'S ADDRESS

No. 40 San Miguel Avenue, Mandaluyong City
--

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

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



Contact Us

CORPORATE HEAD OFFICE

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40 San Miguel Avenue, Mandaluyong City
1550 Metro Manila, Philippines
P.O. Box 271 Manila
Central Post Office, Philippines
Telephone: (632) 8632-3000
Website: <http://www.sanmiguelbrewery.com.ph>

STOCKHOLDER'S MEETING

The Company's Annual Stockholder's Meeting is held every last Tuesday of May.

SHAREHOLDER SERVICES AND ASSISTANCE

The SMC Stock Transfer Service Corporation serves As the Company's stock transfer agent and registrar. For inquiries regarding dividends payment, change of address and account status, lost or damaged stock certificate, please write or call.

SMC STOCK TRANSFER SERVICE CORPORATION

40 San Miguel Avenue, Mandaluyong City
1550 Metro Manila, Philippines
P.O. Box 271 Manila
Central Post Office, Philippines
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INSTITUTIONAL INVESTORS INQUIRIES

San Miguel Brewery Inc. welcomes inquiries from Institutional investors, analysts, and the financial community.

Please write or call:

Investor Relations

San Miguel Brewery Inc.
Telephone: (632) 8632-3000
Fax: (632) 632-3313 / 3749

CUSTOMER AND CONSUMER SERVICES

For inquiries, feedback, and requests, please write or call Beer Account SMC-1 customer hotline.

Telephone: (632) 9632-2000

Toll-free No: 1-800-1-888-762-1

Fax: (532) 8632-3299 routing code 2005