2010
ANNUAL REPORT

JG SUMMIT
HOLDINGS, INC.

MAKING LIFE BETTER

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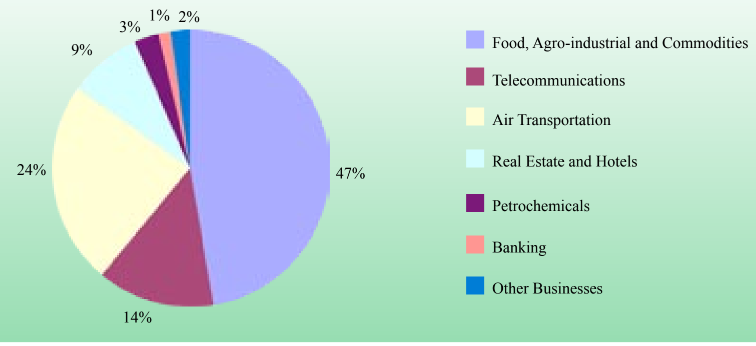
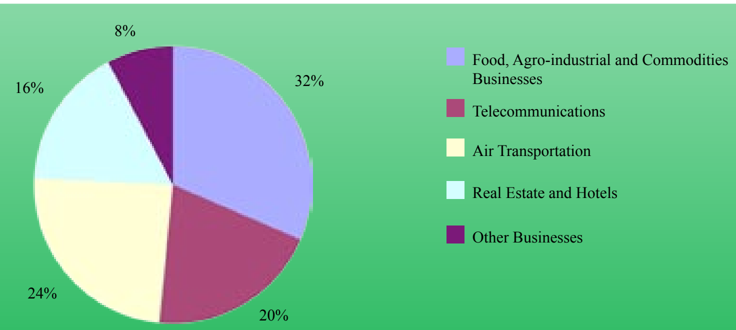
FINANCIAL HIGHLIGHTS

December 31 (in million pesos except per share and statistical data)	2010	2009	2010 vs 2009 Increase (Decrease) Amount	%
For the Year				
Revenues	121,737	107,955	13,782	13%
Net Income (equity holders of the parent)	16,322	8,546	7,776	91%
As of the Year				
Total Assets	326,324	277,880	48,444	17%
Total Liabilities	176,863	172,986	3,878	2%
Total Equity	149,460	104,894	44,566	42%
Per Share				
Basic Earnings	2.42	1.26	1.16	93%
Book Value	17.44	12.23	5.21	43%
Other Financial Data				
Current Ratio	1.59	1.28	0.31	24%
Gearing Ratio	0.76	1.07	(0.31)	-29%
Net Debt Equity Ratio	0.37	0.76	(0.39)	-51%
EBIT and EBITDA				
EBIT	21,740	15,220		
EBITDA	35,286	27,039		



Revenue Contribution:

Food, Agro-industrial and Commodities businesses	57,720
Telecommunications	16,544
Air Transportation	29,089
Real Estate and Hotels	10,581
Petrochemicals	3,306
Banking	1,729
Other Businesses	2,769
	121,737



EBITDA Contribution:

Food, Agro-industrial and Commodities businesses	11,098
Telecommunications	7,108
Air Transportation	8,576
Real Estate and Hotels	5,780
Other Businesses	2,723
	35,286

Message from the CHAIRMAN AND CHIEF EXECUTIVE OFFICER and the PRESIDENT AND CHIEF OPERATING OFFICER

Dear Fellow Shareholders,

The year 2010 was a banner year for your Company, **JG Summit Holdings Inc. (JG Summit)**, as most of its businesses posted historic high revenues and earnings. As major global economies turned around after the 2009 global financial debacle, the Philippines experienced record GDP growth, a surge in OFW remittances, stable commodity prices, low interest and foreign exchange (forex) rates, peaceful presidential elections, a robust growth in foreign investments, and increased consumer spending, which have all positively impacted your company's businesses.

In the backdrop of the robust economic activity, the 2010 key milestones that further strengthened your company's business portfolio are listed below:

- We have unlocked the value of **Cebu Air, Inc. (Cebu Pacific)** with its successful initial public offering (IPO) in October 2010. The IPO raised a total of US$613 million, the largest low cost carrier IPO in the world. The IPO resulted to a public ownership in Cebu Pacific of 34.6%.

- In September 2010, **Digital Telecommunications Philippines, Inc. (Digitel)** breached the one million mark in postpaid cellular subscription, besting the two major players in the telecoms industry on the back of the continued success of its unlimited call and text services supported by its reliable network.

- In another first in the country, **Robinsons Land Corporation (RLC)** opened Go Hotel in May 2010, the first budget hotel chain at Cybergate Complex in Mandaluyong. The hotel chain aims to deliver value-for-money products and services at consistent quality accommodations. After only eight months of operations, in December 2010, Go Hotel posted a high 85% occupancy rate.

- In May 2010, your company acquired 60% of the shares of The Royal Bank of Scotland - Phils. (TRBSP). The acquisition of TRBSP made **RobinsonsBank** a commercial bank, enabling the bank to offer a wider range of products and services.

- **URC International** branded business exceeded US$300 million in revenues in fiscal ending September 30, 2010 led by Vietnam and Thailand. Revenues for both Thailand and Vietnam surpassed US$100 million each last year. We are the market leader in biscuits and wafers in Thailand and a strong challenger in the ready-to-drink tea category and biscuits in Vietnam.

Record breaking financial performance and condition

We are happy to report that JG Summit's consolidated revenues recorded a double-digit growth of 12.8% to PhP121.74 billion in 2010 from PhP107.96 billion in the previous year, driven by the strong performance of the food, airlines and telecoms businesses. Stable raw material prices and better operating efficiencies pushed operating income to PhP21.74 billion in 2010, a hefty 42.8% increase from the previous year, and resulting to a 376bps expansion in operating margin to 17.86%. Consolidated EBITDA (operating income adding back depreciation and amortization) likewise recorded an impressive growth of 30.5% to PhP35.29 billion in 2010 from PhP27.04 billion in the previous year.

Core earnings before taxes (operating profit after equity earnings, net finance costs and other expense-net) ballooned by 75.2% from PhP10.68 billion to PhP18.71 billion, as most of the company's subsidiaries posted record performance in 2010. With a forex gain of PhP2.85 billion and mark-to-market gain of PhP1.63 billion, consolidated net income (attributable to equity holders of the parent company) almost doubled to PhP16.32 billion from PhP8.55 billion in 2009.

JG Summit's consolidated balance sheet further strengthened with current ratio at 1:59:1 as against 1.28:1 in 2009 as a result of the outstanding earnings performance of the subsidiaries. Boosted by the proceeds of the public offering of Cebu Air, net debt to equity improved to 0.37:1 in 2010 from 0.76:1 in the previous year whilst gearing ratio (total financial debt to equity) remained robust at 0.76:1 from 1:07:1 in 2009.

Consolidated assets grew by 17.43% to PhP326.32 billion while equity attributable to equity attributable to equity holders of the Parent Company stood at PhP117.57 billion, up 41.4% from 2009. With the overall improvement of the business, book value per share expanded by 42.6% to PhP17.44 in 2010 from PhP12.23 in 2009.

Universal Robina Corporation (URC) posted consolidated sales of goods and services of PhP57.72 billion for fiscal year ended September 30, 2010, a 14.4% increase from the previous year. The increase was attributed mainly to the strong performance of the Branded Consumer Foods Group (BCFG) International which posted revenues of US$318.9 million, a 32.9% growth from last year. The Agro-Industrial group generated a 22.6% increase in revenues to PhP7.17 billion driven by the performance of the farms business, whose revenues rose by 35.2% due to both increase in sales volume and higher farm gate prices of hogs and broiler chicks. The commodity foods segment registered revenues of PhP7.30 billion, a 34.1% increase from fiscal year 2009, due to a 97% upsurge in net sales of sugar business driven by higher selling prices. URC's EBITDA jumped 42.5% to PhP10.96 billion from PhP7.69 billion in fiscal 2009. Core earnings before tax surged 83.6% to PhP7.69 billion in fiscal 2010. Net income attributable to equity holders of the parent company doubled to PhP7.82 billion from PhP3.89 billion in fiscal 2009.

Cebu Pacific generated a 24.8% increase in gross revenues to PhP 29.09 billion in the year ended December 31, 2010, primarily driven by the higher seat load factors and fares. As revenues grew twice faster than the rate of increase in expenses, EBITDAR (earnings before interest, taxes, depreciation and amortization and rent expenses) swelled by 49.2% to PhP10.16 billion in 2010 from PhP6.81 billion last year. Boosted by gains from forex, fuel hedging and market valuation of its financial assets designated at fair value through profit and loss totaling PhP1.16 billion in 2010 from PhP1.10 billion in 2009, Cebu Pacific posted a more than doubling of net income to PhP6.92 billion from PhP3.26 billion in 2009.

RLC's gross revenues recorded a 5.3% increase to PhP11.30 billion in the fiscal year ending September 30, 2010 from PhP10.73 billion for fiscal 2009. The Commercial Centers Division expanded revenues by 36.3% with the opening of three new malls in Ilocos Norte, Cebu and Dumaguete in fiscal 2010 and the full year earnings contribution of Robinsons General Santos mall which opened in September 2009. Similarly, the hotels division performed strongly, generating 10.9% year-on-year growth in hotel revenues due to the opening of Summit Ridge Hotel in Tagaytay and Go Hotel in Mandaluyong City. On lower pre-sales level in prior years and reduced construction completion, the residential division registered 26.3% drop in revenues. The office buildings division showed a 6.3% improvement in lease income due to new office space available for lease in Robinsons Cybergate Tower 3 and completion of Cybergate Plaza. On the back of higher efficiencies, EBITDA was up 7.8% to PhP6.41 billion, with EBITDA margins rising by 1.3% to 56.7%. Net profit for fiscal year 2010 expanded faster at 10.1% to PhP3.59 billion. Net profit would have been higher at 13% if the PhP103 million gain from interest rate swap transaction in fiscal 2009 was excluded.

Digitel registered consolidated revenues of PhP16.54 billion for the year ended December 31, 2010, an 18% growth from last year's PhP14.02 billion. Revenues were propped up by the 27.1% growth of the wireless communication services to PhP13.12 billion, as the introduction of more affordable and innovative products fueled a 29.3% growth in cellular subscriber base to 14.04 million. Wireline data communication service revenues reached PhP475 million, up 10.2% largely due to increase in domestic data and internet services through its IPVPN services new subscriptions, offsetting a 9.7% dip in wireline voice communication service revenues. On better cost management, consolidated EBITDA grew at a faster clip of 20.7% to PhP5.60 billion from PhP4.64 billion. The higher forex gains amounting to PhP1.41 billion in 2010 versus PhP787 million in 2009 partially negated by the upsurge in income tax to PhP699 million from last year's PhP(69) million pushed consolidated net income further up by 102.8% to PhP527 million from last year's PhP260 million.

JG Summit Petrochemicals Corporation's (JGSPC) posted a decline in revenues in fiscal year ending September 30. 2010 to PhP3.31 billion by PHP5.57 billion in 2009 due to lower sales volume. Cost of sales likewise dropped from PhP6.09 billion to PhP3.75 billion as production slowed down. This resulted to an improved gross income of JGSPC to PhP126.81 million as compared to last year's PhP42.45 million and also a lowering in net loss by 80% to PhP102.15 million from PhP511.10 million in fiscal 2009. Contributing to the reduced net loss was the recognition of PhP36.48 million forex gain as against a forex loss in 2009 of PhP95.4 million.

The combined financials of **Robinsons Bank Corp. (RBC)** and **Robinsons Savings Bank (RSB)** recorded a 52.3% growth in revenues to PhP1.73 billion for the period ending December 31, 2010 from PhP1.13 billion in 2009. On top of this, the bank registered significant jump in trading gains to PhP254.86 million from PhP32.08 million last year. With this, net earnings surged 47.1% to PhP298.34 million from PhP202.81 million in 2009. As of December 31, 2010, the bank's total resources reached PhP24.59 billion from last year's PhP16.89 billion. Loans increased by 23.9% to PhP10.20 billion whilst deposit liabilities decreased to PhP9.75 billion from PhP14.09 billion last year.

Equity earning from associated companies and joint ventures declined by 10.4% to PhP2.77 billion for the year ended December 31, 2010 from PhP3.09 billion in 2009. The drop in equity income is principally due to **United Industrial Corporation, Limited (UIC).** UIC registered a 1.6% drop in net income before fair value gain or loss on investment properties to SGD237.01 million in 2010 from SGD240.82 million in 2009, as a result of a deferred income tax write-back in 2009, amounting to SGD21.7 million. **First Private Power Corporation (FPPC)** has ceased operations last July 2010. As of December 2010, FPPC merged with Bauang Private Power Corporation, with the latter as the surviving entity.

Outlook

After a remarkable showing in 2010, we are again faced with a challenging and difficult macro-economic environment. Commodity prices are skyrocketing brought about by the global economic upturn in major economies. Fuel prices are swinging to the 2008 levels with the ongoing discord in the Middle East and North African region. These events are putting pressures on margins and profitability most especially for the food and airline businesses. However, we believe we are better prepared to face these challenges and to take on emerging opportunities. We have demonstrated in the past your company's resilience and tenacity in the face of uncertainties. Once the economic situation turns around, we are confident that your company will be in the forefront to show notable earnings performance. To illustrate your company's confidence that times such as these are just bumps in an upward trending earnings performance, JG Summit has implemented a buyback program for both URC and Cebu Pacific. We have likewise increased the capital expenditure (capex) spending budget for this year. Moreover, we are always on the lookout for prospects to expand your company's portfolio of businesses.

For **URC,** we expect the international business to be the driver for growth. Distribution capabilities will be improved whilst manufacturing capacities will be expanded to support the expansion of your company's product portfolios in Thailand and Indonesia. In Vietnam, we will expand the PET lines capacities to accommodate the strong demand for C2 Green Tea product as well as develop the biscuits and snacks categories. In the domestic front, URC has begun the implementation of careful and calibrated price adjustments as well as product reconfiguration to temper the margin pressures from rising input prices. We expect to sustain market dominance with the installation of new capacities of the beverage business and as we intensify product innovation efforts.

With a sanguine five year outlook in the real estate business backed by PhP13.6 billion in net proceeds from the successful rights offering in April 2011, **RLC** will embark on an aggressive capital expenditure program over the next two years, the bulk of which is set aside for land banking activities. Moreover, with the robust consumer spending outlook driven by the strong investors' confidence, the sustained rise in OFW remittances, better employment outlook, a bullish BPO industry, and a rise in tourist travels, we will continue to open more new malls in key cities. For the office buildings division, plans are positively progressing to construct two office buildings in the Ortigas Business District. The hotel division plans to roll out 30 Go Hotels in the next five years either through the franchising model or company-owned. We also plan to launch at least PhP8 billion worth of residential projects for fiscal year 2011.

Despite the intense competition in its domestic and international routes with the expansion of local competitors and the entry of foreign carriers, **Cebu Pacific** is keeping its commitment to expand its fleet to 47 aircraft by end of 2014 (net of redelivery of six leased aircraft). This year, we will increase the number of aircraft to 37, consisting of 29 Airbus aircraft and 8 ATR aircraft. The fleet expansion will support Cebu Pacific's plans to increase frequencies on existing routes and to add new routes or destinations. Although we continue to have a positive outlook in the Philippine airline market, we, however, expect the international sectors to grow at a faster rate. We plan to increase Cebu Pacific's international presence in North Asia markets such as Korea, Japan and China and create better linkages to the various tourist destinations in the country. In June 2011, Cebu Air has launched services from Manila to Busan. Moreover, we are planning to add frequencies to China and Japan routes and penetrate additional cities in these markets in 2011. Faced with high fuel cost, Cebu Pacific has recently implemented several operating measures to ease the cost pressure such as 1) passing on fuel surcharges in both domestic and international routes beginning March 2011, 2) expanding the ancillary revenues by unbundling more services and increasing rates and conversion and 3) targeting a 5% to 6% year-on-year reduction in non-fuel cost.

Late in March 2011, a deal was struck between your company and Philippine Long Distance Telephone Company (PLDT) for a share and purchase agreement under which the latter has agreed to purchase all the rights, title and interest in assets of **Digitel**. The total consideration of the transaction amounted to PhP69.2 billion. Your company will in turn own 12.8% of the enlarged share capital of PLDT which valued the new PLDT shares at PhP 2,500 per share. Cost efficiencies are expected to be realized from the buy-in to include capex optimization, co-location of base stations, consolidation of overlapping technical systems, implementation of shared services, bulk purchasing of network equipment, communication devices and other materials and elimination of other duplicated costs. Improved network utilization and service quality are expected to be achieved through complementary technologies and greater network density. Moreover, service subscribers will benefit from the synergies derived from greater network coverage, wider reach, and innovative services, whilst keeping the "Call & Text Unlimited" services. The transaction is targeted to be completed by end June 2011.

In December 2010, the Bangko Sentral ng Pilipinas (BSP) has approved the merger of Robinsons Savings Bank and Robinsons Bank Corp. (formerly known as The Royal Bank of Scotland - Phils.); wherein Robinsons Bank Corp. **(RobinsonsBank)** would be the surviving entity; thus making the bank a commercial bank. RobinsonsBank has a captive market just by tapping the vast network of JG Summit group of companies' concessionaires, suppliers, contractors, merchants and the strong 30,000 employees to grow the deposit base and loan acquisitions. A wider range of products and services, letters of credits in particular, will be offered to the commercial banking clients. RobinsonsBank aims to further expand its geographic reach via acquisitions and mergers, apart from the BSP's 5-at-a-time approval of branch licenses. Given the increasing popularity of the new technology, RobinsonsBank plans to put more emphasis on retail internet banking and mobile banking channels.

JG Summit Olefins Corp. (JGSOC), a wholly-owned subsidiary of JG Summit, has been set up to operate a US$700 million Naphtha Cracker facility adjacent to JGSPC's PE and PP plants in Simlong, Batangas. The cracker will use the CB&I-Lummus technology to produce ethylene, propylene, pyrolysis gasoline and other by-products. Plant construction which started in September 2010 is undertaken by Daelim Industrial Corporation of Korea. In December 2010, JGSOC was awarded by the Board of Investments a pioneer status, entitling the company income tax holiday for six years from start of operations, duty free importation of equipment, spare parts, raw materials and supplies, and zero taxes and duties on export products. Upon completion of the naphtha cracker, JGSPC will become the only fully-integrated Petrochemical business in the country. Commercial production of the naphtha cracker plant is expected to commence by fourth quarter of 2013.

Acknowledgements

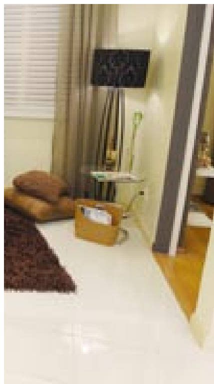
We would like to take this opportunity to thank the board members for their wisdom and guidance, the managers and employees for their dedication, the business partners for their support and commitment and the stakeholders for their trust and confidence in the vision of JG Summit of leading the country to global competitiveness and making the life of every Filipino better.

We enjoin you to ride with us as we journey through this challenging and exciting time for the company.

Maraming salamat po.

James L. Go
Chairman and CEO

Lance Y. Gokongwei
President and COO



Making Life Better

JG SUMMIT
HOLDINGS, INC.

JG Summit Holdings, Inc.

JG Summit Holdings, Inc. (JGS) is one of the largest and most diverse conglomerates in the Philippines today, with vast business interests in food manufacturing, real estate development and management, air transportation, telecommunications, petrochemicals and banking services. JG Summit's businesses are leaders in their respective industries, proof of more than 50 years of valuable business experience. It conducts business throughout the Philippines and in the ASEAN region.

UNIVERSAL ROBINA CORPORATION

FOOD
UNIVERSAL ROBINA CORPORATION

Universal Robina Corporation (URC) is one of the leading Southeast Asian food and beverage companies, and is also a major player in agro-industrial & commodity businesses in the Philippines.

The Branded Consumer Foods Group (BCFG) is home to familiar brands like Chippy, Piattos, Magic, Maxx, and Cloud 9, under the Jack 'n Jill mega brand. Jack 'n Jill has grown to represent the simple pleasures, fun and camaraderie of snacking, making the company the leading snackfoods manufacturer in the Philippines.

URC Beverages is also a leader in the ready-to-drink tea segment with C2 and has significant presence in the instant coffee and other powdered beverages. With its own Payless brand and Nissin, a joint venture with Nissin's of Japan, URC is a competitive player in the noodles market. URC is the market leader in the canned beans segment with Hunts-Universal Robina, a joint venture with Conagra of the US.

These distinctly Filipino brands are available outside the Philippines as well, as URC has manufacturing facilities in five countries in Southeast Asia namely Thailand, Vietnam, Malaysia, Indonesia, and China. Familiar Jack 'n Jill brands like Cloud 9, Cream-O, Magic Flakes, and Roller Coaster are readily available in neighborhood stores in those countries along with Hong Kong and Singapore where URC operates sales offices. These URC products are also being enjoyed in other parts of the world, with exports to the Middle East, North America, Europe, Korea, Japan and Australia.

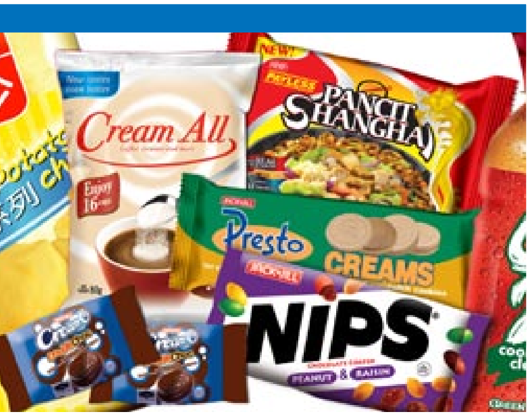
URC's Agro-Industrial Group (AIG) is consolidated under the Robina Agri Partners name, which combines the strengths, experience and expertise of Universal Corn Products (UCP), Robichem Laboratories, and the Robina Farms poultry and hog divisions, into one team. RAP provides high quality feeds, veterinary medicines, live animals - Hogs and Chicken - to the country's poultry and livestock industries. Robina Agri Partners also provides consumer products, namely premium meats and eggs.

URC's Commodity Foods Group (CFG) is engaged in flour milling, pasta production and distribution under the URC Flour Division, as well as sugar milling and refining under the URC Sugar Division. URC is also engaged in the manufacturing of product packaging through URC Packaging.

Universal Robina Corporation is committed to bringing Filipino taste and culture worldwide, in line with JG Summit's vision to make life better, not only for Filipinos, but for the rest of the world.

Some facts about URC:

- **URC** started out as a cornstarch manufacturing company. With Panda Cornstarch as its first brand, URC soon expanded to include the Jack 'n Jill brand of fun snackfoods, Blend 45 and Great Taste coffee, C2 ready-to-drink tea, and many other Filipino favorites.
- **URC** launched the first locally manufactured coffee blend in the 1960s with Blend 45. With its distinctly Filipino blend and flavor, it soon became a local favorite. URC also introduced the first 3-in-1 coffee mix with Great Taste.
- **URC's** first branded snack product was Jack 'n Jill Chiz Curls. It has since been followed by Chippy, Nova, Piattos and many other fun snacks that have become Filipino favorites for generations.
- **URC** entered the ready-to-drink market in 2004 with C2 Green Tea. Originally available in lemon and green tea flavors, C2 was a runaway success, creating the RTD Tea market and becoming URC's #1 selling brand within 5 years of launch even in the face of stiff competition from multinational brands.
- **URC** sells more C2 Green Tea in Vietnam than in the Philippines, almost 2 to 1. While the initial attempt to sell C2 in more traditional tea flavors of jasmine and lotus did not excite the market, URC's C2 came roaring back using the sweeter fruit-flavored formulation that has endeared Filipino consumers. Vietnam's favorite is C2 Green Tea lemon flavor.
- **URC** also supports the livestock industry, with Robina Farms, which raises hogs and poultry; Universal Corn Products, which provides a variety of feeding and nutritional needs for them; and Robichem, which takes care of their veterinary requirements. URC ensures healthy, well-tended livestock - just one of the ways URC helps make life better for the Filipino.
- **URC** is a major player in commodity foods, with strong positions in flour milling, sugar milling, and sugar refining. This also ensures consistent supply of these raw materials for URC's branded consumer foods group.



BRANDED CONSUMER FOOD GROUP (BCFG)

- **Snacks:** Jack 'n Jill Chiz Curls, Jack 'n Jill Chippy, Jack 'n Jill Nova, Jack 'n Jill Piattos, Jack 'n Jill Roller Coaster, Jack 'n Jill Potato Chips, Granny Goose Tortillos
- **Candies:** Jack 'n Jill Maxx, Jack 'n Jill XO, Jack 'n Jill Dynamite
- **Chocolates:** Jack 'n Jill Cloud 9, Jack 'n Jill Nips
- **Biscuits:** Jack 'n Jill Magic Flakes, Jack 'n Jill Cream-O, Jack 'n Jill Dewberry, Jack 'n Jill Pretzels
- **Bakery:** Jack 'n Jill Quake
- **Beverage:** Great Taste, Blend 45, Refresh, C2 Green Tea, Hidden Spring
- **Noodles:** Payless
- **Joint Ventures:** Nissin, Hunts
- **URC Packaging:** manufactures and sells bi-axially oriented polypropylene (BOPP) films primarily used in the packaging industry

Agro-Industrial Group-Robina Agri Partners RAP

- **Universal Corn Products (UCP):** produces and distributes animal feeds for fish, hogs and poultry
- **Robina Farms:** breeds and grows hogs, broiler chicks and layer chicks
- **Robichem:** manufactures animal health products

COMMODITY FOODS GROUP

- **URC Flour Division:** produces and distributes hard flour, soft flour and specialty flour. It also manufactures and sells pasta products
- **URC Sugar Division:** provides sugar cane milling and refining services, trades raw sugar, and sells refined sugar and molasses

2010 HIGHLIGHTS

Hanoi Expansion

Back in 2006, URC saw that Vietnam could be a good first country outside the Philippines to build the ready-to-drink tea business and replicate the success of C2. At the macro-level, the country was attracting many foreign investments so urbanization and purchasing power were on the rise. In terms of the target market, URC saw a young demographic that is culturally a tea drinker.

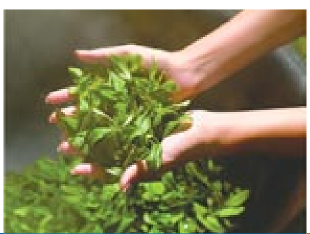
URC wasted no time and deployed the beverage lines, developed the taste profile the market was looking for, promoted the C2 brand aggressively, and built distribution in the south Vietnam area. C2 conquered the ready-to-drink tea market despite the presence of well-entrenched local players. The phenomenal response for the product tells of URC's ability to create a product that the consumers prefer, build a brand that communicates value to the target market, and distribute effectively through the proper channels. To date, sales of C2 in Vietnam have outpaced that of the Philippines.

Prior to 2010, URC's success in Vietnam focused mainly on Ho Chi Minh City and 4 other secondary cities in the south (Hoa Lu, Can Tho, Nha Trang, and Danang). The next frontier was to establish a foothold in the northern Vietnam market, but it was a logistical challenge given that the manufacturing facility near Ho Chi Minh City was more than 1,000 kilometers away from Hanoi, the largest city in northern Vietnam. Setting up a beverage line in Hanoi would enable URC to distribute C2 more efficiently to more Vietnamese. In June 2010, a beverage manufacturing facility was installed in Hanoi, to extend the business to northern Vietnam.

URC's conquest in Hanoi was met with challenges as competition was already dominant in the market. But the winning formula used in capturing south Vietnam proved its potency. Armed with a product that the Vietnamese consumer prefers, URC intensified its marketing campaign and sales drive. In a matter of months, C2's market share in Hanoi is now at par with the market leader and the Hanoi C2 facility is running at capacity.

As of February 2011, about a quarter of C2 sales are coming from Hanoi. With the surge in demand, additional supply has to be sourced from the Binh Duong facility near Ho Chi Minh City. Thus, for fiscal year 2011, URC is planning to install two more beverage lines to meet the seemingly insatiable demand for its C2 green tea product.

Now that URC has set up base in Hanoi in the north and Ho Chi Minh City in the south, the company is strategically positioned to continue its expansion to the rest of Vietnam. URC has also started diversifying its product portfolio to include snackfoods such as biscuits, candies and salty snacks to complement its beverage offering. With this two-pronged approach of geographical and product portfolio expansion, URC is building the foundation for what could be another Philippine-size branded foods business.



IDEAL PARTNERSHIPS

Versatility, innovation, mass appeal… these are qualities that URC's brands and its celebrity endorsers have in common. Perfect combinations that encapsulate the brands' distinct image: from multi-faceted actor John Lloyd Cruz and the diverse Magic biscuits line, to fresh-faced Bianca Gonzales and her novel Yin Yang Tea, to mother and daughter team Jean and Jennica Garcia who appreciate the versatility of Cream All.

A new tandem has added more color to the small screen: John Lloyd Cruz and Jack 'n Jill Magic.

For Bianca Gonzales, handy and refreshing Yin Yang Tea is the best way to stay cool.

Exceptional actress Jean Garcia and daughter Jennica claim that their favorite beverages are richer and creamier with Cream All.


PROPERTY
ROBINSONS LAND CORPORATION



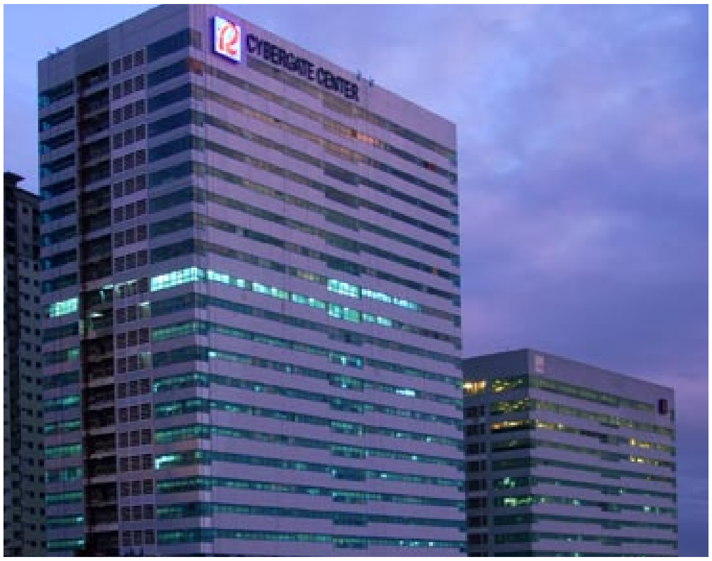
Robinsons Land Corporation (RLC), a leading real estate company in the Philippines, is a developer and operator of shopping malls, office buildings, and hotels, and is one of the largest developers of condominiums, subdivisions and gated communities located in key cities nationwide.

RLC is one of the country's largest mixed-use property developers. The Robinsons Galleria complex has 2 office towers, 2 deluxe hotels, an upscale residential condominium anchored by a flagship shopping mall while Robinsons Place Manila complex has 5 residential towers fully integrated by another flagship shopping mall. The Robinsons Forum complex houses the newly opened Go Hotel, 4 office buildings, 3 residential towers and a mall. The Robinsons Magnolia Town Center complex in Quezon City, the fourth mixed-use development in Metro Manila, is slated for opening in the middle of 2012.

To date, RLC has 29 shopping malls, 50 residential buildings, 7 office buildings, 36 housing developments, and various hotels such as Holiday Inn Manila Galleria, Crowne Plaza Manila Galleria, Cebu Midtown Hotel, Summit Ridge Tagaytay Hotel and the first Go Hotel.

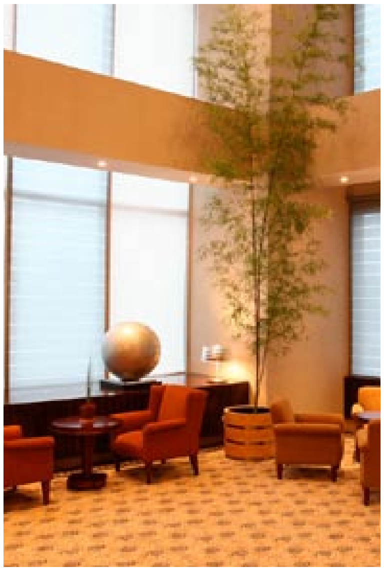
Each and every project of Robinsons Land Corporation has led to the rise of thriving, harmonious communities in line with JG Summit's vision to make life better for the Filipino nation.

Commercial Centers Division: *To date, RLC has 29 shopping malls including flagships Robinsons Galleria and Robinsons Place Manila. Recently opened are Robinsons Malls in Ilocos Norte, Cebu and Dumaguete.*



Office Buildings Division: *RLC has 7 office buildings which currently house multinational companies and business process outsourcing companies: Robinsons Cybergate Centers 1, 2 and 3, Robinsons Summit Center, Robinsons Equitable Tower, and Galleria Corporate Center. Recently opened is the Robinsons Cybergate Plaza.*

Residential Division: *RLC has in its portfolio 50 residential buildings and 36 residential subdivisions all over the country categorized into four brands – Robinsons Luxuria, Robinsons Residences, Robinsons Communities, and Robinsons Homes. The residential condominiums include: Galleria Regency, AmiSa Private Residences, Sonata Private Residences, Signa Designer Residences, Robinsons Place Residences, Adriatico Residences, Fifth Avenue Place, McKinley Park Residences, The Fort Residences, The Trion Towers, One Gateway Place, Gateway Garden Heights, Gateway Regency, East of Galleria, The Sapphire, Vimana Verde Residences, The Magnolia Residences, Escalades at 20th Avenue, Escalades South Metro, The Pearl Place, The Wellington Courtyard, Gateway Garden Ridge, Woodsville Viverde Mansions, and The Axis Residences. RLC's economic and affordable residential subdivisions include: Woodsville Residences, Otis 888 Residences, Bloomfields Novaliches, Bloomfields Tagaytay, Bloomfields Davao, Blue Coast Residences, Centennial Place, San Jose Estates, San Lorenzo Homes, St. Bernice Estates, St. Judith Hills, Robinsons Home East, Grosvenor Place, Residenza Milano, Robinsons Vineyard, Bloomfields Lipa, Southsquare Village, Fernwood Parkhomes, Forest Parkhomes, Forest Parkhomes North, Grand Tierra, Mirada Dos, Rosewood Parkhomes, Brighton Parkplace, Brighton Parkplace North, Hanalei Heights, Sitio Andalucia, Aspen Heights, Fresno Parkview, Hillsbourough Pointe, Monte Del Sol, Richmond Hills, Costa Verde, Nizanta Gardens, Montclair Highlands and Robinsons Highlands.*



Hotels Division: *RLC's hotels group includes Summit Ridge Hotel in Tagaytay, Cebu Midtown Hotel, and Go Hotel as well as two properties managed by the InterContinental Hotels Group, Holiday Inn Manila Galleria and Crowne Plaza Manila Galleria. Recently opened Go Hotel at Cybergate Complex in Mandaluyong, Metro Manila is the flagship hotel of the first budget hotel chain in the country.*

UNITED INDUSTRIAL CORPORATION LIMITED

JG Summit is one of the largest individual shareholders in United Industrial Corporation Limited (UIC), a Singapore listed company, which develops and invests property including commercial office, commercial retail and residential properties. It is the major real estate developer in Singapore. Property investments in China (Beijing, Chengdu and Hong Kong) and information technology service are the other business interests of UIC.

Gohotels.ph Reflects and Looks Forward

Robinsons Land Corporation's gohotels.ph is now expanding and will be opening sites in Palawan, Tacloban, Dumaguete, Bacolod and Cebu. gohotels.ph's General Manager Elizabeth D. Gregorio has also announced that it has started accepting franchisees to further its growth.

A New Twist On The Budget Hotel Concept

In the same way that Cebu Pacific has changed the Philippine airline industry, gohotels.ph aims to redefine the hotel industry with the introduction of the VALUE HOTEL concept. Following the no frills model, gohotels.ph is composed purely of standard rooms. Three months after the grand opening of its pilot branch of gohotels.ph in Cybergate Plaza along EDSA, gohotels.ph has been proven to be an incredible success. "Operating as a value hotel, gohotels.ph provides 8 benefits to each guest at reasonable prices. These include quality beds, hot and cold rain shower, complementary Wifi, LCD TV, safety and security, convenient location, access to transport, and a fun and friendly atmosphere," says Ms. Gregorio. She added that hotel facilities such as restaurants, laundry and transportation services are operated by third parties. "This set-up allows the hotel to focus on its competitive advantage, boosting occupancy and revenues."

Shifting Market Preferences Fuel Value Hotel

While success in the hotel industry is traditionally measured in terms of occupancy and revenues alone, gohotels.ph wants to take this a step further by aiming to reinvent the budget hotel industry through more VALUE hotels. Its slogan, ***"A Place For Every Juan",*** represents this vision perfectly: to create Value Hotels that provide better amenities at better prices nationwide.

As a result of this vision and the operational success of gohotels.ph – Cybergate Plaza, the business model has proven to be well received by the public. The convenience of booking online and making quality amenities available at reasonable prices, the segment shows much promise for expansion. Guests are not only business travelers and families on a budget, but also include long-staying tourists and even locals. At gohotels.ph, travelers know they can always expect dependable, clean, and attractive lodgings at affordable prices, and the reaction from customers has exceeded expectations.

The promising performance of gohotels.ph – Cybergate Plaza makes the prospects for other gohotels.ph branches very exciting both within Metro Manila and beyond it.

Future Sites

"Ultimately, we hope the gohotels.ph philosophy of value and convenience will establish the gohotels.ph brand as the hotel chain that offers discerning clientele ***the best value-hotel accommodations*** not only from its Cybergate Plaza branch", says Ms. Gregorio. Currently, gohotels.ph welcomes entrepreneurial parties to join the gohotels.ph franchise as it aims to boost the Philippine tourism industry. For franchise and reservation inquiries, log on to http://www.gohotels.ph or call 0922-GOHOTEL (0922-464635), (02)398-8788 or (02)398-8119.

Some facts about RLC:

- **RLC** was incorporated in June 1980 to serve as the real estate arm of JG Summit Holdings, Inc.
- **RLC** pioneered the mixed-use property development concept in the country where work, relaxation and play can be found in one place. Robinsons Galleria complex, which opened in 1990, is the company's first and premier mixed-use development project where two deluxe hotels, two high rise office towers, an upscale residential condominium, and its flagship mall are all fully integrated. More mixed-use development projects followed thereafter and more are planned for future openings.
- In 1996, all the real estate development and hotel management activities of JG Summit group was consolidated under RLC through the share swap transactions of two affiliated entities, Manila Midtown Hotels and Land Corporation and Robinsons Inn.
- **RLC** is the first JG Summit company that was listed in the Philippine Stock Exchange in 1989 and had a successful follow-on offering in 2006. It was also the first to list in the Philippine Dealing and Exchange Corp. (PDEX) in 2010. RLC is the first JG Summit company to carry out two successful stock rights offerings.
- **RLC** is currently one of the largest providers of office space to call centers and BPOs in the country with 188,000 sqm of leasable space from its seven office buildings and another 52,000 sqm commercial center space leased out to BPO companies.
- **RLC** is one of the largest operators of hotels in the country with a total of 1,089 guestrooms. The company opened the first value hotel chain, Go Hotels, in the country in May 2010 viewed as a complement to its other property developments and also as a good strategic fit to Cebu Pacific Airlines.
- In 2009, **RLC's** residential division was consolidated and categorized into four brands – Robinsons Luxuria, Robinsons Residences, Robinsons Communities and Robinsons Homes. The four brands vary in product, location, target market, type of development and price ranges to tap a broad range of customers and market.

The proximity principle

Located along Pearl Drive, adjacent to the University of Asia and the Pacific, The Pearl Place, which is under the Robinsons Communities brand, is within walking distance to malls, banks, churches and several hotels.

More importantly, it's close to major thoroughfares--like Shaw Boulevard and EDSA--as well as bus, jeepney and cab terminals, not to mention the MRT.

"By living at The Pearl Place, you get to have everything brought closer to home" says Rouen Raz, vice president for sales and marketing of Robinsons Communities.

This residential development features two 40-storey towers. It has over 1,300 units, with allocations for commercial establishments along its 800 square meter ground floor area. This area, when completed, will feature restaurants, fast food chains, convenience stores, laundry shops and other retail outlets.

There will also be a multilevel podium, a Summit Lounge, swimming pools, function rooms and a gym. It offers 24-hour security and adequate parking space.

Three Men and Luxurious Living

A list of Filipinos who have blazed a trail in the international landscape will not be complete without the names of furniture and space designer Antonio "Budji" Layug, architect Royal Pineda, and furniture designer Kenneth Cobonpue.

Among them, they have helped shape and elevate the landscape of architecture and interior design not only in the poshest corners of the country but also in some of the most stylish pockets around the world. Given the accomplishments of each, it comes as no surprise that property developers Robinsons Land

Corporation and Security Land Corporation gathered these three acclaimed artists/craftsmen to redefine the concept of luxury living with Signa Designer Residences, a stirring fusion of modern design sensibility and the life-affirming qualities of nature that will soon rise at the corner of Valero and Rufino Streets in Salcedo Village, Makati City.

Robinsons Luxuria is the premier property brand of Robinsons Land Corporation Residential Division. Signa Designer Residences will rise 29 storeys high from the concrete jungle that is Makati. It is a sleek two-tower condominium development that will delight the senses of the most discriminating of future residents with its modern tropical aesthetic that is formed by a refreshing openness toward the environment amid the most elegant spatial designs, first-class features and exceptional amenities.

"This being the first-ever residential development of Robinsons Land in the premiere city of Makati, we wanted to bring to a new paradigm to luxury living, an experience that can't be had in other similar developments," says Robinsons Land senior vice president Raoul E. Littaua. "And who could better realize such concept than Budji Layug, Royal Pineda and Kenneth Cobonpue, three of the most visionary minds working today in Philippine design."

The collective efforts of Layug, Pineda and Cobonpue will bring to market a "designer experience" that can only become the residential property equivalent to owning, say, an Hermès Birkin bag: highly coveted but available only to the select few with not only financial security but, more importantly, a taste for the exquisite and an eye for excellence in craft. These are two qualities that form the entire architectural design in which the two towers are seemingly balanced on stilts, an optical illusion created by the 10-meter glass walls that wrap around the lushly landscaped lobby-cum-plaza, ingeniously bringing the outdoors in minus the noise and the pollution.

From there, the grand design flourishes and gestures continue—the 'floating' pool area that connects the two towers, the marvelously designed common areas embellished by the signature furnishings of Layug and Cobonpue, the modern fitness center with his-and-hers steam rooms, a reading room, function and game rooms, a private theater, and a children's playroom.

As for the residential spaces, limited to only 702 in all to ensure privacy, future unit owners have a choice from not only among one-bedroom (starting at 32.85 sqm), two-bedroom (beginning at 56.80 sqm) and three-bedroom (up to 93.88 sqm) configurations, but also between the Designer Luxe Series and the

Cobonpue Series. The former offers high-end fixtures and room configurations modified to the homeowner's specifications, while the latter comes embellished with furniture specially designed by Cobonpue for Signa.

Robinsons to open first full service mall in Palawan

Robinsons Land Corporation (RLC) is currently constructing a shopping center in Puerto Princesa City, the first full service mall in the major tourist destination that is Palawan. The mall is expected to open in the last quarter of 2011.

To be known as Robinsons Place Palawan, the mall will be the 30th in RLC's growing chain of full service and specialty malls, which are all located in strategic locations, or part of mixed-use developments.

The new mall is being built on a 19-hectare lot along the National Highway in Barangay San Manuel where RLC also plans to develop a residential subdivision and the Puerto Princesa branch of gohotels.ph.

The mall will have a gross floor area of over 30,000 square meters in two levels. It will feature a wide variety of retail shops and restaurants as well as entertainment and recreational facilities.

Slated to start commercial operations by December 2011, Robinsons Place Palawan will be the only establishment in Puerto Princesa that will have cinemas including a 3D theater. It will also feature al fresco dining and wellness centers that will cater to both local residents and tourists.

Robinsons Place is conveniently located within 10 minutes away from the airport, town proper, municipal hall, public markets, bus station, provincial capitol and the Philippine State University. It is also just minutes away from famous tourists spots such as Palawan Wildlife Rescue and Conservation Center, the Crocodile Farm, Bakers Hill, Mitra Farm, Plaza Cuartel, and Immaculate Conception Cathedral.

Since it is also located along the National Highway, travelers will also be passing by Robinsons Place Palawan on their way to El Nido, the world-famous Underground River, and Honda Bay Islands.

Life is Sweet at Magnolia Residences

Great location. Well-planned living spaces. Modern living in an upscale and master- planned community. These are just some of the attributes of the soon-to-rise Magnolia Residences located along the streets of N. Domingo and Doña Hemady Streets in the old and genteel neighborhood of New Manila.

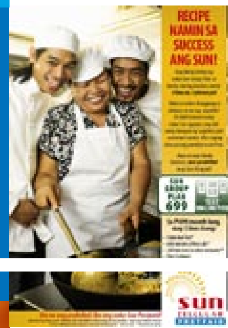
Developed by the premier property developer, Robinsons Land Corporation, the property's location is well-situated near schools such as St. Paul University, Xavier School and La Salle Greenhills; places of worship like Mt. Carmel church; and top-grade healthcare providers like St. Lukes Medical Center. Also, Magnolia Residences is just a block and a half away to the LRT 2 Gilmore Station which will make the traveling to commercial and business centers fast and easy. Moreover, this train line makes other reputable schools readily accessible. Definitely with the nearby conveniences, the project's first-rate location is a major advantage.

The Magnolia Residences will take up 2 hectares of a 5 hectare master-planned mixed-use residential and commercial complex called Magnolia Town Square. Envisioned as a self-contained community, the project will also feature a commercial component that will include a Robinsons Mall and other stores and retail outlets that will conveniently supplement the modern lifestyle requirements of residents.

The residential component will consist of four towers of efficiently-designed one bedroom, two bedroom, executive two-bedroom and three-bedroom units. One-bedroom and two-bedroom units have floor areas of 36 to 48 sq. meters and 57 to 71 sq. meters, respectively. It aims to cater to couples or families who are just starting out. Balconies are an added feature of selected executive two-bedroom units (73 to 90 sqm) and thee-bedroom units (108 to 115 sqm), and upper-floor unit owners will enjoy an unobstructed view of the environs such as Greenhills, Horseshoe, Ortigas, New Manila and San Juan.

Other amenities for residents will include a sun deck, gazebo, jogging path, swimming pool and multi-purpose rooms, as well as a library, fitness center, zen garden, badminton court and playground.

Certainly, there is much to love about a Magnolia Residences home, located in the same spot where Magnolia House started, the premier ice cream parlor that is still very known today. This well-planned urban enclave will match current lifestyle requirements perfectly. Magnolia Residences will definitely touch the lives of the families that will live there. As an astute real estate investment opportunity, the sweet prospects of The Magnolia Residences, a project of Robinsons Residences, the urban lifestyle brand of Robinsons Land Corporation Residential Division, will definitely be hard to beat.



TELECOMMUNICATIONS

DIGITAL TELECOMMUNICATIONS PHILS., INC, & SUBSIDIARIES

DIGITEL's communication services make it possible for Filipinos to stay connected. Reliability, accessibility and resiliency of DIGITEL's operations translate to 24/7 availability of affordable products and services.

It was a remarkable year for DIGITEL, growing the business by over 18%. A major driver for growth is the company's wireless arm, Sun Cellular, which holds the position of being the first to achieve acquisition of over One (1) Million in postpaid subscriptions in the country. It remains the preferred postpaid brand for the third straight year, with 7 out of 10 new postpaid subscribers availing themselves of Sun Cellular products and services.

With nearly 7,000 cell sites as of 2010, Sun Cellular continues to provide the fastest and most reliable unlimited call and text and broadband services at the most economical rates. Sun Cellular offers the latest in GSM technology, providing voice services (local, national, and international calling), messaging services (short text or multi-media messaging), outbound and inbound international roaming, broadband wireless technology, corporate solutions, and value-added services such as Mobile Internet, and up-to-date downloadable contents like ringtones, dialtunes, picture messages, and logos.

Sun's All-IP Next Generation Network is the most modern mobile technology designed for true unlimited service. With this internet-like technology, more efficient transmission of voice and SMS is achieved, enabling conservation of network resources as it requires only half of what an older network technology would normally consume. This is how Sun Cellular passes-on the savings to the subscribers, hence, the lowest rates in the market. Today, Sun subscribers believe the main benefit of Sun Cellular's unlimited services is the strong ties built with family and friends by keeping them connected 24/7. Sun Cellular has indeed succeeded in strengthening the Filipino culture of kinship by creating a new and affordable way to communicate.

In 2010, Sun Cellular remained the only mobile telecommunications provider of truly reliable unlimited service for its over 14 million subscribers. As Sun Cellular continues its stronghold over the unlimited call and text market, new products and services successfully launched within the year further strengthened Sun Cellular as the best value-for-money mobile brand in the country.

The pioneer in 24/7 Call & Text Unlimited, Sun Cellular is now making headway in the broadband space with Sun's Broadband Wireless (SBW) brand. Its advanced 3.5G HSPA (High-Speed Packet Access) technology and all-IP network, buoyed by its unlimited postpaid plans and competitive prepaid rate offerings, on top of its metro-wide coverage and superior speeds, Sun Broadband Wireless has built the momentum to take the broadband market by storm. Recognizing consumers' redefined online behavior (Facebook mania) and as a treat to its subscribers, Sun offered a free service that provides unlimited Facebook access with zero data charges. Sun also continued to provide better deals for the OFW Community offering the lowest international SMS and Multimedia Messaging Services and the most affordable IDD call rate of P2.00 per minute to key countries worldwide. Making its headway to the Mindanao market, Sun launched the Sun Magic Zone Mindanao SIM in December. This is an exclusive prepaid offering for Mindanaoans which comes with the lowest unlimited call and text rates, and special rates for connecting with other Sun Mindanao subscribers.

A wide variety of postpaid and prepaid products and services have also been introduced to provide subscribers with best value choices tailored to fit each user's specific needs and wants. To cater to every Filipinos' needs, customers nationwide have access to

Sun Cellular products and services through over 175 company-owned retail outlets, via Sun Shops nationwide and Sun Shop Express presence in DIGITEL Customer Centers in Luzon.

Meanwhile, DIGITEL emerges as a next generation broadband service provider, simultaneously maintaining its traditional wireline services. Through the deployment of broadband Internet and data access technologies, DIGITEL was first to offer Landline and ADSL service bundles Luzon-wide. Seeing the opportunities and synergies offered by wireless mobility, and with the man-on-the-go in mind, DIGITEL's "wireless landline" services is an ideal solution for deployment in unserved and underserved areas, bringing the much needed economic development to the countryside. Today, these services are offered under DIGITEL's DSL PLUS and SUNTEL Wireless Landline brands.

With its extensive infrastructure and innovative services, DIGITEL stands ready to meet the increasing needs of human connectivity in the 21st century, true to JG Summit's vision to make a better life available to the Filipino.

- Wireline Communications (Voice Services): fixed line telecommunication services, a major provider of fixed lines in the country in terms of subscribed lines

- Wireline Communication (Data): helps build, grow, and sustain business profitability by providing corporate-grade solutions customized to optimally respond to both the communications and operational needs of SMEs and large corporations. DIGITEL provides wireline data communication services to both the consumer and the business subscribers.

- Wireless: wireless mobile cellular telephone service and wireless broadband services that pioneered unlimited intra-network calls, SMS, and wireless broadband services in the country, the 24/7 Call, Text, and Surf Unlimited

Sun offers best mobile services to subscribers

Sun Cellular continues to provide the fastest and most reliable call and text and broadband services to its more than 15 million subscribers at the most economical rates using its advanced mobile network.

"Sun's All-IP Next Generation Network is the most modern mobile technology designed for true unlimited service enabling Sun to offer its unlimited services as permanent products, not just promos lasting for just a few months," said Bill Pamintuan, senior vice president of Digitel Mobile Philippines, Sun's mother company.

All-IP Next Generation Network transmits text messages and voice calls more efficiently using Internet-like technology. The network also transmits text and voice using only half the resources that an older network technology would require.

"We have completed our All-IP Next Generation Network roll-out in December 2008, and up to now we are the only major provider in the country to have such an extensive network. Definitely, our being a late-comer in the industry gave us this advantage," Atty. Pamintuan explained. "Network efficiency allows Sun to save on resources which we pass on to our subscribers, hence the lowest rates in the market," he added.

Sun will also intensify its unlimited call and text and broadband services during the holiday season to make up for plans of other carriers to suspend their 'unli' services as they expect subscriber peak demand.

"Instead of calling for a time out, we will push even harder our unlimited services. Our system's technology which is several years more advanced than others, is designed for true unlimited services regardless of volume and time of year," Atty. Pamintuan said.

Sun Cellular's No. 1 position in postpaid business solid

Sun Cellular's No. 1 position in the postpaid business is solid since most new subscribers opt for Sun because of its nationwide coverage, true unlimited call and text, and lower rates.

Sun reached an industry milestone of one million postpaid subscribers in September 2010. Globe ranked second with 980,000. Out of every 10 new postpaid subscribers, seven have been choosing Sun, said Bill Pamintuan, senior vice president of Digitel Mobile Philippines, Sun's mother company.

"Sun Cellular's No. 1 lead in the postpaid market is sustainable since we get seven out of every 10 new postpaid subscribers. There are three reasons for this:

1. We offer at the very least the same quality service as other carriers since we have the latest network infrastructure, and nationwide coverage;

2. Subscribers can save on average 50 percent of their costs; and

3. Sun offers true unlimited call and text. Sun's 'unli' has been in the market since 2004. It is a permanent product where a subscriber gets a free phone, and can call and text the whole day while paying only P350 per month.

"Others claim they are No. 1 in terms of revenues. Sun gives back to its subscribers in terms of huge savings in their communications costs," he said. Sun, he added, is no different from its sister company, Cebu Pacific, which offers lower fares and brand-new aircraft, and transports its passengers to their destination on time; or Go-Hotels which offers rooms at rates as low as P388 per day. "We deliver the same quality products and services at best prices".

Some facts about DIGITEL & Sun and their product Information:

- DIGITEL continues to be a major telecommunications service provider in the Luzon wireline over 600,000 lines installed servicing over 281 towns and cities throughout Luzon including Quezon City in the National Capital Region with products include DIGITEL Landline, Digitel Prepaid, DGMAX IDD, SUNTEL Wireless Landline (launched April 2009, is the wireless landline service that offers customers unlimited landline to landline calls) and DIGITEL's DSL Plus.

- SUN Cellular is the fastest growing mobile network provider in the country with over 14 million subscribers supported by about 7,000 cellsites nationwide. Sun continues to be the preferred postpaid brand with 7 out of 10 new postpaid subscribers availing themselves of Sun Cellular products and services and taking over market leadership as its subscriber base hits over 1 million garnering 42% of the postpaid market share.

- SUN Cellular pioneered the offering of bundled postpaid plans through Sun Cellular's Group Plan 999 which offers three lines that come with three free handsets.

- SUN Cellular is known for its Call and Text Unlimited (CTU) products which allow subscribers to enjoy 24 hours of Sun-to-Sun voice calls and

- Sun Cellular continues to keep its subscribers up-to-date with the latest service offerings that will not hurt their pockets. Value-Added Services include: Sun Mobile Internet; Sun DialTunes; Give-a-Load; GimmeLoad; Sun iMessenger; FRENCLUB!; TxtBlitz; Zlango; Gameloft; SMS2EMAIL; and Sun Alertz; INFOTAINMENT; Sun Preaid Load via MoneyGram.

Other carriers cannot compete with Sun's permanent 'unli' services since overhauling their system technologies that has been in place for more than a decade would take time and would entail huge costs.

Largely because of its unlimited services and nationwide coverage, Sun is now the No.1 in the industry in the postpaid business in terms of number of subscribers. In September, it breached the one million postpaid mark and counting. Globe is second.

Sun Cellular 1st to hit 1 Million Postpaid Subscribers

Sun Cellular makes Philippine telecommunications history by being the first service provider to achieve One Million Postpaid subscribers. Rheumatologist Dr. Juan Javier T. Lichauco is Sun Cellular's one millionth subscriber. Dr. Javier said that reliability and affordability made him choose Sun Cellular. To show the company's appreciation, no less than JG Summit Chairman and CEO Mr. James L. Go (middle) awarded Dr. Lichauco (fourth from left) a bevy of prizes which includes among others a BlackBerry handset and an HP Netbook plus two years worth of free Sun Cellular services such as Sun Call & Text Unlimited, Sun Broadband Wireless and SunTel wireless landline. Looking on is Mr. Charles A. Lim, Sun Cellular Business Unit CEO (third from left) and other Sun Cellular executives (L-R) Neph Denosta, AVP for Postpaid Acquisition; Faraday Go, VP for Retail Management; Ricky Pena, VP for Postpaid/New Business; Reuben Pangan, VP for Customer Relationship Management.

Sun Cellular and Research In Motion Launch BlackBerry Internet Service in the Philippines

July 5, 2010 – Digitel Mobile Philippines, Inc. and Research In Motion (NASDAQ: RIMM; TSX: RIM) today announced that Sun Cellular is now offering BlackBerry® Internet Service together with the BlackBerry® Bold™ 9700 and BlackBerry® Curve™ 8520 smartphones to customers in the Philippines.

"We are very excited to offer BlackBerry Internet Service in the market," said Ricky G. Peña, Vice-President for Postpaid and New Business Marketing. "This is what our customers have asked for and we are very pleased to introduce the BlackBerry solution to our customers." Sun Cellular is now offering add-on service plans for BlackBerry smartphones to existing postpaid subscribers as well as new subscribers who want the convenience of connectivity at their fingertips. Sun Cellular's add-on plans for BlackBerry Internet Service come in both unlimited and metered variants.

"We are very pleased to offer the BlackBerry solution on Sun Cellular's network," said Gregory Wade, Managing Director of Southeast Asia. "BlackBerry smartphones, together with Sun Cellular's service plan offerings, will appeal to a broad spectrum of customers who want to be able to enjoy advanced communications and multimedia features with a highly refined mobile experience."

The BlackBerry Internet Service plans, together with the BlackBerry Bold 9700 and BlackBerry Curve 8520 smartphones, will be initially available at select Sun Shops: Robinsons Galleria, Robinsons Metro East, Robinsons Manila, TriNoma, Shangri-La Plaza Mall, Park Square, SM Marilao, SM Megamall, Festival Mall, SM North EDSA, SM Cebu and Ayala Cebu. Availability will also soon be expanded to all Sun Shops.

CEBU PACIFIC

AIRLINE

CEBU PACIFIC AIR

Cebu Pacific (CEB) is the leading airline in the Philippines and one of the fastest growing low-cost carriers in the world. It has a unique low-fare, great-value strategy that allows travelers to enjoy affordable flights to various local and international destinations. It offers industry affordable budget fares year-round, which makes use of a tiered-pricing system. This unique product provides ultra-low fares through advanced bookings, making air travel a truly viable option for the Filipino, because Cebu Pacific believes that it's time every Juan flies.

More than this, CEB allows everyone to experience many firsts in the industry, innovations such as the global trend of internet booking through www.cebupacificair.com. CEB operates the most number of routes and flights in the Philippines, using the youngest aircraft fleet in the country. This is composed of 10 Airbus A319, 15 Airbus A320 and 8 ATR-72 500 aircraft. By the end of 2011, CEB will be operating a fleet of 37 aircraft – with an average age of 3.5 years – one of the most modern aircraft fleets in the world. Between 2012 and 2014, CEB will take an additional 16 Airbus A320 aircraft.

CEB successfully raised US$613 million from its initial public offering last quarter of 2010 making it the largest international low-cost carrier IPO offered globally.

Truly, CEB works at making more dreams of flight a reality, true to JG Summit's vision to make a better life available to the Filipino.

2010 HIGHLIGHTS

Cebu Pacific IPO is largest Low-Cost Airline IPO offered globally

Largest IPO in the Philippines (in US$ terms)

October 26, 2010 (Manila, Philippines) – The Philippines' largest national flag carrier, Cebu Pacific (CEB) raised PhP23.3 billion (equivalent to US$539 million) prior to exercise of the over allotment option from its initial public offering (IPO) today, making it the largest international low-cost carrier (LCC) IPO offered globally to date.

According to Bloomberg data, the other LCCs with notable IPOs are Southwest Airlines (US$7.15 million), RyanAir (US$159.60 million), and Asian LCCs', Air Asia (US$220.316 million), and more recently, Tiger Airways (US$175.939 million).

CEB sold 186.6 million shares, or 30.4 % of total outstanding shares, to investors here and abroad, priced at PhP125 per share. This IPO is the largest ever conducted in the Philippines in US dollar terms.

The airline achieved 29.4% revenue growth in the first half of 2010, performing better than other low-cost carriers in Asia. The airline also has a higher load factor of 85.4%, better on-time performance of 89.4% , and higher net income margin of 21.2% compared to its peers.

The primary proceeds will be used for aircraft acquisition. By 2014, the airline will have taken delivery of 22 brand-new Airbus A320 aircraft, and operate one of the largest Airbus aircraft fleet in Southeast Asia.

From its inception in 1996, CEB has focused on expanding its market base by making flying affordable and fun. Its major turning point was in late 2005 when it fully adopted the LCC business model. The airline became the largest domestic carrier in 2007 and the largest national flag carrier for the six months ended 2010 in terms of passengers carried locally and abroad.

Domestic Destinations

- Bacolod
- Boracay (Caticlan)
- Busuanga (Coron)
- Butuan
- Calbayog
- Cagayan de Oro
- Catarman
- Cauayan (Isabela)
- Cebu
- Clark
- Cotabato
- Davao
- Dipolog
- Dumaguete
- General Santos
- Iloilo
- Kalibo
- Legaspi
- Laoag
- Manila
- Naga
- Ozamiz
- Pagadian
- Puerto Princesa
- Roxas City
- San Jose (Mindoro)
- Siargao
- Surigao
- Tacloban
- Tagbilaran
- Tuguegarao
- Virac
- Zamboanga

International Destinations

- China (Guangzhou)
- China (Macau)
- China (Shanghai)
- China (Beijing)
- Brunei
- Hong Kong
- Indonesia (Jakarta)
- Japan (Osaka)
- Korea (Busan)
- Korea (Incheon)
- Malaysia (Kota Kinabalu)
- Malaysia (Kuala Lumpur)
- Singapore
- Taiwan (Taipei)
- Thailand (Bangkok)
- Vietnam (Ho Chi Minh)

Some facts about CEB:

- **CEB** is the first local airline to have a female commercial jet captain in its crew.
- **CEB** makes it possible for passengers to book flights anytime and anywhere through www.cebupacificair.com. And because Cebu Pacific Air offers internet booking, travelers have the convenience of getting their tickets via mobile phone, e-mail or over the counter.
- In line with its commitment to make air travel more affordable for everyone, CEB offers the lowest airline fares for domestic and international flights.
- **CEB** remains to be the only low-cost carrier to fly to the three major North Asian markets of Korea, China and Japan, and the airline that flies to the most number of ASEAN destinations from the Philippines.

Asia's third-largest low-cost carrier, CEB operates from four hubs (Manila, Cebu, Clark and Davao) using the youngest aircraft fleet in the Philippines. It flies to 33 domestic and 16 international destinations.

This press release is not an offer of securities for sale in the United States. The securities of Cebu Air, Inc. have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States absent registration or exemption from registration under the U.S. Securities Act. There will be no public offering in the United States.

[1] Fiscal year ended March 2010

[2] Comparable data for Air Asia is as of May 2010 and Tiger Air as of July 2010

CEB executives with CEB CEO and President Lance Gokongwei celebrate the initial public offering of the largest Philippine flag carrier.

CEB increases Airbus A320 orders by seven

Will add 22 new aircraft to fleet by 2014

High quality low-cost carrier, Cebu Pacific (CEB), strengthens its aircraft fleet with seven additional orders of Airbus A320 aircraft, on top of an existing order of 15 aircraft.

The 22 brand-new aircraft will be delivered from 2010 until 2014. The first of the 180-seat aircraft arrives in October, and will be used to add routes and frequencies on CEB's network of 33 domestic and 16 international destinations.

"This will enable us to have the largest fleet of Airbus A320 family in the Philippines, and the second largest in South East Asia, allowing us to offer our trademark low fares to even more Filipinos," said CEB President and CEO Lance Gokongwei.

CEB has already carried more than 40 million passengers since its inception in 1996. In 2009, the airline posted a 30% year-on-year growth in the number of its domestic and international passengers. This year alone, CEB will transport more than 10 million passengers.

The new Airbus A320 aircraft is part of Airbus' single-aisle product offering. The aircraft's advanced wing design lessens fuel burn and improves take-off capability, while the CFM56 engine helps lower maintenance costs.

"We currently operate the youngest aircraft fleet in the country, composed of 21 Airbus and 8 ATR 72-500 aircraft," said CEB VP for Marketing and Distribution Candice Iyog. "We have been experiencing a surge in the number of passengers flying with Cebu Pacific because of our low fares and convenient direct services both locally and internationally."

Low-fare pioneer CEB operates hubs in Manila, Cebu, Clark and Davao. It was the first airline to introduce e-ticketing, prepaid excess baggage and seat selection in the Philippines. It was also the first to offer innovative pricing schemes such as the 'Go Lite' and 'Go' Fares, and all-inclusive pricing.

Cebu Pacific passenger carriage up by 19% in 2010

Cebu Pacific (PSE: CEB) flew almost 10.5 million passengers from January to December 2010, an increase of 19% over 8.76 million in 2009.

CEB's growth was mainly driven by a 38% increase in international passengers, which numbered over 2.23 million in 2010. The airline flew 8.23 million domestic passengers, up by 15% from 7.14 million in 2009. The average load factor for the year for both domestic and international routes was 85%, an increase of 8 percentage points compared to last year.

"We were able to grow our market to Hong Kong and Singapore by 29% and 45%, respectively, because of additional flight frequencies and our extensive network from Manila, Clark and Cebu. CEB also carried 65% more passengers to Kuala Lumpur in 2010," said CEB VP for Marketing and Distribution Candice Iyog.

"CEB's entry into Brunei and Beijing also further strengthened its route network by providing passengers more access to North and Southeast Asian countries," she added.

For the fourth quarter of 2010 (Q4), CEB took delivery of three brand-new Airbus A320 aircraft from Toulouse, France.

This additional capacity boosted the number of CEB passengers in Q4 to 2.7 million, a notable 19% increase compared to the same period in 2009. Average Q4 load factor is 87%, well above industry average.

In 2010, CEB increased frequencies to Greater China (Macau, Taipei, Guangzhou, Shanghai, Beijing and Hong Kong) from 68 to 80 times weekly. It also increased frequencies to Southeast Asia (Kota Kinabalu, Kuala Lumpur, Singapore, Ho Chi Minh, Brunei, Bangkok, Jakarta) from 58 to 80 times weekly, and to Korea and Japan from 19 to 21 times weekly.

"We will continue to offer the lowest fares in every route we operate in, and offer better connectivity and flight schedules, as we take delivery of five more brand-new Airbus A320 aircraft in 2011. The airline's 25th Airbus aircraft is set to arrive in the last week of January 2011," said Iyog.

Low-fare pioneer, CEB ended 2010 with the youngest and only 100% brand-new aircraft fleet in the Philippines, composed of 10 Airbus A319, 14 Airbus A320 and 8 ATR-72 500 aircraft. It operates to 33 domestic and 16 international destinations from Manila, Cebu, Clark and Davao.

DANCING FAs

In the spirit of fun and innovation, Cebu Pacific introduced its Dancing Flight Attendants to the world in 2010. Giving a novel and refreshing touch to inflight entertainment, the Dancing FAs quickly became the darling of the World Wide Web. Their much-talked-about videos, which were featured in news programs across the globe including CNN and BBC, garnered a total of more than 12 million hits on YouTube for both male and female versions.

CEB ADDS INTERNATIONAL DESTINATIONS

In 2010, Cebu Pacific further expanded its international network with the start of its flights to two regional destinations, Brunei Darussalam and Beijing, China.

CEB began its twice weekly service from Manila to the Nation of Brunei in August 21, 2010. The flight leaves Manila at 11:50pm, and the return flight departs Brunei at 2:25am. Bandar Seri Begawan, the center of Brunei's commerce, finance and government, is home to beautiful mosques, the Kampong Ayer water village, and the Istana Nurul Iman, which is the Sultan's lavish home and the largest residential palace in the world.

CEB's service to Beijing started in September 5, 2010. Flights leave Manila every Tuesday, Saturday and Sunday at 7:35pm and arrive in Beijing at 12:05am. Beijing-Manila flights are scheduled every Monday, Wednesday and Sunday, departing at 1:00am and arriving in Terminal 3 at 5:30am. Known as the cultural, political, and educational center of the People's Republic of China, Beijing can unravel China's rich history and civilization. With the historic Great Wall and Forbidden City, and the state-of-the-art Olympic Village, Beijing is a testament to how ancient and modern cultures can co-exist.

CEB also added new domestic routes and destinations last year, namely Manila to Pagadian, Cebu to Pagadian and Manila to Siargao.

JG SUMMIT
PETROCHEMICAL CORPORATION

Petrochemicals

JG SUMMIT PETROCHEMICAL CORPORATION

JG Summit Petrochemical Corporation is the largest manufacturer of polyolefins in the Philippines. JGSPC's Evalene© High Density Polyethylene (HDPE) and Linear Low Density Polyethylene (LLDPE) are made using technology developed by Dow and ExxonMobil under their joint venture UNIVATION, while Evalene© Homopolymer Polypropylene and Random Copolymer Polypropylene are made using Dow technology. All Evalene© resins are manufactured under strict compliance with ISO 9001:2008 Quality Management Standards as well as ISO 14001:2004 Environmental Management Standards.

The Plant. JGSPC's highly integrated 100-hectare Plant located in Brgy. Simlong, Batangas City, 125 km south of Manila, is a PEZA-accredited petrochemical complex with its own 50 MW Power Plant, a jetty for receiving raw materials, a de-mineralized water treatment facility, a state-of-the-art laboratory, a production facility for high purity nitrogen and hydrogen gases, a three hectare warehouse, and soon the Philippines' first and only naphtha cracker.

The People. The company boasts of a highly trained professional workforce which undergoes continuous skill and competence upgrading the whole year round. The men and women in all levels of the JGSPC organization proudly prove that Filipinos are capable of safely and successfully running a world class petrochemical company.

Basic Industry. The petrochemical industry is regarded worldwide as a basic and strategic industry as it provides essential raw materials for virtually all other industries. JGSPC contributes to enabling numerous local industries by making good quality Evalene© PE and PP grades that are tailored to Filipino plastics converter's requirements, delivering these resins at the right time, providing foreign exchange savings, and partnering with customers in human resource plastics training.

Environment, Health, Safety and Corporate Social Responsibility.

JGSPC's commitment to health, environment and safety begins with ensuring that employees are provided with a safe and healthy working environment. A milestone achieved by the company in this area on June 23, 2010 was the *'10 Million Safe Man-hours Without Lost Time Accident'*.
Achievements like this greatly benefit the Plant's host community by providing them with the peace of mind that goes with having a safety conscious Plant operating in the neighborhood. An equally important company commitment is to enhance and protect the host community's natural resources. Towards this end JGSPC, in partnership with Batangas Coastal Resources Management Foundation, deployed artificial coral reefs offshore of Barangay Simlong in 2002. As of last count, the artificial reefs are now home to 39 fish species, 26 of which are major species, and 12 of which are commercially important. The company has likewise established the baseline data for river water quality monitoring of nearby Pinamucan River, in cooperation with the Batangas Provincial Environment and Natural Resources Office. In addition, every year in September, employees participate in cleaning up Batangas Bay as part of the Annual International Coastal Clean-up Day organized by the Ocean Conservancy thru the assistance of the Batangas Coastal Resource Management Foundation. Ocean Conservancy leads the world's largest volunteer effort of more than half a million people in 100 countries in removing millions of pounds of trash from beaches and waterways all over the world. In the area of corporate social responsibility we have a 10 year old ABOT KAMAY Program which is a testament to the high value that JGSPC personnel put on education. In this volunteer program, employees and the company channel donations to the host barangays and their respective elementary schools thru ABOT KAMAY. Projects include annual gift giving prior to school opening and at Christmas time, medical missions, a high school scholarship program for graduating honor students, college tuition and books subsidy for graduated high school scholars, donation and maintenance of personal computers, and a continuing computer literacy program for students and teachers.

Some facts about JGSPC:

Making Life Better. In addition to being a key player in a strategic industry, as well as to protecting its host community's environment and natural resources, Life Cycle Assessment studies conducted by reputable environmental groups have shown that JGSPC's products, *PE and PP, are good plastics.* Life cycle assessment (LCA) is the *'cradle to grave'* analysis of a product's environmental impacts based on ISO 14040 to 14043. LCA studies conclude that the use of lightweight PE and PP packaging saves at least 50 % fossil fuel for transportation alone, and saves even more fuel in the resins and packaging production stages compared to its substitutes. This results in substantial greenhouse gas emission savings and a much lower Global Warming Potential compared to alternative packaging. *The use of Evalene© PE and PP contributes to climate change mitigation, reduces the risk of flooding, and helps save lives, homes and sources of livelihood in low lying Philippine areas.* JGSPC aims to educate policy makers and the public regarding this. Furthermore, to help reduce solid waste, the company actively promotes the *3 R's of waste management – Reduce, Recycle and Reuse.*

2010 HIGHLIGHTS

Naphtha cracker to boost local plastics industry

JG Summit Olefins Corporation's (JGSOC) naphtha cracker plant is expected to boost the Philippine plastics industry's competitiveness by stabilizing the local supply and prices of widely used plastic resins - polyethylene (PE) and polypropylene (PP). Once the Philippines' first naphtha cracker starts commercial operations in late 2013, the country will be less dependent on the importation of PE and PP which are the key materials for industrial and consumer goods. The Plant is designed to primarily produce 320 kTA of polymer-grade ethylene and 190 kTA of polymer-grade propylene which will be the feedstock for the existing JG Summit Petrochemical Corporation (JGSPC) polyolefins plant.

The domestic petrochemical industry is currently unable to meet the growing demand for PE and PP resins because production is heavily dependent on the availability of imported low-priced ethylene and propylene monomers. In 2010, the country imported around 75 percent of its plastic resin requirements, mainly from countries such as Singapore, Thailand and Malaysia. With JGSOC producing a continuous domestic supply of the monomers ethylene and propylene, locally manufactured resin products will become cost-competitive against imported resin products. This will in turn cascade to cost-competitive downstream plastic products.

JGSOC initially invested US$30 million for the engineering work of the plant and has signed an agreement with technology provider Lummus Technology Inc. for the license and design development. The PhP33 billion cracker plant will also be producing pyrolysis gas, pyrolysis fuel oil and methane rich-off gas, and will consume naphtha at an annual capacity of around 930 kTA.

The Board of Investments (BoI) approved in December last year JGSOC's registration for a pioneer status at the JG Summit Petrochemical Corp. complex in Simlong, Batangas City. The naphtha cracker was originally registered with the BoI in 2005 under JG Summit Petrochemical Corporation, but the registration was revised in 2008 under a new unit JG Summit Olefins Corporation.

Most ASEAN countries have more naphtha cracker plants compared to the Philippines. Thailand has 9, Singapore has 8, Malaysia 7, and Indonesia 2. Vietnam has one.

BANKING SERVICES

ROBINSONS SAVINGS BANK

ROBINSONSBANK
A Savings Bank

Robinsons Savings Bank is a wholly-owned subsidiary of JG Summit Holdings, Inc. (JGSHI)—through JG Summit Capital Services Corp. (JG Capital Services) as its direct investor. The bank is authorized by the BSP (Bangko Sentral ng Pilipinas) to engage in savings and mortgage banking and has been serving its customers since it began operations in November 1997.

In the second quarter of 2010, JGSHI acquired controlling interest in The Royal Bank of Scotland, Phils. (TRBSP) and said bank was renamed Robinsons Bank Corporation. In December 2010, the BSP approved the merger of Robinsons Savings Bank and Robinsons Bank Corp. (formerly TRBSP), whereby Robinsons Bank Corp. (RobinsonsBank) shall be the surviving entity making the bank a full-fledged commercial bank. Approval for the merger is currently pending with the SEC.

SOLID HERITAGE OF ROBINSONS SAVINGS BANKS. Robinsons Savings Bank had always been an attractive alternative in the banking industry as one of the country's largest thrift banks. With its 56 and continuously expanding branch network nationwide, and 97 strategically located on-site and off-site ATMs under the the Bancnet consortium, the bank delivered hallmark value and convenience to its customers through products and services

deliberately crafted to conform to JG Summit's business philosophy to "make life better" for all Filipinos.

With an expanded charter of a commercial bank, RobinsonsBank will continue the solid heritage of its predecessor savings bank even while the organization moves forward and transforms into a stronger entity, more capable to meet the demands of the commercial banking market. The bank's innovative product line includes a broad range of deposit and loans products, trust investments, foreign exchange, and securities for retail customers. Recently, the bank introduced its Cardless Banking Facility—which allows clients to do bank transactions via mobile, ATM and Internet. RobinsonsBank also has one of the lowest non-performing loan ratios in the business.

In greater detail, the following are RobinsonsBank's products and services that are all ready to secure our individual and corporate clients' financial growth:

- Deposit Products: Regular Savings & Checking Account, Tykecoon Kiddie Savings Account, Special Savings Account, Peso Time Deposit, US Dollar Savings, Time Deposit Account, Cardless ATM

- Consumer Loan Products: Home Loan, Auto Loan, Personal Loan, Jewelry Loan, Microfinance and Motorcycle Financing

- Commercial Loan Products: Cash Secured Loan, Revolving Credit Line, Medium & Long-term Facilities for small, medium & large industries, Receivables Financing, Bills Purchased Line for small, medium & large enterprises

- Treasury and Trust Products: Peso Denominated Government Securities and Other Debt Instruments, Sale and Purchase of US Dollar Currency, Unit Investment Trust Funds, Investment Management Account, Personal and Corporate Trust, Employee Benefit Trust, Escrow, Custodianship and Mortgage Trust Indenture

- Other Services:

  a) Branch Banking products/ services:
     - ATM services
     - Safety Deposit Box
     - Bank Settlement Service
     - Remote Statement Services

  b) Cash Management Services
     - Cash Web
     - Payroll services (with and without E-Wallet)
     - Deposit pick-up services

  c) Bills Payment Services (via)
     - ATM
     - Over-the-counter
     - Cardless Banking
     - Phone banking

  d) Remittance Services via Western Union remittance

2010 HIGHLIGHTS

JG completes RBS acquisition, re-enters big-league banking

On May 6, 2010, JG Summit completed its acquisition of Royal Bank of Scotland Phils., Inc., paving the way for RobinsonsBank's conversion into a commercial bank and JG's re-entry into mainstream banking.

"The acquisition will allow JG Summit to get back into commercial banking, enhance the conglomerate's financial synergy, and compete aggressively in a way the Gokongwei group is known for," said RobinsonsBank chairman Lance Gokongwei. He said JG Summit, through RobinsonsBank, is positioning itself for further business growth and "we would like to be there to provide funding to business once the economic climate picks up."

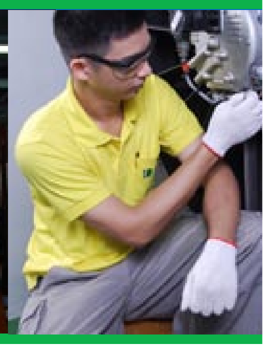
"Thanks to the extremely professional and responsive Robinsons Team, this transaction was flawlessly executed. I am certain that the enlarged RobinsonsBank will be a formidable player in the local banking industry," Royal Bank of Scotland Philippines, Inc. president and country executive Billy Goquingco said.

RobinsonsBank has at present 53 branches nationwide. With the merger, the new commercial bank will be the 14th largest in that category.

Some facts about RobinsonsBank:

- **RobinsonsBank** is part of the JG Summit Holdings conglomerate. It maintains good patronage of the concessionaires, contractors and suppliers of the JG Group of Companies; exhibiting strong deposit and loan acquisitions. **RobinsonsBank** is in the company of leading and established corporations in the country today.

- Once the merger is approved by the SEC, the merged entity, RobinsonsBank, will become the 14th largest commercial bank in the Philippines, and 31st among all commercial and universal banks combined.



GBF offers scholarship grants

Dedicated to empowering the Filipino youth, The Gokongwei Brothers Foundation (GBF) launched the Scholarship for Excellence program, which granted 50 scholarships to the brightest and most deserving young leaders.

"It is through programs like the GBF Scholarship for Excellence that we are able to equip the country's most promising students with the tools to achieve their dreams, and allow them to become future leaders who can change things for the better," says John Gokongwei Jr., the founder and chairman emeritus of JG Summit Holdings, Inc.

Demanding a high level of excellence, the program accepted only applicants who belong to the top 10 percent of their high school batch. Moreover, since GBF's aim is to provide opportunities to less privileged students, the foundation offered the program primarily to graduates of public high schools who wish to pursue any of the following engineering courses: Civil, Mechanical, Chemical, Electrical, and Electronics & Communications. For this program, GBF partnered with top Engineering schools namely: University of the Philippines - Diliman, Polytechnic University of the Philippines, and Technological University of the Philippines in NCR; Batangas State University; Bulacan State University; University of San Carlos and Cebu Technological University in Cebu; University of Negros Occidental – Recoletos in Bacolod; University of San Agustin in Iloilo; and University of Southeastern Philippines in Davao. Each qualified scholar will be awarded a lump sum amount per academic year, from their first year up to the fifth year, provided that they maintain their academic standing of being part of the top 10 percent of their batch, semester after semester.

GBF recognizes Engineering as one of the best courses for tomorrow's world, as well as one of the most valuable professions in JG Summit Holdings. A testament to this would be the foundation's Technical Training Center in Pasig City.

Aside from the Engineering Scholarship program, GBF also granted another 40 scholarships to the dependents of JG Summit employees for any college degree in their chosen college or university.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

JOHN L. GOKONGWEI, JR.
Chairman Emeritus and Founder

JAMES L. GO
Chairman and Chief Executive Officer

LANCE Y. GOKONGWEI
President and Chief Operating Officer

LILY G. NGO CHUA
Director

ROBINA Y. GOKONGWEI-PE
Director

GABRIEL C. SINGSON
Director

PATRICK HENRY C. GO
Director

BOARD OF DIRECTORS

JOHNSON ROBERT G. GO, JR.
Director

JOSE T. PARDO
Director

CORNELIO T. PERALTA
Director

RICARDO J. ROMULO
Director

BOARD OF ADVISERS

WASHINGTON Z. SYCIP
Founder, The SGV Group: Sycip, Gorres, Velayo and Co.

ALOYSIUS B. COLAYCO
Country Chairman, Jardine Matheson Group – Philippines

Universal Robina Corporation

CORNELIO S. MAPA, Jr.*
Branded Consumer Foods
Group Philippines

PATRICK O. NG
International

Universal Robina Corporation

ELLISON DEAN C. LEE
Flour Division

VINCENT HENRY C. GO
Agro-Industrial Group

RENATO P. CABATI
Sugar Division

**Started October 1, 2010*

BUSINESS UNITS

Robinsons Land Corporation

Frederick D. Go

Digitel Mobile Phils., Inc.

Charles A. Lim

JG Summit Petrochemical Corporation

Patrick Henry C. Go

Robinsons Savings Bank

Reynold Y. Gerongay

Cebu Air Inc.

GARRY R. KINGSHOTT
Chief Executive Adviser

JGSH EXECUTIVE OFFICERS

James L. Go
Chairman and Chief Executive Officer

Lance Y. Gokongwei
President and Chief Operating Officer

Eugenie ML Villena
Senior Vice President and Treasurer

Constante T. Santos
Senior Vice President

Bach Johann M. Sebastian
Senior Vice President

Nicasio L. Lim
Senior Vice President

Rosalinda F. Rivera
Corporate Secretary

Chona R. Ferrer
Assistant Treasurer

FINANCIAL SECTION

JG SUMMIT
HOLDINGS, INC.
43rd FLOOR ROBINSONS EQUITABLE TOWER ADB AVE. COR. POVEDA RD. ORTIGAS CENTER, PASIG CITY
TEL. NO.: 633-7631, 637-1670, 240-8801 FAX NO.: 633-9387 OR 633-9207

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

SECURITIES and EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandulong City

The management of JG Summit Holdings, Inc., is responsible for all information and representations contained in the financial statements as of and for the years ended December 31, 2010 and 2009, and the schedules referred therein as of December 31, 2010. The financial statements have been prepared in accordance with accounting principles generally accepted in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditors: (a) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The board of directors (BOD) reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

SyCip Gorres Velayo & Co., the independent auditors appointed by the BOD, has audited the financial statements of the Company as of and for the years ended December 31, 2010 and 2009 in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation, upon completion of such audit, in its report to the stockholders and the BOD.

James L. Go	**Lance Y. Gokongwei**	**Constante T. Santos**
Chairman and CEO	President and COO	SVP-Corp. Controller \ CFO

Subscribed and Sworn to before me this April 13, 2011 affiants(s) exhibiting to me his/her Residence Certificates, as follows:

Names	CTC No.	Date of Issue	Place of Issue
James L. Go	12183274	January 26, 2011	Pasig City
Lance Y. Gokongwei	12183274	January 26, 2011	Pasig City
Constante T. Santos	26344299	March 30, 2011	Pasig City

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Series of 2011

JACQUELINE KATE T. SALIENTE
Notary Public for Pasig, Taguig, San Juan & Pateros
Appointment No. 183 until 31 December 2011
Roll of Attorneys No. 57197
PTR No. 6616202/01-04-11/Pasig City
IBP No. 839712/12-10-10/Rizal
MCLE No. III-0015262/05-06-10
40/F Robinsons Equitable Tower, Ortigas, Pasig City

SGV&Co
Ernst & Young

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City

We have audited the accompanying consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JG Summit Holdings, Inc. and its subsidiaries as at December 31, 2010 and 2009, and their financial performance and cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky B. Lee-Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-2
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641532, January 3, 2011, Makati City

March 29, 2011

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱42,110,003,522**	₱18,473,692,704
Derivative assets (Note 8)	**1,186,178,607**	663,231,959
Financial assets at fair value through profit or loss (Note 9)	**10,258,823,027**	8,214,779,749
Available-for-sale investments (Note 10)	**9,850,895,715**	10,209,907,024
Receivables (Notes 11 and 40)	**14,609,814,424**	18,149,006,089
Inventories (Note 12)	**16,313,054,198**	13,075,802,827
Biological assets (Note 18)	**846,876,801**	1,060,628,145
Other current assets (Note 13)	**6,263,440,644**	6,268,032,384
Total Current Assets	**101,439,086,938**	76,115,080,881
Noncurrent Assets		
Receivables (Note 11)	**10,016,683,749**	4,709,051,268
Held-to-maturity investments (Note 14)	**–**	970,094,734
Investments in associates and joint ventures (Note 15)	**30,425,762,248**	28,091,879,159
Property, plant and equipment (Note 17)	**146,336,664,209**	132,258,672,721
Investment properties (Note 16)	**32,178,986,041**	29,531,690,983
Goodwill (Note 20)	**890,375,020**	890,375,020
Biological assets (Note 18)	**448,700,235**	505,251,240
Intangible assets (Note 19)	**993,831,456**	865,790,925
Other noncurrent assets (Note 21)	**3,593,546,503**	3,942,112,460
Total Noncurrent Assets	**224,884,549,461**	201,764,918,510
	₱326,323,636,399	₱277,879,999,391
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 22 and 40)	**₱30,257,526,072**	₱34,098,986,975
Short-term debt (Note 24)	**15,352,046,410**	13,960,074,007
Derivative liabilities (Note 8)	**262,393,820**	124,891,412
Income tax payable	**462,209,232**	521,701,533
Current portion of long-term debt (Note 24)	**10,602,053,608**	5,206,601,663
Other current liabilities (Note 23)	**6,810,943,690**	5,548,067,758
Total Current Liabilities	**63,747,172,832**	59,460,323,348
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 24)	**87,054,044,533**	92,536,596,303
Deferred tax liabilities (Note 38)	**5,056,558,803**	4,525,257,396
Other noncurrent liabilities (Notes 25 and 40)	**21,005,462,878**	16,463,327,689
Total Noncurrent Liabilities	**113,116,066,214**	113,525,181,388
Total Liabilities	**176,863,239,046**	172,985,504,736

(Forward)

	December 31	
	2010	2009
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital	**₱12,856,988,094**	₱12,856,988,094
Retained earnings (Note 26)	**88,970,323,920**	72,988,583,702
Equity reserve (Notes 2 and 26)	**18,563,003,092**	–
Other comprehensive loss (Note 36)	**(1,846,478,730)**	(1,965,984,878)
Treasury shares (Note 26)	**(974,690,819)**	(721,848,289)
	117,569,145,557	83,157,738,629
Non-controlling interests (Note 26)	**31,891,251,796**	21,736,756,026
Total Equity	**149,460,397,353**	104,894,494,655
	₱326,323,636,399	₱277,879,999,391

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2010	2009	2008
REVENUE			
Sale of goods and services:			
Foods	**₱57,719,996,079**	₱50,452,959,964	₱45,454,500,015
Air transportation	**29,088,798,959**	23,311,006,311	19,682,140,058
Telecommunications	**16,543,916,906**	14,020,021,311	11,351,149,841
Real estate and hotels (Note 16)	**10,581,142,605**	10,376,286,528	10,672,746,492
Petrochemicals	**3,306,184,683**	5,570,751,354	8,479,117,287
Banking (Note 27)	**1,728,555,680**	1,134,848,716	1,038,942,792
Equity in net earnings of associates and joint ventures (Note 15)	**2,768,724,722**	3,089,302,759	2,389,830,800
	121,737,319,634	107,955,176,943	99,068,427,285
COST OF SALES AND SERVICES (Note 30)	**68,748,474,505**	64,403,012,366	64,228,749,087
GROSS INCOME	**52,988,845,129**	43,552,164,577	34,839,678,198
General and administrative expenses (Note 31)	**30,543,058,596**	27,258,681,692	22,708,399,834
Impairment losses and others (Note 34)	**705,866,816**	1,073,630,250	827,124,734
OTHER OPERATING EXPENSES	**31,248,925,412**	28,332,311,942	23,535,524,568
OPERATING INCOME	**21,739,919,717**	15,219,852,635	11,304,153,630
Financing costs and other charges (Note 35)	**(6,087,474,168)**	(6,309,924,955)	(6,033,237,404)
Market valuation gains (losses) on financial assets at fair value through profit or loss (Note 9)	**1,194,186,764**	1,979,891,923	(3,664,880,243)
Finance income (Note 28)	**2,216,082,709**	1,563,859,497	2,514,281,808
Market valuation gains (losses) on derivative financial instruments (Note 8)	**432,751,286**	349,787,107	(3,474,278,826)
Foreign exchange gains (losses)	**2,846,297,517**	(21,627,447)	(2,930,519,010)
Others (Notes 9, 24, 30 and 29)	**838,638,164**	203,197,210	1,377,122,100
INCOME (LOSS) BEFORE INCOME TAX	**23,180,401,989**	12,985,035,970	(907,357,945)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 38)	**2,265,838,657**	1,217,229,896	(321,828,720)
NET INCOME (LOSS) FOR THE YEAR	**20,914,563,332**	11,767,806,074	(585,529,225)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 36)			
Net gains (losses) on available-for-sale investments (Note 10)	**190,802,780**	2,282,447,752	(2,765,871,850)
Net gains (losses) from cash flow hedges (Note 8)	**133,290,238**	468,170,534	(865,669,863)
Cumulative translation adjustments	**(91,091,377)**	(95,351,176)	(36,438,689)
Net unrealized gains (losses) on available-for-sale investments of an associate (Notes 10 and 15)	**175,748**	2,758,591	(1,398,003)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**233,177,389**	2,658,025,701	(3,669,378,405)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱21,147,740,721**	₱14,425,831,775	(₱4,254,907,630)

(Forward)

	Years Ended December 31		
	2010	2009	2008
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company (Note 39)	**₱16,321,599,801**	₱8,545,641,600	(₱693,666,085)
Non-controlling interests (Note 26)	**4,592,963,531**	3,222,164,474	108,136,860
	₱20,914,563,332	₱11,767,806,074	(₱585,529,225)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱16,441,105,949**	₱10,450,003,982	(₱3,657,196,521)
Non-controlling interests (Note 26)	**4,706,634,772**	3,975,827,793	(597,711,109)
	₱21,147,740,721	₱14,425,831,775	(₱4,254,907,630)
Earnings (Loss) Per Share Attributable to Equity Holders of the Parent Company (Note 39)			
Basic/diluted earnings (loss) per share	**₱2.42**	₱1.26	(₱0.10)

See accompanying Notes to Consolidated Financial Statements

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2010, 2009 and 2008

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY														
	Paid-up Capital			Retained Earnings (Note 26)				Other Comprehensive Income (Loss)							
	Capital Stock (Note 26)	Additional Paid-in Capital	Total Paid-up Capital	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Retained Earnings	Equity Reserve (Note 2)	Cumulative Translation Adjustments	Net Unrealized Gains (Losses) on Available-for-Sale Investments (Note 10)	Net Unrealized Losses on Cash Flow Hedge (Note 8)	Total Other Comprehensive Income (Loss)	Treasury Shares	Total	NON-CONTROLLING INTERESTS (Note 26)	TOTAL EQUITY
Balance at January 1, 2010	**₱6,895,273,657**	**₱5,961,714,437**	**₱12,856,988,094**	**₱36,354,709,282**	**₱36,633,874,420**	**₱72,988,583,702**	**₱–**	**(₱1,746,826,705)**	**₱178,341,156**	**(₱397,499,329)**	**(₱1,965,984,878)**	**(₱721,848,289)**	**₱83,157,738,629**	**₱21,736,756,026**	**₱104,894,494,655**
Total comprehensive income (loss)	–	–	–	**16,321,599,801**	–	**16,321,599,801**	–	**(51,804,964)**	**38,020,874**	**133,290,238**	**119,506,148**	–	**16,441,105,949**	**4,706,634,772**	**21,147,740,721**
Gain from primary and secondary offering of a subsidiary's shares of stock (Note 26)	–	–	–	–	–	–	**18,563,003,092**	–	–	–	–	–	**18,563,003,092**	–	**18,563,003,092**
Appropriation of retained earnings (Note 26)	–	–	–	**(19,000,000,000)**	**19,000,000,000**	–	–	–	–	–	–	–	–	–	–
Cash dividends (Note 26)	–	–	–	**(339,859,583)**	–	**(339,859,583)**	–	–	–	–	–	–	**(339,859,583)**	–	**(339,859,583)**
Cash dividends paid to non-controlling interests (Note 26)	–	–	–	–	–	–	–	–	–	–	–	–	–	**(1,217,749,826)**	**(1,217,749,826)**
Increase in subsidiaries' treasury shares (Note 26)	–	–	–	–	–	–	–	–	–	–	–	–	–	**(718,184,546)**	**(718,184,546)**
Additional non-controlling interests in subsidiaries (Note 26)	–	–	–	–	–	–	–	–	–	–	–	–	–	**7,383,795,370**	**7,383,795,370**
Acquisition of Parent Company shares by a Subsidiary (Note 26)	–	–	–	–	–	–	–	–	–	–	–	**(252,842,530)**	**(252,842,530)**	–	**(252,842,530)**
Balance at December 31, 2010	**₱6,895,273,657**	**₱5,961,714,437**	**₱12,856,988,094**	**₱33,336,449,500**	**₱55,633,874,420**	**₱88,970,323,920**	**₱18,563,003,092**	**(₱1,798,631,669)**	**₱216,362,030**	**(₱264,209,091)**	**(₱1,846,478,730)**	**(₱974,690,819)**	**₱117,569,145,557**	**₱31,891,251,796**	**₱149,460,397,353**
Balance at January 1, 2009	₱6,895,273,657	₱5,961,714,437	₱12,856,988,094	₱50,022,583,432	₱14,624,274,420	₱64,646,857,852	₱–	(₱1,665,749,434)	(₱1,338,927,963)	(₱865,669,863)	(₱3,870,347,260)	(₱721,848,289)	₱72,911,650,397	₱19,750,489,997	₱92,662,140,394
Total comprehensive income (loss)	–	–	–	8,545,641,600	–	8,545,641,600	–	(81,077,271)	1,517,269,119	468,170,534	1,904,362,382	–	10,450,003,982	3,975,827,793	14,425,831,775
Appropriation of retained earnings (Note 26)	–	–	–	(22,009,600,000)	22,009,600,000	–	–	–	–	–	–	–	–	–	–
Cash dividends (Note 26)	–	–	–	(203,915,750)	–	(203,915,750)	–	–	–	–	–	–	(203,915,750)	–	(203,915,750)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(468,346,673)	(468,346,673)
Purchase of subsidiaries' treasury shares (Note 26)	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,256,286,392)	(1,256,286,392)
Adjustment on subscription receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	(264,928,699)	(264,928,699)
Balance at December 31, 2009	₱6,895,273,657	₱5,961,714,437	₱12,856,988,094	₱36,354,709,282	₱36,633,874,420	₱72,988,583,702	₱–	(₱1,746,826,705)	₱178,341,156	(₱397,499,329)	(₱1,965,984,878)	(₱721,848,289)	₱83,157,738,629	₱21,736,756,026	₱104,894,494,655

(Forward)

For the Years Ended December 31, 2010, 2009 and 2008

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY															
	Paid-up Capital			Retained Earnings (Note 26)				Other Comprehensive Income (Loss)								
	Capital Stock (Note 26)	Additional Paid-in Capital	Total Paid-up Capital	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Retained Earnings	Equity Reserve	Cumulative Translation Adjustments	Net Unrealized Gains (Losses) On Available-for-Sale Investments (Note 10)	Net Unrealized Losses on Cash Flow Hedge (Note 8)	Total Other Comprehensive Income (Loss)	Treasury Shares	Total	NON-CONTROLLING INTERESTS (Note 26)	TOTAL EQUITY
Balance at January 1, 2008	₱6,895,273,657	₱5,961,714,437	₱12,856,988,094	₱47,931,444,790	₱17,614,674,420	₱65,546,119,210	₱–	(₱1,617,353,982)	₱710,537,158	₱–	(₱906,816,824)	(₱721,848,289)	₱76,774,442,191	₱22,611,043,424	₱99,385,485,615
Total comprehensive income (loss)	–	–	–	(693,666,085)	–	(693,666,085)	–	(48,395,452)	(2,049,465,121)	(865,669,863)	(2,963,530,436)	–	(3,657,196,521)	(597,711,109)	(4,254,907,630)
Appropriation of retained earnings (Note 26)	–	–	–	(1,009,600,000)	1,009,600,000	–	–	–	–	–	–	–	–	–	–
Reversal of appropriation (Note 26)	–	–	–	4,000,000,000	(4,000,000,000)	–	–	–	–	–	–	–	–	–	–
Cash dividends (Note 26)	–	–	–	(203,915,750)	–	(203,915,750)	–	–	–	–	–	–	(203,915,750)	–	(203,915,750)
Cash dividends paid to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,154,401,939)	(1,154,401,939)
Increase in subsidiaries' treasury shares (Note 26)	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,107,382,344)	(1,107,382,344)
Effect of restatement of Acesfood Network Pte. Ltd.	–	–	–	(1,679,523)	–	(1,679,523)	–	–	–	–	–	–	(1,679,523)	(1,058,035)	(2,737,558)
Balance at December 31, 2008	₱6,895,273,657	₱5,961,714,437	₱12,856,988,094	₱50,022,583,432	₱14,624,274,420	₱64,646,857,852	₱–	(₱1,665,749,434)	(₱1,338,927,963)	(₱865,669,863)	(₱3,870,347,260)	(₱721,848,289)	₱72,911,650,397	₱19,750,489,997	₱92,662,140,394

See accompanying Notes to Consolidated Financial Statements.

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱23,180,401,989**	₱12,985,035,970	(₱907,357,945)
Adjustments for:			
Depreciation and amortization of:			
Property, plant and equipment (Note 17)	**10,269,237,773**	9,024,316,157	7,514,794,643
Investment properties (Note 16)	**1,625,749,212**	1,425,959,484	1,331,338,705
Deferred subscriber acquisition and retention costs (Note 21)	**1,505,116,389**	1,202,867,577	890,855,563
Biological assets Note 18)	**139,105,194**	158,024,602	113,824,013
Intangible assets (Note 19)	**7,035,669**	7,492,937	9,874,618
Market valuation loss (gain) on:			
Financial assets at fair value through profit or loss (Note 9)	**(1,194,186,764)**	(1,979,891,923)	3,664,880,243
Derivative instruments (Note 8)	**(432,751,286)**	(349,787,107)	3,474,278,826
Interest expense (Note 35)	**5,932,066,425**	6,029,448,280	5,714,212,456
Interest income (Note 28)	**(2,216,082,709)**	(1,563,859,497)	(2,514,281,808)
Foreign exchange loss (gain)	**(2,846,297,517)**	21,627,447	2,930,519,010
Equity in net income of associates and joint ventures (Note 15)	**(2,768,724,722)**	(3,089,302,759)	(2,389,830,800)
Inventory obsolescence and market decline (Note 34)	**17,580,211**	60,223,436	419,171,122
Provision for impairment losses on receivables (Note 34)	**688,286,605**	765,594,017	396,279,058
Impairment loss on available-for-sale investments (Note 34)	**–**	247,812,797	11,674,554
Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks (Note 18)	**44,745,566**	(96,802,397)	(3,518,369)
Dividends on cumulative redeemable preferred shares (Note 35)	**–**	174,417,813	253,991,250
Dividend income (Note 29)	**(192,886,520)**	(152,951,456)	(140,824,885)
Amortization of debt issuance costs	**76,087,507**	71,203,771	71,874,048
Gain on initial recognition of investment properties	**(2,531,342)**	(1,147,334)	–
Loss (gain) on sale of:			
Financial assets at fair value through profit or loss and available-for-sale investments (Note 29)	**(173,368,876)**	(37,584,955)	19,652,106
Investment in an associate	**–**	(9,118,793)	–
Investment properties	**(5,190,424)**	29,814,936	4,060,331
Property, plant and equipment	**(14,597,827)**	(21,414,507)	2,693,255
Operating income before changes in working capital accounts	**33,638,794,553**	24,901,978,496	20,868,159,994

(Forward)

	Years Ended December 31		
	2010	2009	2008
Decrease (increase) in the amounts of:			
Derivative assets	**₱173,722,661**	(₱673,228,430)	(₱196,588,140)
Financial assets at fair value through profit or loss	**(1,965,483,498)**	(632,408,303)	(322,210,326)
Receivables	**(1,824,255,758)**	(959,621,140)	(4,233,008,369)
Inventories	**(3,254,831,582)**	1,756,251,389	(2,837,849,382)
Biological assets	**86,451,589**	(183,841,848)	(502,996,613)
Other current assets	**4,591,740**	2,367,464,490	(3,376,867,880)
Increase (decrease) in the amounts of:			
Accounts payable and accrued expenses	**(4,587,209,987)**	6,258,517,590	2,928,170,912
Other current liabilities	**1,262,875,932**	911,256,433	(196,151,181)
Net cash generated from operations	**23,534,655,650**	33,746,368,677	12,130,659,015
Interest paid	**(5,702,116,987)**	(5,806,714,009)	(5,806,853,052)
Interest received	**1,943,595,642**	1,531,231,130	2,810,660,684
Income taxes paid	**(1,673,749,172)**	(831,574,760)	(827,454,839)
Dividends received	**192,886,520**	152,951,456	140,824,885
Net cash provided by operating activities	**18,295,271,653**	28,792,262,494	8,447,836,693
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 17)	**(15,647,640,099)**	(19,576,384,822)	(24,926,781,411)
Investment properties (Note 16)	**(4,481,765,282)**	(3,301,728,976)	(4,803,403,954)
Available-for-sale investments	**(14,157,195,773)**	(1,841,424,158)	(4,233,716,873)
Held-to-maturity investments	**(207,553,359)**	(475,467,772)	(10,217,442)
Investments in associates and joint ventures (Note 15)	**(594,409,921)**	(275,708,252)	(1,782,946,138)
Intangible assets (Notes 19 and 45)	**(800,000)**	(2,193,640)	(488,685,536)
Subsidiaries, net of cash acquired (Note 45)	**1,657,507,883**	–	(61,188,275)
Proceeds from sale of:			
Available-for-sale investments	**15,937,923,027**	2,373,454,519	4,244,812,964
Property, plant and equipment	**228,007,033**	135,698,280	88,822,745
Investment properties	**28,386,973**	48,346,627	11,386,453
Investment in an associate	**–**	9,481,415	–
Increase in the amounts of other noncurrent assets	**(879,092,279)**	(1,829,684,268)	(1,672,951,016)
Return of investment from an associate	**179,812,500**	–	–
Dividends received on investments in associates and joint ventures (Note 15)	**697,648,858**	766,973,931	745,354,210
Proceeds from:			
Maturity of held-to-maturity investments	**–**	18,142,786	3,622,189
Net cash used in investing activities	**(17,239,170,439)**	(23,950,494,330)	(32,885,892,084)

(Forward)

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of (Note 24):			
Long-term debt	**₱5,161,318,927**	₱28,376,697,021	₱33,379,171,927
Short-term debt	**18,691,647,718**	17,733,868,806	21,602,265,637
Settlements of (Note 24):			
Short-term debt	**(17,299,675,315)**	(28,910,393,171)	(13,932,744,264)
Long-term debt	**(5,807,962,530)**	(7,665,856,364)	(22,194,758,184)
Proceeds from sale of interest in Cebu Air, Inc.	**24,527,649,549**	–	–
Redemption of cumulative redeemable preferred shares (Note 35)	**–**	(2,107,818,750)	–
Increase in other noncurrent liabilities	**(526,974,790)**	1,150,597,947	3,011,422,762
Purchase of subsidiaries' treasury shares and others (Note 26)	**(608,184,546)**	(1,256,286,392)	(1,108,440,379)
Dividends paid to non-controlling interests (Note 26)	**(1,217,749,826)**	(468,346,673)	(1,154,401,939)
Dividends paid on:			
Common shares (Note 26)	**(339,859,583)**	(203,915,750)	(203,915,750)
Cumulative redeemable preferred shares (Note 35)	**–**	(174,417,813)	(253,991,250)
Net cash provided by financing activities	**22,580,209,604**	6,474,128,861	19,144,608,560
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**23,636,310,818**	11,315,897,025	(5,293,446,831)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**18,473,692,704**	7,157,795,679	12,451,242,510
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱42,110,003,522**	₱18,473,692,704	₱7,157,795,679

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

JG Summit Holdings, Inc. (the Parent Company) was incorporated in the Philippines on November 23, 1990. The registered office address of the Parent Company is 43rd Floor Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City.

The Parent Company is the holding company of the JG Summit Group (the Group). The Group has principal business interests in branded consumer foods, agro-industrial and commodity food products, real property development, hotels, banking and financial services, telecommunications, petrochemicals, air transportation and power generation.

The Group conducts business throughout the Philippines, but primarily in and around Metro Manila where it is based. The Group also has branded food businesses in the People's Republic of China and in the Association of Southeast Asian Nations region, and an interest in a property development business in Singapore.

The principal activities of the Group are further described in Note 6, Segment Information, to the consolidated financial statements.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), available-for-sale (AFS) investments and derivative financial instruments that are measured at fair value, and biological assets and agricultural produce that have been measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine Peso, the functional currency of the Parent Company. All values are rounded to the nearest peso except when otherwise stated.

Except for certain foreign subsidiaries of the Parent Company and for certain consolidated foreign subsidiaries within Universal Robina Corporation (URC) and Subsidiaries (URC Group) which are disclosed below, the functional currency of other consolidated foreign subsidiaries is US Dollar.

Subsidiaries	Country of Incorporation	Functional Currency
Parent Company		
JG Summit Cayman Limited	Cayman Islands	Philippine Peso
JG Summit Philippines, Ltd. and Subsidiaries		
JG Summit Philippines, Ltd.	Cayman Islands	Philippine Peso
JGSH Philippines Ltd.	British Virgin Islands	- do -
Multinational Finance Group, Ltd.	- do -	- do -
Telegraph Development, Ltd.	Singapore	- do -
Summit Top Investment, Ltd.	- do -	- do -

(Forward)

Subsidiaries	Country of Incorporation	Functional Currency
URC Group		
Universal Robina (Cayman), Limited	Cayman Islands	Philippine Peso
URC Philippines, Limited	British Virgin Islands	-do-
URC China Commercial Co. Ltd.	China	Chinese Renminbi
URC International Co., Ltd. & Subsidiaries	British Virgin Islands	US Dollar
URC Asean Brands Co., Ltd. (UABCL) and Subsidiaries	-do-	-do-
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	-do-	-do-
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	-do-	-do-
Ricellent Sdn. Bhd.	Malaysia	Malaysian Ringgit
URC Snack Foods (Malaysia) Sdn. Bhd.	- do -	-do-
Hong Kong China Foods Co., Ltd. (HCFCL) and Subsidiaries	British Virgin Islands	US Dollar
URC Hong Kong Company Limited	Hong Kong	HK Dollar
Xiamen Tongan Pacific Food Co., Ltd.	China	Chinese Renminbi
Shanghai Peggy Foods Co., Ltd.	- do -	-do-
Panyu Peggy Foods Co., Ltd.	- do -	-do-
Advanson International Pte. Ltd. (Advanson) and Subsidiary		
Advanson International Pte. Ltd.	Singapore	Singapore Dollar
Jiangsu Acesfood Industrial Co.	China	Chinese Renminbi
Acesfood Network Pte. Ltd. (Acesfood) and Subsidiaries	Singapore	Singapore Dollar
Shantou SEZ Toyo Food Industries Co., Ltd.	China	Chinese Renminbi
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	-do-
Acesfood Network Pte. Ltd. and Subsidiaries	Singapore	Singapore Dollar
Acesfood Holdings Pte. Ltd.	- do -	-do-
Acesfood Distributors Pte. Ltd.	- do -	-do-
Guangdong Acesfood International Co., Ltd.	China	Chinese Renminbi

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority owned subsidiaries:

		Effective Percentage of Ownership		
		December 31		
Subsidiaries	Country of Incorporation	**2010**	2009	2008
Food				
URC and Subsidiaries	Philippines*	**64.14**	63.87	61.35
Air Transportation				
CP Air Holdings, Inc. (CPAHI) and Subsidiaries	-do-	**100.00**	100.00	100.00
Cebu Air, Inc. (CAI) and Subsidiaries (Note 26)	-do-	**65.53**	100.00	100.00
Pacific Virgin Islands Holdings, Co., Ltd.	British Virgin Islands	**100.00**	100.00	100.00

(Forward)

Subsidiaries	Country of Incorporation	Effective Percentage of Ownership December 31 **2010**	2009	2008
Telecommunications				
Digital Telecommunications Phils., Inc.				
(Digitel) and Subsidiaries**	Philippines	**49.57**	49.82	49.81
Real Estate and Hotels				
Robinsons Land Corporation (RLC) and				
Subsidiaries	Philippines	**60.40**	60.11	60.01
Adia Development and Management Corporation				
(ADMC) (Note 46)	-do-	–	100.00	100.00
Petrochemicals				
JG Summit Petrochemical Corporation (JGSPC)	-do-	**100.00**	100.00	100.00
Banking (Notes 45 and 46)				
Robinsons Savings Bank Corporation (RSBC)	-do-	**100.00**	100.00	100.00
Robinsons Bank Corporation (RBC)	-do-	**60.00**	–	–
Supplementary Businesses				
Westpoint Industrial Mills Corporation (WIMC)				
(Note 46)	-do-	–	100.00	100.00
Litton Mills, Inc. (LMI) (Note 46)	-do-	**100.00**	100.00	100.00
Express Holdings, Inc. (EHI) and a Subsidiary	-do-	**100.00**	100.00	100.00
Summit Forex Brokers Corporation	-do-	**100.00**	100.00	100.00
JG Summit Capital Services Corp. (JGSCSC)				
and Subsidiaries (Notes 45 and 46)	-do-	**100.00**	100.00	100.00
JG Summit Capital Markets Corporation	-do-	**100.00**	100.00	100.00
Summit Point Services Ltd.	-do-	**100.00**	100.00	100.00
Summit Internet Investments, Inc.	-do-	**100.00**	100.00	100.00
JG Summit (Cayman), Ltd. (JGSCL)	Cayman Islands	**100.00**	100.00	100.00
JG Summit Philippines Ltd. (JGSPL)				
and Subsidiaries	Cayman Islands	**100.00**	100.00	100.00
JGSH Philippines Ltd.	British Virgin Islands	**100.00**	100.00	100.00
Multinational Finance Group, Ltd.	-do-	**100.00**	100.00	100.00
Telegraph Development, Ltd.	Singapore	**100.00**	100.00	100.00
Summit Top Investment, Ltd.	British Virgin Islands	**100.00**	100.00	100.00
JG Summit Limited (JGSL)	-do-	**100.00**	100.00	100.00
Cebu Pacific Manufacturing Corporation				
(CPMC) (Note 46)	Philippines	–	100.00	100.00
Hello Snack Foods Corporation (HSFC)				
(Note 46)	-do-	–	100.00	100.00
JG Cement Corporation (JGCC) (Note 46)	-do-	**100.00**	100.00	100.00
Savannah Industrial Corporation (SIC) (Note 46)	-do-	–	100.00	100.00
Terai Industrial Corporation (TIC) (Note 46)	-do-	–	100.00	100.00
Unicon Insurance Brokers Corporation	-do-	**100.00**	100.00	100.00
Premiere Printing Company, Inc.(PPCI)				
(Note 46)	-do-	**100.00**	100.00	100.00
JG Summit Olefins Corporation	-do-	100.00	100.00	100.00

** Certain subsidiaries are located in other countries, such as China, Vietnam, Thailand, Malaysia, etc.*

*** The consolidated financial statements include the accounts of entities over which the Group has the ability to govern the financial and operating policies to obtain benefits from their activities. The Group's consolidated financial statements include the accounts of Digital Telecommunications Phils., Inc, and its wholly owned subsidiaries (the Digitel Group). As disclosed above, the Digitel Group is a 49.57%, 49.82% and 49.81% owned company as of December 31, 2010, 2009 and 2008, respectively.*

Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities,* prescribes guidance on the consolidation of special purpose entities (SPE). Under SIC 12, an SPE should be consolidated when the substance of the relationship between a certain company and the SPE indicates that the SPE is controlled by the company. Control over an entity may exist even in cases where an enterprise owns little or none of the SPE's equity, such as when an entity retains majority of the residual risks related to the SPE or its assets in order to obtain benefits from its activities. In accordance with SIC 12, the Group's consolidated financial statements include the accounts of SPEs namely: Surigao Leasing Limited (SLL), Cebu Aircraft Leasing Limited (CALL), IBON Leasing Limited (ILL), Boracay Leasing Limited (BLL) and Sharp Aircraft Leasing Limited (SALL). SLL, CALL, ILL, BLL and SALL are SPEs in which the Group does not have equity interest. SLL, CALL, ILL, BLL and SALL acquired the passenger aircraft for lease to CAI under finance lease arrangements (Notes 17 and 42) and funded the acquisitions through long-term debt (Note 24).

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continue to be consolidated until the date when such control ceases. Control is achieved where the Parent Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Consolidation of subsidiaries ceases when control is transferred out of the Parent Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests (NCI) in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directlyin equity and attributed to the Group.

If the Group losses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income, recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss.

Under Philippine Accounting Standards (PAS) 27, *Consolidated and Separate Financial Statements,* it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Parent Company if it is impracticable for the management to prepare financial statements with the same accounting period with that of the Parent Company and the difference is not more than three months.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, except for the following fiscal year subsidiaries:

Subsidiaries	Fiscal Year
Food	
URC and Subsidiaries	September 30
Real Estate and Hotels	
RLC and Subsidiaries	-do-
Petrochemicals	
JGSPC	-do-
JG Summit Olefins Corp.	-do-
Textiles	
LMI	-do-
Supplementary Business	
JG Cement Corporation	-do-

Any significant transactions or events that occur between the date of the fiscal subsidiaries' financial statements and the date of the Parent Company's financial statements are adjusted in the consolidated financial statements.

Business Combinations from January 1, 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant PFRSs. Changes in the fair value of contingent consideration classified as equity are not recognized.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that if known, would have effected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year.

If the business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (the date the Group attains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, in the entity over the net fair value of the identifiable net assets recognized.

If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest, if any, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

<u>Business Combinations prior to January 1, 2010</u>
In comparison to the above-mentioned requirements, the following differences applied:

- Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

- Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

- When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

- Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

<u>Non-controlling Interests</u>
Non-controlling interests represent the portion of income or loss and net assets not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separate from the Group's equity attributable to the equity holders of the Parent Company.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new and amended PFRS, PAS and Philippine Interpretation of the International Financial Reporting Interpretations Committee (IFRIC) which became effective on January 1, 2010:

New and Revised Standards

- PFRS 3, *Business Combinations* (Revised) and PAS 27, *Consolidated and Separate Financial Statements* (Amended)
  The amended Standards have resulted in a change in accounting policy regarding increases or decreases in the Group's ownership interests in its subsidiaries. In prior years, in the absence of specific requirements in PFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognized, where appropriate. The impact of decreases in interests in existing subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognized in profit or loss. Under PAS 27 (Amended), these treatments are no longer acceptable. All increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

  In respect of the disposal during the period of part of the Group's interest in Cebu Air, Inc., the impact of the change in policy has been that the difference of ₱18.6 billion between the consideration received and the transfer between the parent's equity and non-controlling interests has been recognized directly in equity. Had the previous accounting policy been applied, this amount would have been recognized in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the period of ₱18.6 billion, with a consequential decrease in basic and diluted earnings per share of ₱2.8.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*
  This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the Group.

Amendments to Standards
- PFRS 2, *Share-based Payment*
- PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*

Improvements to PFRSs
Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- PFRS 8, *Operating Segments,* clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 6.

- PAS 7, *Statement of Cash Flows,* states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

Other amendments resulting from the 2009 Improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- PFRS 2, *Share-based Payment*
- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- PAS 1, *Presentation of Financial Statements*
- PAS 17, *Leases*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*

Significant Accounting Policies

<u>Foreign Currency Translation</u>
The Group's consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities in their respective functional currencies at the foreign exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated using the closing foreign exchange rate prevailing at the reporting date. All differences are charged to profit or loss in the consolidated statement of comprehensive income.

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

Group companies
As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses are translated at the monthly weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation shall be recognized in the profit or loss in the consolidated statement of comprehensive income.

<u>Cash and Cash Equivalents</u>
Cash represents cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the dates of placement, and that are subject to an insignificant risk of changes in value.

<u>Recognition of Financial Instruments</u>
Date of recognition
Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments
Financial instruments are recognized initially at fair value. Except for financial instruments designated as at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, loans and receivables, or as derivatives designated as hedging instrument, in an effective hedge. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value
The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

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

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading purposes, derivative financial instruments or those designated upon initial recognition at FVPL.

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term.

Derivatives are also classified under financial assets or liabilities at FVPL, unless they are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

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

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are reflected in profit or loss in the consolidated statement of comprehensive income under 'Market valuation gain (loss) on financial assets at FVPL.' Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in other operating income according to the terms of the contract, or when the right to receive payment has been established.

Derivatives classified as FVPL
The Parent Company and certain subsidiaries are counterparties to derivative contracts, such as interest rate swaps, currency forwards, cross currency swaps, currency options and commodity options. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments (including bifurcated embedded derivatives) are initially recorded at fair value on the date at which the derivative contract is entered into or bifurcated and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly in the profit or loss in the consolidated statement of comprehensive income as 'Market valuation gain (loss) on derivative financial instruments.' Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair values of the Group's derivative instruments are calculated by using certain standard valuation methodologies and quotes obtained from third parties.

Derivatives designated as accounting hedges
For the purpose of hedge accounting, hedges are classified primarily as either: (a) a hedge of the fair value of an asset, liability or a firm commitment (fair value hedge); (b) a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction (cash flow hedge); or (c) a hedge of a net investment in a foreign operation (net investment hedge). Hedge accounting is applied to derivatives designated as hedging instruments in a fair value, cash flow or net investment hedge provided certain criteria are met.

In 2010 and 2009, the Group applied cash flow hedge accounting treatment on certain currency swap and interest rate swap transactions (Note 8).

Hedge accounting
At the inception of a hedging relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedge
Cash flow hedges are hedges of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the profit or loss. The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized as 'Net gains (losses) on cash flow hedges' in other comprehensive income. Any gain or loss in fair value relating to an ineffective portion is recognized immediately in the profit or loss in the consolidated statement of comprehensive income.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the consolidated statement of comprehensive income in the periods in which the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognized in other comprehensive income is eventually recycled in the profit or loss in the consolidated statement of comprehensive income.

Hedge effectiveness testing
To qualify for hedge accounting, the Group requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method that the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. The Group applies the dollar-offset method using hypothetical derivatives in performing hedge effectiveness testing. For actual effectiveness to be achieved, the changes in fair value or cash flows must offset each other in the range of 80 to 125 percent. Any hedge ineffectiveness is recognized in the profit or loss in the consolidated statement of comprehensive income.

Embedded derivatives
Embedded derivatives are bifurcated from their host contracts, when the following conditions are met: (a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets at FVPL; (b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and (c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows that would otherwise be required.

The Group has certain derivatives that are embedded in nonfinancial host contracts (such as purchase orders, network contracts and service agreements). These embedded derivatives include foreign currency-denominated derivatives in purchase orders and certain network and service agreements. The fair value changes of these derivatives are recognized directly in the profit or loss in the consolidated statement of comprehensive income under 'Market valuation gain (loss)' on derivative financial instruments.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivates that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

HTM investments
HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). Gains and losses are recognized in the profit or loss in the consolidated statement of comprehensive income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement of foreign currency-denominated HTM investments are recognized in the profit or loss in the consolidated statement of comprehensive income.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the EIR and transaction costs. The amortization is included under 'Interest income' in the profit and loss in the consolidated statement of comprehensive income. Gains and losses are recognized in the the profit or loss in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

AFS investments
AFS investments are those nonderivative investments which are designated as such or do not qualify to be classified as designated financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the profit or loss in the consolidated statement of comprehensive income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from profit or loss in the consolidated statement of comprehensive income and are reported under 'Net unrealized gain (loss) on available-for-sale investments' in other comprehensive income of the consolidated statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the profit or loss in the consolidated statement of comprehensive income. Interest earned on holding AFS investments are reported as interest income using the effective interest method. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Dividends earned on holding AFS investments are recognized in the profit or loss in the consolidated statement of comprehensive income when the right to receive payment has been established.

The losses arising from impairment of such investments are recognized under 'Impairment losses and others' in the profit or loss in the consolidated statement of comprehensive income.

Other financial liabilities
Issued financial instruments or their components, which are not designated as at FVPL, are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to 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. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees and debt issue costs that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in the profit or loss in the consolidated statement of comprehensive income.

Debt Issuance Cost
Debt issuance costs are amortized using the effective interest method and unamortized debt issuance costs are included in the measurement of the related carrying value of the loan in the consolidated statement of financial position. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss.

This accounting policy applies primarily to the Group's short-term and long-term debt, accounts payable and accrued expenses and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liabilities).

Customers' Deposits
Deposits from lessees
Deposits from lessees are measured initially at fair value. After initial recognition, customers' deposits are subsequently measured at amortized cost using the effective interest method.

The difference between the cash received and its fair value is deferred (included in 'Other noncurrent liabilities' in the consolidated statement of financial position) and amortized using the straight-line method.

Deposits from real estate buyers
Deposits from real estate buyers represent mainly reservation fees and advance payments. These deposits will be recognized as revenue in the consolidated statement of comprehensive income as the related obligations are fulfilled to the real estate buyers. The deposits are recorded as 'Deposits from real estate buyers' and reported under the 'Other noncurrent liabilities' account in the consolidated statement of financial position.

Reclassification of Financial Assets
A financial asset is reclassified out of the financial assets at FVPL category when the following conditions are met:

- the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and
- there is a rare circumstance.

The Group evaluated its AFS investments whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of comprehensive income.

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- 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 the amount separately determined as the fair value of the liability component on the date of issue.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include

indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost (i.e., receivables or HTM investments) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognized in the profit or loss in the consolidated statement of comprehensive income as 'Impairment losses and others.' The asset, together with the associated allowance account, is written-off when there is no realistic prospect of future recovery.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the profit or loss in the consolidated statement of comprehensive income to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

The Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss.

The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Group.

AFS investments
The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as AFS investments, objective evidence would include a 'significant' or 'prolonged' decline in the fair value of the investments below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit and loss, is removed from other comprehensive income and recognized in the profit or loss in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the profit or loss in the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized as part of other comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss. Such accrual is recorded as part of 'Interest income' in the profit or loss in the consolidated statement of comprehensive income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss in the consolidated statement of comprehensive income, the impairment loss is reversed through the profit or loss in the consolidated statement of comprehensive income.

Derecognition of Financial Instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement 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 asset and settle the liability simultaneously.

Inventories

Inventories, including work-in-process, are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for materials, spare parts and other supplies represents the related replacement costs. In determining the NRV, the Group deducts from cost 100% of the carrying value of slow-moving items and nonmoving items for more than one year. Cost is determined using the weighted average method.

When inventories are sold, the carrying amounts of those inventories are recognized under 'Cost of sales and services' in the profit or loss in the consolidated statement of comprehensive income in the period when the related revenue is recognized.

The amount of any write-down of inventories to NRV is recognized in 'Cost of sales and services' while all other losses on inventories shall be recognized under 'Impairment losses and others' in the profit or loss in the consolidated statement of comprehensive income in the period the writedown or loss was incurred. The amount of any reversal of any write-down of inventories, arising from an increase in the NRV, shall be recognized as a reduction to 'Cost of sales and services' in the period where the reversal was incurred.

Some inventories may be allocated to other asset accounts, for example, inventory used as a component of a self-constructed property, plant or equipment. Inventories allocated to another asset in this way are recognized as an expense during the useful life of that asset.

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

Finished goods, work-in-process, raw materials and packaging materials
Cost is determined using the weighted average method. Finished goods and work-in-process include direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

Subdivision land and condominium and residential units for sale
Subdivision land, condominium and residential units for sale are carried at the lower of cost and NRV. Cost includes costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction.

Assets Held for Sale
The Group classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The related results of operations and cash flows of the disposal group that qualify as discontinued operations are separated from the results of those that would be recovered principally through continuing use, and the prior years' profit or loss in the consolidated statement of comprehensive income and consolidated statement of cash flows are represented. Results of operations and cash flows of the disposal group that qualify as discontinued operations are presented in the profit or loss in the consolidated statement of comprehensive income and consolidated statement of cash flows as items associated with discontinued operations.

In circumstances where certain events have extended the period to complete the sale of a disposal group beyond one year, the disposal group continues to be classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the disposal group. Otherwise, if the criteria for classification of a disposal group as held for sale are no longer met, the Group ceases to classify the disposal group as held for sale.

Initial and subsequent measurement
Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Impairment losses are recognized for any initial or subsequent write-down of the assets held for sale to the extent that these have not been previously recognized at initial recognition. Reversals of impairment losses for any subsequent increases in fair value less cost to sell of the assets held for sale are recognized as a gain, but not in excess of the cumulative impairment loss that has been previously recognized. Liabilities directly related to assets held for sale are measured at their expected settlement amounts.

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and those which are not occupied by entities in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and impairment loss, if any. Land is carried at cost less impairment loss, if any. Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Group. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified under investment properties upon: a) entry of judgment in case of judicial foreclosure; b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or c) notarization of the Deed of Dacion in case of dation in payment (*dacion en pago*).

The Group's investment properties are depreciated using the straight-line method over their estimated useful lives (EUL) as follows:

Land improvements	10 years
Buildings and building improvements	10 to 20 years
Theater furniture and equipment	5 years

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

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

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of investment properties are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Investment in Subsidiaries, Associates and Joint Ventures

Investments in subsidiaries

Subsidiaries pertain to all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity (see accounting policy on Basis of Consolidation).

Investments in associates and joint ventures
An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The Group also has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The Group's investments in its associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investments in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associates and joint ventures. The consolidated statement of comprehensive income reflects the share of the results of operations of the associates and joint ventures. Where there has been a change recognized in the investees' other comprehensive income, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income in the consolidated statement of comprehensive income. Profits and losses arising from transactions between the Group and the associate are eliminated to the extent of the interest in the associates and joint ventures.

The Group's investments in certain associates and joint ventures include goodwill on acquisition, less any impairment in value. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not amortized.

Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used into line with those used by the Group.

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

Property, Plant and Equipment
Property, plant and equipment, except land which is stated at cost less any impairment in value, are carried at cost less accumulated depreciation, amortization and impairment loss, if any.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes: (a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligation (ARO) relating to property, plant and equipment installed/constructed on leased properties or leased aircraft.

Subsequent replacement costs of parts of property, plant and equipment are capitalized when the recognition criteria are met. Significant refurbishments and improvements are capitalized when it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond the originally assessed standard of performance. Costs of repairs and maintenance are charged as expense when incurred.

Foreign exchange differentials arising from the acquisition of property, plant and equipment are charged against profit or loss and are no longer capitalized.

Depreciation and amortization of property, plant and equipment commences once the property, plant and equipment are available for use, and are computed using the straight-line method over the EUL of the assets, regardless of utilization.

The EUL of property, plant and equipment of the Group follow:

	EUL
Land improvements	10 to 40 years
Building and improvements	10 to 50 years
Machinery and equipment	4 to 50 years
Telecommunications equipment:	
Tower	20 years
Switch	10 to 20 years
Outside plant facilities	10 to 20 years
Distribution dropwires	5 years
Cellular facilities and others	3 to 20 years
Investments in cable systems	15 years
Assets under lease	15 years
Passenger aircraft*	15 years
Other flight equipment	5 years
Transportation, furnishing and other equipment	3 to 5 years

** With 15% residual value after 15 years*

Leasehold improvements are amortized over the shorter of their EULs or the corresponding lease terms.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property, plant and equipment when the construction and other related activities necessary to prepare the properties for their intended use are completed and the properties are available for use.

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the consolidated statement of comprehensive income, in the year the item is derecognized.

ARO
The Group is legally required under various lease contracts to restore certain leased properties and leased aircraft to their original conditions and to bear the cost of any dismantling and deinstallation at the end of the contract period. These costs are accrued based on an internal estimate made by the work of both third party and Group's engineers which includes estimates of certain redelivery costs at the end of the operating aircraft lease. The Group recognizes the present value of these costs as ARO asset (included under 'Property and equipment') and ARO liability (included under 'Noncurrent liabilities'). The Group depreciates ARO asset on a straightline basis over the EUL of the related account or the lease term, whichever is shorter, or written off as a result of impairment of the related account. The Group amortizes ARO liability using the effective interest method and recognizes accretion expense (included in interest expense) over the lease term.

The Group regularly assesses the provision for ARO and adjusts the related asset and liability.

Borrowing Costs
Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress, and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate for general borrowings. For specific borrowings, all borrowing costs are eligible for capitalization.

Borrowing costs which do not qualify for capitalization are expensed as incurred.

Interest expense on loans is recognized using the effective interest method over the term of the loans.

Biological Assets
The biological assets of the Group are divided into two major categories with sub-categories as follows

Swine livestock
- Breeders (livestock bearer)
- Sucklings (breeders' offspring)
- Weanlings (comes from sucklings intended to be breeders or to be sold as fatteners)
- Fatteners/finishers (comes from weanlings unfit to become breeders; intended for the production of meat)

Poultry livestock
- Breeders (livestock bearer)
- Chicks (breeders' offspring intended to be sold as breeders)

Biological assets are measured on initial recognition and at each reporting date at its fair value less costs to sell, except for a biological asset where fair value is not clearly determinable. Agricultural produce harvested from an entity's biological assets are measured at its fair value less estimated costs to sell at the time of harvest.

The Group is unable to measure fair values reliably for its poultry livestock breeders in the absence of: (a) available market-determined prices or values; and (b) alternative estimates of fair values that are determined to be clearly reliable; thus, these biological assets are measured at cost less accumulated depreciation and impairment loss, if any. However, once the fair values become reliably measurable, the Group measures these biological assets at their fair values less estimated costs to sell.

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when the life processes of the agricultural produce cease. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in the profit or loss in the consolidated statement of comprehensive income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling then into fatteners/finishers, while the agricultural produce in poultry livestock is the hatched chick and table eggs.

Biological assets at cost
The cost of a biological asset comprises its purchase price and any costs attributable in bringing the biological asset to its location and conditions intended by management.

Depreciation (included under 'Cost of sales and services' in the profit or loss in the consolidated statement of comprehensive income) is computed using the straight-line method over the EUL of the biological assets, regardless of utilization. The EUL of biological assets is reviewed annually based on expected utilization as anchored on business plans and strategies that consider market behavior to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from the biological assets. The EUL of biological assets ranges from two to three years.

The carrying values of biological assets at cost are reviewed for impairment, when events or changes in circumstances indicate that the carrying values may not be recoverable (see further discussion under Impairment of Nonfinancial Assets).

This accounting policy applies to the Group's poultry livestock breeders.

Biological assets carried at fair values less estimated costs to sell
Swine weanlings and fatteners/finishers are measured at their fair values less costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

A gain or loss on initial recognition of a biological asset carried at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset is included under 'Cost of sales and services' in the profit or loss in the consolidated statement of comprehensive income in the period in which it arises.

Goodwill
Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:
- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments.*

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Impairment of Nonfinancial Assets).

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

Intangible Assets
Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment loss, if any.

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

The useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives.

The period and the method of amortization of an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.The amortization expense on intangible assets with finite useful lives is recognized under 'Cost of sales and services' and 'General and administrative expenses' in the profit or loss in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset. Intangible assets with finite lives are assessed for impairment, whenever there is an indication that the intangible assets may be impaired.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level (see further discussion under Impairment of Nonfinancial Assets). Such intangibles are not amortized. The intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If the indefinite useful life is no longer appropriate, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Costs incurred to acquire computer software (not an integral part of its related hardware) and bring it to its intended use are capitalized as intangible assets. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Group are also recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in the profit or loss in the consolidated statement of comprehensive income when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets follow:

	Technology Licenses	Licenses	Product Formulation	Software Costs	Trademarks	
EUL	Finite (12 to 13.75 years)	Indefinite	Indefinite	Finite (5 years)	Finite (4 years)	Indefinite
Amortization method used	Amortized on a straight-line basis over the EUL of the license	No amortization	No amortization	Amortized on a straight-line basis over the EUL of the software cost	Amortized on a straight-line basis over the EUL of the trademark	No amortization
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired	Acquired	Acquired

Deferred Subscriber Acquisition and Retention Costs
Subscriber acquisition costs primarily include handset and phonekit subsidies. Handset and phonekit subsidies represent the difference between the cost of handsets, accessories and subcriber's identification module (SIM) cards (included under 'Cost of sales and services' in the profit or loss in the consolidated statement of comprehensive income), and the price offered to the subscribers (included under 'Sale of telecommunications services' in the profit or loss in the consolidated statement of comprehensive income). Retention costs for existing postpaid subscribers are in the form of free handsets.

Subscriber acquisition and retention costs pertaining to postpaid subscriptions are deferred and amortized over the base contract period, which ranges from 18 to 24 months from the date in which they are incurred. Deferred subscriber acquisition and retention costs are shown under 'Other noncurrent assets' account in the consolidated statement of financial position (Note 21). The related amortization of subscriber acquisition costs is included under 'Cost of sales and services' in the profit or loss in the consolidated statement of comprehensive income.

The Group performs an overall realizability test, in order to support the deferral of the subscriber acquisition costs. An overall realizability test is done by determining the minimum contractual revenue after deduction of direct costs associated with the service contract over the base contract period. Costs are deferred and amortized, if there is a nonrefundable contract or a reliable basis for estimating net cash inflows under a revenue-producing contract which exists to provide a basis for recovery of incremental direct costs.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Group's investments in associates and joint ventures (Note 15), investment properties (Note 16), property, plant and equipment (Note 17), biological assets at cost (Note 18), intangible assets and goodwill (Notes 19 and 20) and deferred subscriber acquisition and retention costs (Note 21).

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

Impairment losses from continuing operations are recognized under 'Impairment losses and others' in the profit or loss in the consolidated statement of comprehensive income.

The following criteria are also applied in assessing impairment of specific assets:

Property, plant and equipment, investment properties, intangible assets with definite useful lives and deferred subscriber acquisition and retention costs
For property, plant and equipment, investment properties, intangible assets with definite useful lives and deferred subscriber acquisition and retention costs, 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss in the consolidated statement of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

Impairment is determined 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 to which goodwill has been allocated, 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 are 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 on the basis of the relative fair values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group performs its impairment test of goodwill every December 31.

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates and joint ventures. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate or joint venture and the acquisition cost and recognizes the amount under 'Impairment losses and others' in the profit or loss in the consolidated statement of comprehensive income.

Biological assets at cost
The carrying values of biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are tested for impairment annually as of year-end either individually or at the cash-generating unit level, as appropriate.

Common Stock
Common stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Additional paid-in capital' in the consolidated statement of financial position. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury Shares
Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. No gain or loss is recognized in the profit or loss in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duties. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods
Revenue from sale of goods is recognized upon delivery, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts, prompt payment discounts and volume rebates.

Rendering of tolling services
Revenue derived from tolling activities, whereby raw sugar from traders and planters is converted into refined sugar, is recognized as revenue when the related services have been rendered.

Rendering of air transportation services
Passenger ticket and cargo waybill sales are initially recorded as 'Unearned revenue' (included under 'Other current liabilities' in the consolidated statement of financial position) until recognized as 'Revenue' in the profit or loss in the consolidated statement of comprehensive income, when the transportation service is rendered by the Group (e.i., when passengers and cargo are lifted). Unearned tickets are recognized as revenue using estimates regarding the timing of the recognition based on the terms and conditions of the ticket and historical trends.

The related commission is recognized as expense in the same period when the transportation service is provided and is included under 'Cost of sales and services' account in the consolidated statement of comprehensive income. The amount of commission not yet recognized as expense is recorded as a prepayment under 'Other current assets' in the consolidated statement of financial position.

Ancillary Revenue
Revenue from in-flight sales and other services are recognized when the goods are delivered or the services are carried out.

Rendering of telecommunications services
Revenue from telecommunications services includes the value of all telecommunications services provided, net of free usage allocations and discounts. Revenue is recognized when earned, and is net of the share of other foreign and local carriers and content providers, if any, under existing correspondence and interconnection and settlement agreements.

Revenue is stated at amounts billed or invoiced and accrued to subscribers or other carriers and content providers, taking into consideration the bill cycle cut-off (for postpaid subscribers), and charges against preloaded airtime value (for prepaid subscribers), and excludes valued-added tax (VAT) and overseas communication tax. Inbound traffic revenues, net of discounts and outbound traffic charges, are accrued based on actual volume of traffic monitored by the Group's network and in the traffic settlement system.

The Group's service revenue includes the revenue earned from subscribers and traffic. With respect to revenue earned from subscribers, revenue principally consists of: (1) per minute airtime and toll fees for local, domestic and international long distance calls in excess of free call allocation, less bonus airtime credits, airtime on free Subscribers' Identification Module (SIM), prepaid reload discounts and interconnection fees; (2) revenue from value-added services (VAS) such as short messaging services (SMS) in excess of consumable fixed monthly service fees (for postpaid) and free SMS allocations (for prepaid), multimedia messaging services (MMS), content downloading and infotext services, net of amounts settled with carriers owning the network where the outgoing voice call or SMS terminates and payout to content providers; (3) inbound revenue from other carriers which terminate their calls to the Group's network less discounts; (4) revenue from international roaming services; (5) usage of broadband and internet services in excess of fixed monthly service fees; (6) fixed monthly service fees (for postpaid wireless subscribers) and prepaid subscription fees for discounted promotional calls and SMS.

Postpaid service arrangements include fixed monthly charges which are recognized over the subscription period on a pro-rata basis. Telecommunications services provided to postpaid subscribers are billed throughout the month according to the billing cycles of subscribers. As a result of billing cycle cut-off, service revenue earned but not yet billed at end of month is estimated and accrued based on actual usage.

Proceeds from over-the-air reloading channels and sale of prepaid cards are initially recognized as unearned revenue (recorded under 'Other current liabilities' in the consolidated statement of financial position).

Revenue is realized upon actual usage of the airtime value of the card, net of free service allocation. The unused value of prepaid cards is likewise recognized as revenue upon expiration. Interconnection fees and charges arising from the actual usage of prepaid cards are recorded as incurred.

Proceeds from sale of phonekits and SIM cards/packs received from certain mobile subscribers are recognized upon actual receipts, and are included under 'Other revenue' in the profit or loss in the consolidated statement of comprehensive income.

With respect to revenue earned from connecting carriers/traffic, inbound revenue and outbound charges are based on agreed transit and termination rates with other foreign and local carriers and content providers. Inbound revenue represents settlement received for traffic originating from telecommunications providers that are sent through the Group's network, while outbound charges represent settlements to telecommunications providers for traffic originating from the Group's network and settlements to providers for contents downloaded by subscribers. Both the inbound revenue and outbound charges are accrued based on actual volume of traffic monitored by the Group from the switch. Adjustments are made to the accrued amount for discrepancies between the traffic volume per the Group's records and per records of other carriers. The adjustments are recognized as these are determined and are mutually agreed-upon by the parties. Uncollected inbound revenue is shown under 'Receivables' in the consolidated statement of financial position, while unpaid outbound charges are shown under 'Accounts payable and accrued expenses' in the consolidated statement of financial position.

Real Estate Sales
Revenue from sales of real estate and cost from completed projects is accounted for using the full accrual method. The percentage of completion is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total costs of project.

If any of the criteria under the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the 'Deposits from real estate buyers' account which is shown as part of the 'Other noncurrent liabilities' account in the liabilities section of the consolidated statement of financial position.

Revenue from hotel operations
Revenue from hotel operations is recognized when services are rendered. Revenue from banquets and other special events are recognized when the events take place. Rental income on leased areas of the hotel is recognized on a straight-line basis over the lease term.

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as AFS investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as interest income.

Unearned discount is recognized as income over the terms of the receivables using the effective interest method and is shown as a deduction from loans.

Service fees and commission income
The Group earns fees and commission income from the diverse range of services it provides to its customers. These fees are earned for the provision of services over a period of time and accrued over that period. These fees include commission income and credit-related fees. However, loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan.

Trading and securities gain (loss)
Income results from the disposal of FVPL and AFS investments and gains and losses from changes in fair value for financial liabilities at FVPL.

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

Rent income
The Group leases certain commercial real estate properties to third parties under an operating lease arrangement. Rental income on leased properties is recognized on a straight-line basis over the lease term, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Rental income on leased areas of the hotel is recognized on a straight-line basis over the lease term.

Amusement income
Revenue is recognized upon receipt of cash from the customer which coincides with the rendering of services.

Others
Gain from sale of properties is recognized upon completion of the earning process and the collectability of the sales price is reasonably assured.

<u>Provisions</u>
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (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 can be made of the amount of the obligation. 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 assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense under 'Financing costs and other charges' account in the profit or loss in the consolidated statement of comprehensive income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

<u>Contingencies</u>
Contingent liabilities are not recognized in the consolidated financial statements but 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.

Pension Costs

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailments or settlements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. The excess actuarial gains or losses are recognized over the average remaining working lives of the employees participating in the plan.

The asset or liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation as of the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. The defined benefit obligation is calculated by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.

Past service costs, if any, are recognized immediately in the profit or loss in the consolidated statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortized on a straight-line basis over the vesting period.

The asset ceiling test requires a defined benefit asset to be measured at the lower of the amount of the net plan asset and the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as of the reporting date.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting 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 liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Otherwise, no deferred tax liability is set-up.

Deferred tax assets are recognized for all deductible temporary differences, carry forward benefits of unused tax credits from unused minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry forward benefits of unused tax credits from excess MCIT and unused 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 liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred 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 amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

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

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

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.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

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

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

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and is included in the consolidated statement of financial position under ‘Property, plant and equipment’ account with the corresponding liability to the lessor included under ‘Long-term debt’ account. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss in the consolidated statement of comprehensive income. Capitalized leased assets are depreciated over the shorter of the EUL of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense under ‘Cost of sales and services’ and ‘General administrative expenses’ accounts in the profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

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

Earnings (Loss) Per Share (EPS)
Basic EPS is computed by dividing net income (loss) attributable to the equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the net profit (loss) attributable to ordinary equity holders of the Parent Company (after deducting interest on the convertible preferred shares, if any) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company in the case of cash dividends, and the BOD and shareholders of the Parent Company in the case of stock dividends.

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

Subsequent Events
Any post-year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group’s position at the reporting date (adjusting event) is reflected in the consolidated financial statements. Any post-year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

Future Changes in Accounting Policies

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

New Standards and Interpretations

Effective 2011

- PAS 24, *Related Party Disclosures* (Revised)
  The standard is effective for annual periods beginning on or after January 1, 2011, with earlier application permitted. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

- Philippine Interpretation IFRIC-19, *Extinguishing Financial Liabilities with Equity Instruments*
  The interpretation is effective for annual periods on or after July 1, 2010, with earlier application permitted. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Effective 2012

- Philippine Interpretation IFRIC-15, *Agreements for the Construction of Real Estate*
  This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as a construction contract to be accounted for under PAS 11, *Construction Contracts,* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Effective 2013

- PFRS 9, *Financial Instruments: Classification and Measurements*
  The standard has mandatory effectivity on January 1, 2013, however earlier application is permitted for financial statements beginning on or after January 1, 2010. The standard introduces new requirements on the classification and measurement of financial assets and liabilities. It uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the many different rules in PAS 39. The approach in the new standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in PAS 39.

- PFRS 9, as issued in 2010, reflects the first part of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The second part of the project will address proposals on the impairment methodology for financial assets and the third part, on hedge accounting. The completion of this project is expected in the middle of 2011. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Amendments to Standards

Effective 2011

- PAS 32, *Financial Instruments: Presentation - Classification of Rights Issue*
  The amended standard is effective for annual periods beginning on or after February 1, 2010, with earlier application permitted. It amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's nonderivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC-14, *Prepayments of a Minimum Funding Requirement*
  The amended interpretation is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

Effective 2012

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets*
  The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets*
  The amendment is effective for annual periods beginning on or after January 1, 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

<u>Improvements to PFRSs</u>
Improvements to PFRSs issued in May 2010 is an omnibus of amendments to PFRSs. Generally, these amendments are effective for annual periods beginning on or after January 1, 2011 unless otherwise stated. Except as otherwise indicated, the Group does not expect the adoption of these improvements to have significant impact on its financial statements.

- PFRS 3, *Business Combinations*
  a. It clarifies that the amendments to PFRS 7, PAS 32 and PAS 39, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008). The amendment is applicable to annual periods beginningon or after July 1, 2010 and is applied retrospectively.
  b. The amendment limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of NCI are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS, e.g., PFRS 2. It is applicable to annual periods beginning on or after July 1, 2010. The amendment is applied prospectively from the date the entity applies PFRS 3 (revised).
  c. It requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of NCI and measured at their market-based measure; if unvested - they are measured at market-based value as if granted at acquisition date, and allocated between NCI and post-combination expense. The amendment is applicable to annual periods beginning on or after July 1, 2010 and is applied prospectively.

- PFRS 7, *Financial Instruments: Disclosures*
  The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

  The amendment is applicable for annual periods beginning January 1, 2011 and is applied retrospectively. Amendments to quantitative and credit risk disclosures are as follow:
  a. Clarify that only a financial asset whose carrying amount does not reflect the maximum exposure to credit risk needs to provide further disclosure of the amount that represents the maximum exposure to such risk;
  b. Require, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk);
  c. Remove the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired;
  d. Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired; and

e. Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

   The Group expects that the additional disclosure requirements will only have minor impact as information is expected to be readily available.

- *PAS 1, Presentation of Financial Statements*
- *PAS 27, Consolidated and Separate Financial Statements*
- *PAS 21, The Effect of Changes in Foreign Exchange Rates*
- *PAS 28, Investments in Associates*
- *PAS 31, Interests in Joint Ventures*
- *Philippine Interpretation IFRIC-13, Customer Loyalty Programmes*

3. Significant Accounting Judgments and Estimates

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

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

Judgments

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

a. *Going concern assessment*
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

b. *Classification of financial instruments*
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the 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 statement of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group classifies certain quoted nonderivative financial assets with fixed or determinable payments and fixed maturities as HTM investments. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances, the Group will be required to reclassify the entire portfolio as AFS investments. Consequently, the investments would therefore be measured at fair value and not at amortized cost.

c. *Determination of fair values of financial instruments*
The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in fair value of these financial assets and liabilities would affect the consolidated statements of comprehensive income.

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The fair values of the Group's financial instruments are presented in Note 5 to the consolidated financial statements.

d. *Revenue from real estate sales*
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgment based on, among others:

- buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- stage of completion of the project.

The related balances from real estate transactions follow:

	2010	2009	2008
Revenue	**₱2,720,062,815**	₱3,903,963,162	₱4,942,149,125
Cost and expenses	**1,745,032,612**	2,304,166,017	3,302,412,914

e. *Classification of leases*
Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Group. Lease contracts, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased items, are capitalized. Otherwise, they are considered as operating leases.

The Group has entered into commercial property leases on its investment property portfolio. These leases do not provide for an option to purchase or transfer ownership of the property at the end of the lease and the related lease terms do not approximate the EUL of the assets being leased. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

f. *Distinction between investment properties and owner-occupied properties*
The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property, only if an insignificant portion is held for use in the production or supply of goods or 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.

g. *Distinction between subdivision land, and land and land improvements*
The Group determines whether a property will be classified as 'Subdivision land' or 'Land and land improvements.' In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (Subdivision land) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (Land and land improvements under Investment properties and Property, plant and equipment).

h. *Consolidation of SPEs*
The Group periodically undertakes transactions that may involve obtaining the right to control or significantly influence the operations of other companies. These transactions include the purchase of aircraft and assumption of certain liabilities; also included are transactions involving SPEs and similar vehicles. In all such cases, management makes an assessment as to whether the Group has the right to control or significantly influence the SPE, and based on this assessment, the SPE is consolidated as a subsidiary or an associated company. In making this assessment, management considers the underlying economic substance of the transaction and not only the contractual terms.

i. *Contingencies*
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's consolidated financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 43).

j. *Functional currency*
PAS 21 requires management to use its judgment to determine an entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Group considers the following:

a. the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
b. the currency in which funds from financing activities are generated; and
c. the currency in which receipts from operating activities are usually retained.

In the case of an intermediate holding company or finance subsidiary, the principal consideration of management is whether it is an extension of the parent and performing the functions of the parent - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the parent company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the parent; while in the latter case, the functional currency of the entity would be assessed separately.

k. *Significant subsequent events of fiscal subsidiaries*
The Group consolidates the balances of its fiscal subsidiaries using the balances as of the fiscal year end of each of the fiscal subsidiaries which are not more than three months from the consolidated reporting date of the Parent Company since management of the Group assessed that it is impracticable for fiscal subsidiaries to prepare financial statements as of the same date as the financial statements of the Parent Company. In accordance with PAS 27, management exercises judgement in determining whether adjustments should be made in the consolidated financial statements of the Group pertaining to the effects of significant transactions or events of the fiscal subsidiaries that occur between that date and the date of the Parent Company's financial statements.

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

a. *Revenue and cost recognition*
The Group's revenue recognition policies require use of estimates and assumptions that may affect the reported amounts of revenue and costs.

- Rendering of telecommunications services
  Digitel's postpaid service arrangements include fixed monthly charges which are recognized over the subscription period on a pro-rata basis. Digitel bills the postpaid subscribers throughout the month according to the bill cycles of subscribers. As a result of the billing cycle cut-off, service revenue earned but not yet billed at end of the month is estimated and accrued based on actual usage.

  The balances of the Group's unearned telecommunications revenue are disclosed in Note 23 to the financial statements.

  Digitel's agreements with local and foreign carriers for inbound and outbound traffic subject to settlements require traffic reconciliations before actual settlement is done, which may not be the actual volume of traffic as measured by management. Initial recognition of revenue is based on observed traffic in the network, since normal historical experience adjustments are not material to the consolidated financial statements. The differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates will not result in material adjustments in future periods.

  The total unsettled net inbound traffic revenue from local and foreign traffic carriers (included under 'Receivables' in the consolidated statements of financial position) are shown in Note 11, while the total unsettled net outbound traffic revenue to local and foreign carriers (included under 'Accounts payable and accrued expenses') are shown in Note 22.

- Sale of real estate
  The Group's revenue from real estate sales are recognized based on the percentage-of-completion and the completion rate is measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total costs of the project.

	2010	2009	2008
Revenue	**₱2,720,062,815**	₱3,903,963,162	₱4,942,149,125
Cost and expenses	**1,745,032,612**	2,304,166,017	3,302,412,914

- Rendering of transportation services
  Passenger sales are recognized as revenue when the transportation is provided. The value of unused tickets is included as unearned transportation revenue in the consolidated statement of financial position and recognized in revenue based on estimates. These estimates are based on historical experience. While actual results may vary from these estimates, the Group believes it is unlikely that materially different estimates for future refunds, exchanges, and forfeited tickets would be reported based on other reasonable assumptions or conditions suggested by actual historical experience and other data available at the time estimates were made.

  The balances of the Group's unearned transportation revenue is disclosed in Note 23 to the financial statements. Ticket sales that are not expected to be used for transportation are recognized as revenue using estimates regarding the timing of recognition based on the terms and conditions of the tickets and historical trends.

b. *Impairment of AFS investments*

AFS debt investments
The Group classifies certain financial assets as AFS investments and recognizes movements in the fair value in other comprehensive income. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in the profit or loss in the consolidated statement of comprehensive income.

The Group recognized a provision for impairment loss on AFS debt investments, included under 'Impairment losses and others' in the consolidated statements of comprehensive income, amounting to nil, ₱185.5 million and ₱11.7 million in 2010, 2009 and 2008, respectively (Notes 10 and 34).

The carrying value of the Group's AFS debt investments is disclosed in Note 10 to the financial statements.

AFS equity investments
The Group treats AFS equity investments as impaired, when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including the normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

In 2009, the Group recognized impairment losses amounting to ₱62.3 million on its AFS equity investments while in 2010 and 2008, the Group did not recognize impairment on its AFS equity investments (Notes 10 and 34).

The carrying value of the Group's AFS equity investments is disclosed in Note 10 to the financial statements.

c. *Estimation of allowance for impairment losses on receivables*
The Group maintains allowances for impairment losses on trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of the receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for trade and other receivables that it deems uncollectible.

The Group reviews its finance receivables at each statement of financial position date to assess whether an impairment losses should be recorded in the profit or loss in the consolidated statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets.

Provisions for impairment losses on receivables included in 'Impairment losses and others' in the profit or loss in the consolidated statements of comprehensive income amounted to ₱688.3 million, ₱765.6 million and ₱396.3 million in 2010, 2009 and 2008, respectively (Note 34).

The carrying value of the Group's total receivables, net of allowance for impairment losses, is disclosed in Note 11 to the financial statements.

d. *Determination of NRV of inventories*
The Group, in determining the NRV, considers any adjustment necessary for obsolescence which is generally providing a 100% write down for nonmoving items for more than one year. The Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect any market decline in the value of the recorded inventories. The Group reviews the classification of the inventories and generally provides adjustments for recoverable values of new, actively sold and slow-moving inventories by reference to prevailing values of the same inventories in the market.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

Inventory obsolescence and market decline (included under 'Impairment losses and others' in the profit or loss in the consolidated statements of comprehensive income) amounted to ₱17.6 million, ₱60.2 million and ₱419.2 million in 2010, 2009 and 2008, respectively (Note 34).

The carrying value of the Group's inventories, net of inventory obsolescence and market decline, is disclosed in Note 12 to the financial statements.

e. *Estimation of ARO*
The Group is legally required under various contracts to restore certain leased property and leased aircraft to its original condition and to bear the costs of dismantling and deinstallation at the end of the contract period. These costs are accrued based on an internal estimate which incorporates estimates on the amounts of asset retirement costs, third party margins and interest rates. The Group recognizes the present value of these costs as part of the balance of the related property, plant and equipment accounts, and depreciates such on a straight-line basis over the EUL of the related asset.

In 2010, the air transportation segment of the Group contracted a third party engineer to reassess the amount of future restoration costs. Based on the reassessment, the Group recognized additional ARO asset and ARO liability amounting to ₱705.7 million (Note 17).

The present value of dismantling or restoration costs of telecommunication segment is computed based on an average credit adjusted risk-free rate of 6.2% to 10.1% while the present value of the cost of restoration for the air transportation segment is computed based on CAI's average borrowing cost. Assumptions used to compute ARO are reviewed and updated annually.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in ARO would increase recorded operating expenses and increase noncurrent liabilities.

The carrying values of the Group's ARO (included under 'Other noncurrent liabilities' account in the consolidated statements of financial position) is disclosed in Note 25 to the financial statements.

f. *Estimation of useful lives of property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost*

The Group estimates the useful lives of its depreciable property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost based on the period over which the assets are expected to be available for use. The EUL of the said depreciable assets are reviewed at least annually and are updated, if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the EUL of the depreciable property, plant and equipment, investment properties and intangible assets would increase depreciation and amortization expense and decrease noncurrent assets.

As of December 31, 2010 and 2009, the balance of the Group's depreciable property, plant and equipment, investment properties, intangible assets and biological assets at cost follow:

	2010	2009
Property, plant and equipment	**₱143,781,594,050**	₱129,851,679,680
Investment properties	**20,428,664,653**	19,480,442,394
Intangible assets (Note 19)	**168,798,879**	175,834,549
Biological asset at cost - Breeder (Note 18)	**448,700,235**	505,251,240

g. *Estimation of fair values less estimated costs to sell of biological assets*

The fair values of biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell costs include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market. The fair values are reviewed and updated, if expectations differ from previous estimates due to changes brought about by both physical change and price changes in the market. It is possible that future results of operations could be materially affected by changes in these estimates brought about by the changes in factors mentioned.

The Group recognized loss arising from changes in the fair market value of biological assets assets (included in the 'Cost of sales and services' in the statements of comprehensive income) amounted to ₱44.7 million in 2010 while the recognized gains arising from changes in the fair market values of biological assets (included in the 'Cost of sales and services' in the statements of comprehensive income) amounted to ₱96.8 million and ₱3.5 million in 2009 and 2008, respectively.

The carrying value of the Group's biological assets carried at fair values less estimated costs to sell is disclosed in Note 18 to the financial statements.

h. *Estimation of pension and other benefits costs*

The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates (Note 37). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The Group also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availments of employees, subject to the Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rate of Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date.

As of December 31, 2010 and 2009, the balance of the Group's present value of defined benefit obligations and other employee benefits is shown in Note 37.

i. *Assessment of impairment on property, plant and equipment, investment properties, investments in associates and joint ventures, biological asset at cost, goodwill and other intangible assets*
The Group assesses the impairment on its property, plant and equipment, investment properties, investments in associates and joint ventures, biological assets at cost and goodwill and other intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant or prolonged decline in the fair value of the asset;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In the case of goodwill and intangible assets with indefinite lives, at a minimum, such assets are subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group did not recognize any impairment losses on nonfinancial assets in 2010, 2009 and in 2008.

As of December 31, 2010 and 2009, the balance of the Group's nonfinancial assets, net of accumulated depreciation, amortization and impairment loss follow:

	2010	2009
Property, plant and equipment (Note 17)	**₱146,336,664,209**	₱132,258,672,721
Investment properties (Note 16)	**32,178,986,041**	29,531,690,983
Investments in associates and joint ventures (Note 15)	**30,425,762,248**	28,091,879,159
Goodwill (Note 20)	**890,375,020**	890,375,020
Intangible assets (Note 19)	**993,831,456**	865,790,925

j. *Recognition of deferred tax assets*
The Group reviews the carrying amounts of its deferred tax assets at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.

As of December 31, 2010 and 2009 , the Group's recognized deferred tax assets are shown in Note 38.

The Group has certain subsidiaries which enjoy the benefits of an income tax holiday (ITH). As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse or expire within the ITH period (Notes 38 and 41).

As of December 31, 2010 and 2009, the total amounts of temporary differences, in which the Group did not recognize any deferred tax assets are shown in Note 38.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivative financial instruments, comprise cash and cash equivalents, financial assets at FVPL, HTM investments, AFS investments, interest-bearing loans and borrowings and payables and other financial liabilities. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as trade receivables and payables which arise directly from its operations. Also, the Parent Company and certain subsidiaries are counterparties to derivative contracts, such as interest rate swaps, currency forwards, cross currency swaps, currency options and commodity options. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes.

The BODs of the Parent Company and its subsidiaries review and approve the policies for managing each of these risks which are summarized below, together with the related risk management structure.

Risk Management Structure
The BOD of the Parent Company and the respective BODs of each subsidiary are ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

Each BOD has created the board-level Audit Committee (AC) to spearhead the managing and monitoring of risks.

AC
The AC shall assist the Group's BOD in its fiduciary responsibility for the overall effectiveness of risk management systems and the internal audit functions of the Group. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The AC also aims to ensure that:

a. financial reports comply with established internal policies and procedures, pertinent accounting and audit standards and other regulatory requirements;
b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;
c. audit activities of internal auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal auditors; and
d. the Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Enterprise Risk Management Group (ERMG)
The ERMG was created to be primarily responsible for the execution of the enterprise risk management framework. The ERMG's main concerns include:

a. recommendation of risk policies, strategies, principles, framework and limits;
b. management of fundamental risk issues and monitoring of relevant risk decisions;
c. support to management in implementing the risk policies and strategies; and
d. development of a risk awareness program.

Corporate Governance Compliance Officer
Compliance with the principles of good corporate governance is one of the objectives of the Group's BOD. To assist the Group's BOD in achieving this purpose, the Group's BOD has designated a Compliance Officer who shall be responsible for monitoring the actual compliance of the Group with the provisions and requirements of good corporate governance, identifying and monitoring control compliance risks, determining violations, and recommending penalties for such infringements for further review and approval of the Group's BOD, among others.

Day-to-day risk management functions
At the business unit or company level, the day-to-day risk management functions are handled by four different groups, namely:

1. Risk-taking Personnel. This group includes line personnel who initiate and are directly accountable for all risks taken.
2. Risk Control and Compliance. This group includes middle management personnel who perform the day-to-day compliance check to approved risk policies and risk mitigation decisions.
3. Support. This group includes back office personnel who support the line personnel.
4. Risk Management. This group pertains to the business unit's Management Committee which makes risk-mitigating decisions within the enterprise-wide risk management framework.

Enterprise Resource Management (ERM) Framework
The Parent Company's BOD is also responsible for establishing and maintaining a sound risk management framework and is accountable for risks taken by the Parent Company. The Parent Company's BOD also shares the responsibility with the ERMG in promoting the risk awareness program enterprise-wide.

The ERM framework revolves around the following eight (8) interrelated risk management approaches:

1. Internal Environmental Scanning. It involves the review of the overall prevailing risk profile of the business unit to determine how risks are viewed and addressed by management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the Group.
2. Objective Setting. The Group's BOD mandates the business unit's management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives which are aligned with the Group's goals.

3. Event Identification. It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.
4. Risk Assessment. The identified risks are analyzed relative to the probability and severity of potential loss which serves as a basis for determining how the risks should be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's attention, and risks which may materially weaken the Group's earnings and capital.
5. Risk Response. The Group's BOD, through the oversight role of the ERMG, approves the business unit's responses to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.
6. Control Activities. Policies and procedures are established and approved by the Group's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.
7. Information and Communication. Relevant risk management information are identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.
8. Monitoring. The ERMG, Internal Audit Group, Compliance Office and Business Assessment Team constantly monitor the management of risks through risk limits, audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

Risk management support groups
The Group's BOD created the following departments within the Group to support the risk management activities of the Parent Company and the other business units:

1. Corporate Security and Safety Board (CSSB). Under the supervision of ERMG, the CSSB administers enterprise-wide policies affecting physical security of assets exposed to various forms of risks.
2. Corporate Supplier Accreditation Team (CORPSAT). Under the supervision of ERMG, the CORPSAT administers enterprise-wide procurement policies to ensure availability of supplies and services of high quality and standards to all business units.
3. Corporate Management Services (CMS). The CMS is responsible for the formulation of enterprise-wide policies and procedures.
4. Corporate Planning (CORPLAN). The CORPLAN is responsible for the administration of strategic planning, budgeting and performance review processes of business units.
5. Corporate Insurance Department (CID). The CID is responsible for the administration of the insurance program of business units concerning property, public liability, business interruption, money and fidelity, and employer compensation insurances, as well as, in the procurement of performance bonds.

Risk Management Policies
The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk, such as, foreign currency risk, commodity price risk, equity price risk and interest rate risk. The Group's policies for managing the aforementioned risks are summarized below.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group transacts only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group continuously provides credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL, AFS investments and certain derivative investments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

The Group has a counterparty credit risk management policy which allocates investment limits based on counterparty credit ratings and credit risk profile.

a. Credit risk exposure

The table below shows the gross maximum exposure to credit risk (including derivatives) of the Group as of December 31, 2010 and 2009, without considering the effects of collaterals and other credit risk mitigation techniques.

	2010	2009
Cash and cash equivalents (excluding cash on hand amounting to ₱783,767,940 and ₱869,249,578 as of December 31, 2010 and 2009, respectively)	**₱41,326,235,582**	₱17,604,443,126
Derivative financial assets:		
Designated as accounting hedges	**102,271,000**	23,650,032
Financial assets at FVPL:		
Held-for-trading:		
Debt securities:		
Private	**6,528,895,745**	5,277,566,296
Government	**1,289,922,199**	1,038,368,701
Subtotal	**7,818,817,944**	6,315,934,997
Equity securities:		
Quoted	**2,440,000,567**	1,898,839,984
Unquoted	**4,516**	4,768
Subtotal	**2,440,005,083**	1,898,844,752
Derivative financial assets:		
Not designated as accounting hedges	**1,083,907,607**	639,581,927
	11,342,730,634	8,854,361,676
AFS investments:		
Debt securities:		
Government	**4,775,865,587**	4,780,573,833
Private	**3,695,869,519**	3,989,253,211
Subtotal	**8,471,735,106**	8,769,827,044
Equity securities:		
Quoted	**1,168,562,938**	1,367,142,809
Unquoted	**210,597,671**	72,937,171
Subtotal	**1,379,160,609**	1,440,079,980
	9,850,895,715	10,209,907,024

(Forward)

	2010	2009
Receivables:		
Trade receivables	**₱9,982,616,285**	₱11,096,619,734
Finance receivables	**9,687,998,417**	7,965,950,775
Due from related parties	**2,226,813,907**	1,920,475,472
Interest receivable	**711,403,659**	438,916,592
Other receivables	**2,017,665,905**	1,436,094,784
	24,626,498,173	22,858,057,357
HTM investments:		
Private bonds:	**–**	478,111,408
Government securities	**–**	377,350,805
Treasury notes	**–**	114,632,521
	–	970,094,734
Refundable security deposits (included under Other Current and Other Noncurrent Assets in the consolidated statement of financial position)	**526,999,627**	492,060,128
Advances to suppliers	**489,040,439**	307,345,076
Others financial assets (included under Other Noncurrent Assets in the consolidated statement of financial position)	**87,976,029**	54,172,428
	₱88,352,647,199	₱61,374,091,581

b. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

The Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. In order to avoid excessive concentrations of risks, identified concentrations of credit risks are controlled and managed accordingly.

i. Concentration by geographical location
The Group's credit risk exposures as of December 31, 2010 and 2009, before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

	December 31, 2010					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents						
(excluding cash on hand)	₱38,536,685,766	₱2,789,202,071	₱–	₱347,745	₱–	₱41,326,235,582
Derivative financial assets:						
Designated as accounting hedges	102,271,000	–	–	–	–	102,271,000
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	2,053,479,607	915,147,740	440,633,307	1,736,314,362	1,383,320,729	6,528,895,745
Government	948,259,200	190,065,964	–	–	151,597,035	1,289,922,199
	3,001,738,807	1,105,213,704	440,633,307	1,736,314,362	1,534,917,764	7,818,817,944
Equity securities:						
Quoted	282,608,536	232,563,353	926,758,141	712,119,753	285,950,784	2,440,000,567
Unquoted	–	4,516	–	–	–	4,516
	282,608,536	232,567,869	926,758,141	712,119,753	285,950,784	2,440,005,083
	3,284,347,343	1,337,781,573	1,367,391,448	2,448,434,115	1,820,868,548	10,258,823,027
Derivative assets:						
Not designated as						
accounting hedges	673,542,090	260,937,463	–	149,428,054	–	1,083,907,607
	3,957,889,433	1,598,719,036	1,367,391,448	2,597,862,169	1,820,868,548	11,342,730,634
AFS investments:						
Debt securities:						
Government	3,914,067,346	158,773,681	–	–	703,024,560	4,775,865,587
Private	456,878,991	379,175,308	761,354,929	2,046,873,879	51,586,412	3,695,869,519
	4,370,946,337	537,948,989	761,354,929	2,046,873,879	754,610,972	8,471,735,106
Equity securities:						
Quoted	110,336,688	943,694,250	–	–	114,532,000	1,168,562,938
Unquoted	210,597,671	–	–	–	–	210,597,671
	320,934,359	943,694,250	–	–	114,532,000	1,379,160,609
	4,691,880,696	1,481,643,239	761,354,929	2,046,873,879	869,142,972	9,850,895,715
Receivables:						
Trade receivables	8,318,457,791	1,409,714,130	192,447,000	61,997,364	–	9,982,616,285
Finance receivables	9,687,998,417	–	–	–	–	9,687,998,417
Due from related parties	589,129,115	431,557,672	1,206,127,120	–	–	2,226,813,907
Interest receivable	470,727,566	27,862,137	58,487,433	57,885,218	96,441,305	711,403,659
Other receivables	1,636,205,157	275,132,149	67,607,101	38,721,498	–	2,017,665,905
	20,702,518,046	2,144,266,088	1,524,668,654	158,604,080	96,441,305	24,626,498,173
HTM investments:						
Private bonds	–	–	–	–	–	–
Government securities	–	–	–	–	–	–
Treasury notes	–	–	–	–	–	–
	–	–	–	–	–	–
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statement of financial position)	517,759,627	–	–	9,240,000	–	526,999,627
Advances to suppliers	252,654,844	236,385,595	–	–	–	489,040,439
Other financial assets (included under 'Other noncurrent assets' in the consolidated statement of financial position)	87,976,029	–	–	–	–	87,976,029
	₱68,849,635,441	₱8,250,216,029	₱3,653,415,031	₱4,812,927,873	₱2,786,452,825	₱88,352,647,199

**Others include South American countries (i.e., Argentina and Mexico).*

	December 31, 2009					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents (excluding cash on hand)	₱13,608,293,128	₱3,996,149,998	₱–	₱–	₱–	₱17,604,443,126
Derivative financial assets:						
Designated as accounting hedges	23,650,032	–	–	–	–	23,650,032
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	1,802,917,369	583,347,937	309,501,426	2,034,932,564	546,867,000	5,277,566,296
Government	915,222,000	67,902,441	–	–	55,244,260	1,038,368,701
	2,718,139,369	651,250,378	309,501,426	2,034,932,564	602,111,260	6,315,934,997
Equity securities:						
Quoted	583,167,435	186,210,430	513,467,949	615,994,170	–	1,898,839,984
Unquoted	–	4,768	–	–	–	4,768
	583,167,435	186,215,198	513,467,949	615,994,170	–	1,898,844,752
	3,301,306,804	837,465,576	822,969,375	2,650,926,734	602,111,260	8,214,779,749
Derivative financial assets:						
Not designated as accounting hedges	384,317,253	244,098,595	–	11,166,079	–	639,581,927
	3,685,624,057	1,081,564,171	822,969,375	2,662,092,813	602,111,260	8,854,361,676
AFS investments:						
Debt securities:						
Government	3,859,538,555	154,878,579	–	–	766,156,699	4,780,573,833
Private	137,537,349	355,213,522	1,009,644,598	2,433,480,827	53,376,915	3,989,253,211
	3,997,075,904	510,092,101	1,009,644,598	2,433,480,827	819,533,614	8,769,827,044
Equity securities:						
Quoted	76,261,458	1,185,545,351	105,336,000	–	–	1,367,142,809
Unquoted	72,937,171	–	–	–	–	72,937,171
	149,198,629	1,185,545,351	105,336,000	–	–	1,440,079,980
	4,146,274,533	1,695,637,452	1,114,980,598	2,433,480,827	819,533,614	10,209,907,024
Receivables:						
Trade receivables	9,085,257,433	1,599,290,841	195,796,651	216,274,809	–	11,096,619,734
Finance receivables	7,965,950,775	–	–	–	–	7,965,950,775
Due from related parties	228,299,291	449,161,990	1,243,014,191	–	–	1,920,475,472
Interest receivable	272,253,148	25,883,993	70,663,844	45,651,765	24,463,842	438,916,592
Other receivables	1,242,998,728	193,096,056	–	–	–	1,436,094,784
	18,794,759,375	2,267,432,880	1,509,474,686	261,926,574	24,463,842	22,858,057,357
HTM investments:						
Private bonds	478,111,408	–	–	–	–	478,111,408
Government securities	377,350,805	–	–	–	–	377,350,805
Treasury notes	114,632,521	–	–	–	–	114,632,521
	970,094,734	–	–	–	–	970,094,734
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position) (Note 21)	482,820,128	–	–	9,240,000	–	492,060,128
Advances to suppliers (Note 23)	140,004,563	167,340,513	–	–	–	307,345,076
Other financial assets (included under 'Other noncurrent assets' in the consolidated statement of financial position) (Note 21)	54,172,428	–	–	–	–	54,172,428
	₱41,905,692,978	₱9,208,125,014	₱3,447,424,659	₱5,366,740,214	₱1,446,108,716	₱61,374,091,581

**Others include South American countries (i.e., Argentina and Mexico).*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2010 and 2009, before taking into account any collateral held or other credit enhancements.

	December 31, 2010											
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Private Households	Financial Intermediaries	Transportation, Storage and Communication	Construction	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Public Administration and Defense	Others*	Total
Cash and cash equivalents (excluding cash on hand)	₱–	₱–	₱–	₱–	₱41,326,235,582	₱–	₱–	₱–	₱–	₱–	₱–	₱41,326,235,582
Derivative financial assets:												
Designated as accounting hedges	–	–	–	–	102,271,000	–	–	–	–	–	–	102,271,000
Financial assets at FVPL:												
Held-for-trading:												
Debt securities:												
Private	–	668,627,033	–	–	1,898,825,150	466,811,399	–	–	97,740,506	–	3,396,891,657	6,528,895,745
Government	–	–	–	–	1,138,031,535	–	–	–	–	–	151,890,664	1,289,922,199
	–	668,627,033	–	–	3,036,856,685	466,811,399	–	–	97,740,506	–	3,548,782,321	7,818,817,944
Equity securities:												
Quoted	–	–	–	–	1,797,137,222	221,399,960	–	–	–	–	421,463,385	2,440,000,567
Unquoted	–	–	–	–	–	–	–	–	–	–	4,516	4,516
	–	–	–	–	1,797,137,222	221,399,960	–	–	–	–	421,467,901	2,440,005,083
	–	668,627,033	–	–	4,833,993,907	688,211,359	–	–	97,740,506	–	3,970,250,222	10,258,823,027
Derivative financial assets:												
Not designated as accounting hedges	–	–	316,134,415	–	113,486,167	–	–	–	489,917,466	–	164,369,559	1,083,907,607
	–	668,627,033	316,134,415	–	4,947,480,074	688,211,359	–	–	587,657,972	–	4,134,619,781	11,342,730,634
AFS investments:												
Debt securities:												
Government	–	–	–	–	2,231,875,899	–	–	–	–	–	2,543,989,688	4,775,865,587
Private	–	–	–	–	1,662,997,703	659,476,908	–	–	465,152,683	–	908,242,225	3,695,869,519
	–	–	–	–	3,894,873,602	659,476,908	–	–	465,152,683	–	3,452,231,913	8,471,735,106
Equity securities:												
Quoted	–	–	–	–	186,038,398	–	–	–	–	–	982,524,540	1,168,562,938
Unquoted	–	–	–	–	210,000,000	–	–	–	–	–	597,671	210,597,671
	–	–	–	–	396,038,398	–	–	–	–	–	983,122,211	1,379,160,609
	–	–	–	–	4,290,912,000	659,476,908	–	–	465,152,683	–	4,435,354,124	9,850,895,715

(Forward)

	December 31, 2010											
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Private Households	Financial Intermediaries	Transportation, Storage and Communication	Construction	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Public Administration and Defense	Others*	Total
Receivables:												
Trade receivables	₱3,602,661,658	₱3,224,224,250	₱391,595,000	₱529,640,000	₱15,928,000	₱1,085,750,660	₱–	₱109,100,070	₱9,591,000	₱–	₱1,014,125,647	₱9,982,616,285
Finance receivables	673,003,502	1,735,623,721	1,053,797,696	–	5,901,428	547,082,329	131,865,566	638,407,682	867,173,173	–	4,035,143,320	9,687,998,417
Interest receivable	239,293	3,083,985	–	–	325,686,369	13,520,964	–		5,682,987	–	363,190,061	711,403,659
Due from related parties	29,349,376	854,449,405	6,891,517	–	33,251,887	54,269,012	–	114,990,272	1,332,197	–	1,132,280,241	2,226,813,907
Other receivables	629,139,140	338,869,216	3,613,000	–		185,301,385	–	69,166,837	–	33,881,539	757,694,788	2,017,665,905
	4,934,392,969	6,156,250,577	1,455,897,213	529,640,000	380,767,684	1,885,924,350	131,865,566	931,664,861	883,779,357	33,881,539	7,302,434,057	24,626,498,173
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statement of financial position) (Note 21)	903,835	497,229,677	–	–	–	9,240,000	–	–	–	–	19,626,115	526,999,627
Advances to suppliers (Note 13)	236,865,316	122,916,608	–	–	–	–	–	57,290,923	–	–	71,967,592	489,040,439
Other financial assets (included under 'Other noncurrent assets' in the consolidated statement of financial position) (Note 21)	–	–	–	–	–	–	–	–	–	–	87,976,029	87,976,029
	₱5,172,162,120	₱7,445,023,895	₱1,772,031,628	₱529,640,000	₱51,047,666,340	₱3,242,852,617	₱131,865,566	₱988,955,784	₱1,936,590,012	₱33,881,539	₱16,051,977,698	₱88,352,647,199

Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.

	December 31, 2009											
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Private Households	Financial Intermediaries	Transportation, Storage and Communication	Construction	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Public Administration and Defense	Others*	Total
Cash and cash equivalents (excluding cash on hand)	₱–	₱–	₱–	₱–	₱17,604,443,126	₱–	₱–	₱–	₱–	₱–	₱–	₱17,604,443,126
Derivative financial instruments:												
Designated as accounting hedges	–	–	–	–	23,650,032	–	–	–	–	–	–	23,650,032
Financial assets at FVPL:												
Held-for-trading:												
Debt securities:												
Private	–	–	–	–	1,198,092,368	563,910,025	–	–	78,641,062	–	3,436,922,841	5,277,566,296
Government	–	–	–	–	1,038,368,701	–	–	–	–	–	–	1,038,368,701
	–	–	–	–	2,236,461,069	563,910,025	–	–	78,641,062	–	3,436,922,841	6,315,934,997
Equity securities:												
Quoted	–	–	–	–	1,080,803,497	142,000	–	–	–	–	817,894,487	1,898,839,984
Unquoted	–	–	–	–	4,768	–	–	–	–	–	–	4,768
	–	–	–	–	1,080,808,265	142,000	–	–	–	–	817,894,487	1,898,844,752
					3,317,269,334	564,052,025			78,641,062		4,254,817,328	8,214,779,749
Derivative financial instruments:												
Not designated as accounting hedges	9,709,660	–	220,383,442	–	108,442,397	–	–	–	227,794,364	–	73,252,064	639,581,927
	9,709,660	–	220,383,442	–	3,425,711,731	564,052,025	–	–	306,435,426	–	4,328,069,392	8,854,361,676
AFS investments:												
Debt securities:												
Government	45,369,931	–	–	–	2,330,553,443	–	–	–	–	–	2,404,650,459	4,780,573,833
Private	159,267,221	–	–	–	1,330,458,249	292,282,564	–	–	–	–	2,207,245,177	3,989,253,211
	204,637,152	–	–	–	3,661,011,692	292,282,564	–	–	–	–	4,611,895,636	8,769,827,044
Equity securities:												
Quoted	–	–	–	–	442,253,803	–	–	–	–	–	924,889,006	1,367,142,809
Unquoted	–	–	–	–	–	–	–	–	–	–	72,937,171	72,937,171
	–	–	–	–	442,253,803	–	–	–	–	–	997,826,177	1,440,079,980
	204,637,152				4,103,265,495	292,282,564					5,609,721,813	10,209,907,024

(Forward)

	December 31, 2009											
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Private Households	Financial Intermediaries	Transportation, Storage and Communication	Construction	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Public Administration and Defense	Others*	Total
Receivables:												
Trade receivables	₱3,811,989,237	₱3,820,711,804	₱340,536,896	₱390,818,118	₱38,808,193	₱1,321,806,379	₱13,046,690	₱–	₱4,121,450	₱26,699,573	₱1,328,081,394	₱11,096,619,734
Finance receivables	575,106,621	2,531,175,980	1,009,577,982	–	101,148,477	431,209,859	83,163,649	120,367,185	785,599,998	–	2,328,601,024	7,965,950,775
Due from related parties	104,755,389	519,254,655	8,903,032	–	20,791,850	40,294,661	–	–	–	–	1,226,475,885	1,920,475,472
Interest receivable	970,196	–	–	–	268,294,202	12,259,741	–	–	1,195,979	–	156,196,474	438,916,592
Other receivables	587,929,444	278,583,949	11,948,735	–	102,028,270	10,758,450	8,109,046	–	–	109,792,607	326,944,283	1,436,094,784
	5,080,750,887	7,149,726,388	1,370,966,645	390,818,118	531,070,992	1,816,329,090	104,319,385	120,367,185	790,917,427	136,492,180	5,366,299,060	22,858,057,357
HTM investments:												
Private bonds	–	–	–	–	478,111,408	–	–	–	–	–	–	478,111,408
Government securities	–	–	–	–	377,350,805	–	–	–	–	–	–	377,350,805
Treasury notes	–	–	–	–	114,632,521	–	–	–	–	–	–	114,632,521
	–	–	–	–	970,094,734	–	–	–	–	–	–	970,094,734
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statement of financial position) (Note 21)	900,402	466,233,372	–	–	15,686,354	9,240,000	–	–	–	–	–	492,060,128
Advances to suppliers (Note 13)	263,101,798	12,507,954	–	–	–	–	–	–	–	–	31,735,324	307,345,076
Other financial assets (included under 'Other noncurrent assets' in the consolidated statement of financial position) (Note 21)	–	–	–	–	54,172,428	–	–	–	–	–	–	54,172,428
	₱5,559,099,899	₱7,628,467,714	₱1,591,350,087	₱390,818,118	₱26,728,094,892	₱2,681,903,679	₱104,319,385	₱120,367,185	₱1,097,352,853	₱136,492,180	₱15,335,825,589	₱61,374,091,581

**Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.*

c. Credit quality per class of financial assets

The table below shows the credit quality by class of financial assets gross of allowance for impairment losses:

	2010					
	Neither Past Due Nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due or Individually Impaired	Total
Cash and cash equivalents (excluding cash on hand)	₱39,610,076,426	₱1,716,159,156	₱–	₱–	₱–	₱41,326,235,582
Derivative financial assets:						
Designated as accounting hedges	–	102,271,000	–	–	–	102,271,000
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	2,961,243,455	2,839,306,600	728,345,690	–	–	6,528,895,745
Government	–	1,289,922,199	–	–	–	1,289,922,199
	2,961,243,455	4,129,228,799	728,345,690	–	–	7,818,817,944
Equity securities:						
Quoted	1,643,767,874	579,623,461	216,609,232	–	–	2,440,000,567
Unquoted	4,516	–	–	–	–	4,516
	1,643,772,390	579,623,461	216,609,232	–	–	2,440,005,083
	4,605,015,845	4,708,852,260	944,954,922	–	–	10,258,823,027
Derivative financial assets:						
Not designated as accounting hedges	1,083,907,607	–	–	–	–	1,083,907,607
	5,688,923,452	4,708,852,260	944,954,922	–	–	11,342,730,634
AFS investments:						
Debt securities:						
Government	4,088,364,939	477,913,755	–	209,586,893	–	4,775,865,587
Private	1,634,264,850	1,116,893,217	558,975,244	87,446,901	298,289,307	3,695,869,519
	5,722,629,789	1,594,806,972	558,975,244	297,033,794	298,289,307	8,471,735,106
Equity securities:						
Quoted	110,336,688	1,058,226,250	–	–	–	1,168,562,938
Unquoted	210,597,671	–	–	–	–	210,597,671
	320,934,359	1,058,226,250	–	–	–	1,379,160,609
	6,043,564,148	2,653,033,222	558,975,244	297,033,794	298,289,307	9,850,895,715
Receivables:						
Trade receivables	5,362,426,113	2,148,474,778	229,846,876	–	4,295,192,255	12,035,940,022
Finance receivables	1,496,414,620	7,729,760,939	346,452,826	–	625,585,031	10,198,213,416
Due from related parties	1,137,529,412	1,089,284,495	–	–	–	2,226,813,907
Interest receivable	480,334,593	230,827,935	–	–	241,131	711,403,659
Other receivables	649,813,970	1,260,507,017	41,287,827	–	514,132,033	2,465,740,847
	9,126,518,708	12,458,855,164	617,587,529	–	5,435,150,450	27,638,111,851
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statement of financial position) (Note 21)	506,469,677	20,529,950		–	–	526,999,627
Advances to suppliers (Note 13)	297,415,764	64,240,811	34,977,879	–	92,405,985	489,040,439
Other financial assets (included under 'Other noncurrent assets' in the consolidated statement of financial position) (Note 21)	–	87,976,029	–	–	–	87,976,029
	₱61,272,968,175	₱21,811,917,592	₱2,156,495,574	₱297,033,794	₱5,825,845,742	₱91,364,260,877

	2009					
	Neither Past Due Nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due or Individually Impaired	Total
Cash and cash equivalents (excluding cash on hand)	₱17,604,443,126	₱–	₱–	₱–	₱–	₱17,604,443,126
Derivative financial assets:						
Designated as accounting hedges	–	23,650,032	–	–	–	23,650,032
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	3,619,162,958	1,219,723,586	438,679,752	–	–	5,277,566,296
Government	983,124,441	55,244,260	–	–	–	1,038,368,701
	4,602,287,399	1,274,967,846	438,679,752	–	–	6,315,934,997
Equity securities:						
Quoted	991,022,216	813,129,524	94,688,244	–	–	1,898,839,984
Unquoted	4,768	–	–	–	–	4,768
	991,026,984	813,129,524	94,688,244	–	–	1,898,844,752
	5,593,314,383	2,088,097,370	533,367,996	–	–	8,214,779,749
Derivative financial assets:						
Not designated as accounting hedges	639,581,927	–	–	–	–	639,581,927
	6,232,896,310	2,088,097,370	533,367,996	–	–	8,854,361,676
AFS investments:						
Debt securities:						
Private	3,165,686,040	282,984,646	224,277,721	–	316,304,804	3,989,253,211
Government	4,612,635,520	167,938,313	–	–	–	4,780,573,833
	7,778,321,560	450,922,959	224,277,721	–	316,304,804	8,769,827,044
Equity securities:						
Quoted	1,078,038,547	–	–	–	289,104,262	1,367,142,809
Unquoted	60,000,000	12,937,171	–	–	–	72,937,171
	1,138,038,547	12,937,171	–	–	289,104,262	1,440,079,980
	8,916,360,107	463,860,130	224,277,721	–	605,409,066	10,209,907,024
Receivables:						
Trade receivables	7,332,484,091	885,296,968	228,393,152	–	5,036,297,525	13,482,471,736
Finance receivables	2,213,397,492	5,534,563,480	217,989,803	–	188,002,410	8,153,953,185
Due from related parties	763,470,551	1,157,004,921	–	–	–	1,920,475,472
Interest receivable	279,866,224	–	–	158,704,652	345,716	438,916,592
Other receivables	1,156,025,626	240,712,456	3,400,796	102,028,270	281,757,531	1,783,924,679
	11,745,243,984	7,817,577,825	449,783,751	260,732,922	5,506,403,182	25,779,741,664
HTM investments:						
Private	478,111,408	–	–	–	–	478,111,408
Government securities	377,350,805	–	–	–	–	377,350,805
Treasury notes	114,632,521	–	–	–	–	114,632,521
	970,094,734	–	–	–	–	970,094,734
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statement of financial position) (Note 21)	475,473,372	900,402	–	15,686,354	–	492,060,128
Advances to suppliers (Note 13)	99,045,514	123,814,062	10,528,755	–	73,956,745	307,345,076
Other financial assets (included under 'Other noncurrent assets' in the consolidated statement of financial position) (Note 21)	33,698,718	–	–	20,473,710	–	54,172,428
	₱46,077,255,865	₱10,517,899,821	₱1,217,958,223	₱296,892,986	₱6,185,768,993	₱64,295,775,888

Classification of Financial Assets by Class used by the Group except for the Banking Segment
High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks belonging to the top 10 banks in the Philippines in terms of resources and profitability.

Other high grade accounts are considered to be of high value since the counterparties have a remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular followup actions and extended payment terms.

Classification of Financial Assets by Class used by the Banking Segment
For loans and receivables to customers, the Banking Segment's internal credit rating system was approved in 2007 and covers corporate credit exposures and SMEs, which is defined by the BSP as exposures to companies with assets of more than ₱15.0 million. Around ₱5.0 billion of loans and receivables to customers do not have available credit ratings, including microfinance, automobile and real estate loans. Due from foreign banks are investment grade based on Fitch ratings. The Banking Segment considers Philippine peso-denominated securities related to the Philippine government as credit risk-free.

The Banking Segment's internal credit risk rating is as follows:

Grades	Categories	Description
High grade		
Risk rating 1	Excellent	Very low probability of default, high degree of substance/stability/diversity of counterparty
Risk rating 2	Strong	Low probability of default, comfortable degree of stability/substance/diversity of counterparty
Risk rating 3	Good	Quite low probability of default, some degree of stability/substance of counterparty
Standard		
Risk rating 4	Satisfactory	Greater probability of default, volatile earnings/performance
Risk rating 5	Acceptable	Risk elements existing, but able to withstand normal business cycle
Sub-standard grade		
Risk rating 6	Watchlist	Unfavorable industry or company specific risk factors represent a concern, will find it difficult to cope with significant downturn
Risk rating 7	Special mention	Risk of inability to pay interest and principal due to evidence of weakness in financial condition, ability/willingness to service debt are in doubt
Risk rating 8	Substandard	Unfavorable record or unsatisfactory characteristics jeopardize liquidation, with well-defined weaknesses

(Forward)

Grades	Categories	Description
Impaired		
Risk rating 9	Doubtful	Weaknesses similar to "Substandard", but with added characteristics that make liquidation highly improbable
Risk rating 10	Loss	Uncollectible or worthless

The Banking Segment's internal credit risk rating system intends to provide a structure to define the corporate credit portfolio, and consists of an initial rating for the borrower risk later adjusted for the facility risk. Inputs include an assessment of management, credit experience, financial condition, industry outlook, documentation, security and term.

<u>External Ratings</u>
In ensuring a quality investment portfolio, the Banking Segment uses the credit risk rating based on the rating of Moody's Investors Service (Moody's rating) as follows:

Credit Quality	**External Rating**									
High grade	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2	B3				
Substandard grade	Caa1	Caa2	Caa3	Ca	C					
Impaired	D									

Fitch Ratings are as follows:

Credit Quality	**External Rating**		
High grade	AAA	AA±	A±
Standard grade	BBB±	−	−
Substandard grade	BB±	B±	−
Impaired	CCC±	CC±	C±

d. Aging analysis of receivables by class

The aging analysis of the Group's receivables as of December 31, 2010 and 2009 follow:

	2010						
	Neither Past Due Nor Impaired	**Past Due But Not Impaired**				**Past Due and Impaired**	
		Less than 30 Days	**30 to 60 Days**	**61 to 90 Days**	**Over 90 Days**		**Total**
Trade receivables	**₱8,135,182,336**	**₱349,751,606**	**₱511,312,358**	**₱387,729,409**	**₱372,387,311**	**₱2,279,577,002**	**₱12,035,940,022**
Finance receivables	**9,248,852,787**	**20,509,472**	**11,185,427**	**120,084,858**	**287,365,873**	**510,214,999**	**10,198,213,416**
Due from related parties	**2,226,813,907**	**–**	**–**	**–**	**–**	**–**	**2,226,813,907**
Interest receivable	**711,162,528**	**241,131**	**–**	**–**	**–**	**–**	**711,403,659**
Others	**1,880,949,843**	**59,979,990**	**24,085,074**	**161,721,779**	**117,182,484**	**221,821,677**	**2,465,740,847**
	₱22,202,961,401	**₱430,482,199**	**₱546,582,859**	**₱669,536,046**	**₱776,935,668**	**₱3,011,613,678**	**₱27,638,111,851**

	2009						
	Neither Past Due Nor Impaired	Past Due But Not Impaired				Past Due and Impaired	
		Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days		Total
Trade receivables	₱8,852,240,243	₱374,715,819	₱299,276,791	₱150,615,567	₱1,180,585,380	₱2,625,037,936	₱13,482,471,736
Finance receivables	7,620,621,225	29,699,841	12,131,363	48,720,589	254,777,757	188,002,410	8,153,953,185
Due from related parties	1,920,475,472	–	–	–	–	–	1,920,475,472
Interest receivable	420,686,545	18,230,047	–	–	–	–	438,916,592
Others	1,459,314,997	61,530,895	5,789,943	60,138,158	88,506,725	108,643,961	1,783,924,679
	₱20,273,338,482	₱484,176,602	₱317,198,097	₱259,474,314	₱1,523,869,862	₱2,921,684,307	₱25,779,741,664

e. Impairment assessment

The Group recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These and the other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment include:
(i) specific/individual assessment; and (ii) collective assessment.

i. Specific/Individual Assessment
Under specific/individual assessment, the Group assesses each individually significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Group when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crisis; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

ii. Collective Assessment
With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

The allowance for impairment loss on subscriber accounts is determined based on the results of the net flow to write-off methodology. Net flow tables are derived from account-level monitoring of subscriber accounts between different age brackets, from current to one day past due to 120 days past due. The net flow to write-off methodology relies on the historical data of net flow tables to establish a percentage ("net flow rate") of subscriber receivables that are current or in any state of delinquency as of reporting date that will eventually result in write-off. The allowance for impairment losses is then computed based on the outstanding balance of the receivables as of the reporting date and the net flow rates determined for the current and each delinquency bracket.

f. Collateral and other credit enhancements

Collateral and other credit enhancements on finance receivables of RSBC
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:
a. for reverse repurchase transactions, securities;
b. for commercial lending, government guarantee; and
c. for retail lending, mortgages over real estate and chattel.

The fair value of collateral held against finance receivables which are impaired, representing land and building, amounted to ₱119.8 million and ₱35.2 million as of December 31, 2010 and 2009, respectively.

All past due accounts of RSBC are assessed for impairment either individually or collectively.

RSBC periodically monitors the market value of collateral, and requests additional collateral in accordance with any underlying agreement as necessary. Collateral is also an input to the internal credit risk rating, and thus may have an impact on the individual assessment of impairment and corresponding loan loss provision.

It is RSBC's policy to dispose of repossessed properties in an orderly fashion. In general, the proceeds are used to reduce or repay the outstanding claim, and are not occupied for business use.

Collateral and other credit enhancements on trade receivables of CAI
As collateral against trade receivables from sales ticket offices or agents, CAI requires cash bonds from major sales ticket offices or agents ranging from ₱50,000 to ₱2.1 million depending on CAI's assessment of sales ticket offices and agents' credit standing and volume of transactions. As of December 31, 2010 and 2009, outstanding cash bonds (included under 'Accounts payable and other accrued liabilities' in the consolidated statement of financial position) amounted to ₱136.9 million and ₱101.0 million, respectively (Note 22).

Other collateral and other credit enhancements
Other collateral and other credit enhancements are included in the notes to the consolidated financial statements, where applicable.

Carrying amount per class of financial assets which terms have been renegotiated
RSBC's restructured loans are defined as performing or NPLs which principal terms and conditions have been modified in accordance with an agreement setting forth a new plan of payment or a schedule of payments on a periodic basis. When the loan account becomes past due and is being restructured or extended, the approval of the BSP is required before the loan is booked and is always governed by the BSP rules on restructuring.

Restructuring of loans requires the approval of the following:
- President - for loans amounting to ₱1.00 million and below.
- BOD - for loans larger than ₱1.00 million.

The carrying amount per class of RBSC's restructured loans follows:

	2010	2009
Receivables from customers		
Commercial	**₱117,935,920**	₱–
Real estate	**8,808,194**	19,558,295
Consumption	**1,427,396**	–
Total restructured financial assets	**₱128,171,510**	₱19,558,295

Liquidity risk

Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment of asset purchases as they fall due. The Group's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing debts, and to accommodate any fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include obtaining bank loans and capital market issues both onshore and offshore.

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual payments as of December 31, 2010 and 2009:

	2010					
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More Than 5 Years**	**Total**
Financial Assets						
Cash and cash equivalents	₱15,339,127,692	₱21,555,519,444	₱5,399,110,620	₱–	₱–	₱42,293,757,756
Derivative financial assets:						
Designated as accounting hedges	–	–	–	102,271,000	–	102,271,000
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	51,745,229	81,363,733	7,061,527,111	–	–	7,194,636,073
Government	–	33,438,623	987,214,384	–	–	1,020,653,007
	51,745,229	114,802,356	8,048,741,495	–	–	8,215,289,080
Equity securities:						
Quoted	–	65,889,872	2,088,159,911	–	285,950,784	2,440,000,567
Unquoted	–	–	4,516	–	–	4,516
	–	65,889,872	2,088,164,427	–	285,950,784	2,440,005,083
	51,745,229	180,692,228	10,136,905,922	–	285,950,784	10,655,294,163
Derivative financial assets:						
Not designated as accounting hedges	–	252,383,064	351,587,670	480,503,974	–	1,084,474,708
	51,745,229	433,075,292	10,488,493,592	480,503,974	285,950,784	11,739,768,871
AFS investments:						
Debt securities:						
Government	–	167,716,105	3,469,773,351	420,607,735	1,801,560,956	5,859,658,147
Private	–	129,844,052	3,568,883,940	26,481,478	400,364,250	4,125,573,720
	–	297,560,157	7,038,657,291	447,089,213	2,201,925,206	9,985,231,867
Equity securities:						
Quoted	–	71,488,208	982,542,731	–	114,532,000	1,168,562,939
Unquoted	–	–	210,597,671	–	–	210,597,671
	–	71,488,208	1,193,140,402	–	114,532,000	1,379,160,610
	–	369,048,365	8,231,797,693	447,089,213	2,316,457,206	11,364,392,477
Receivables:						
Trade receivables	₱2,437,994,810	₱3,866,500,439	₱1,125,240,751	₱1,971,082,863	₱581,797,422	₱9,982,616,285
Finance receivables	186,089,039	961,128,130	1,572,539,808	5,678,235,721	5,088,047,548	13,486,040,246
Due from related parties	2,112,817,872	24,214,357	89,781,678	–	–	2,226,813,907
Interest receivable	339,027,005	292,579,061	79,797,593	–	–	711,403,659
Other receivables	246,043,981	158,776,059	858,534,113	652,110,572	102,201,181	2,017,665,906
	5,321,972,707	5,303,198,046	3,725,893,943	8,301,429,156	5,772,046,151	28,424,540,003
Refundable security deposits	273,500,223	11,186,473	33,559,418	163,103,787	45,649,726	526,999,627
Advances to suppliers	1,010,171	285,151,552	104,545,429	73,749,965	24,583,322	489,040,439
Other receivables (included under 'Other noncurrent assets' in the consolidated statement of financial position)	76,597,929	–	–	11,378,100	–	87,976,029
	₱21,063,953,951	₱27,957,179,172	₱27,983,400,695	₱9,579,525,195	₱8,444,687,189	₱95,028,746,202
Accounts payable and accrued expenses (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position but excluding 'Deposit liabilities' and 'Due to related parties')	₱4,819,445,225	₱7,535,900,632	₱4,649,995,018	₱4,450,351,757	₱1,009,026,159	₱22,464,718,791
Short-term debt	–	15,368,138,209	–	–	–	15,368,138,209
Deposit liabilities	6,115,394,776	1,675,754,989	805,023,852	1,406,718,140	–	10,002,891,757
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	1,078,713,944	373,647,753	174,243	–	–	1,452,535,940
Deposits from real estate buyers and lessees (included under 'Other current' and 'Noncurrent liabilities' in the consolidated statement of financial position)	–	194,515,293	535,831,126	3,067,415,775	714,441,501	4,512,203,695
Derivative financial liability (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position)	–	13,094,803	249,299,017	546,764,107	–	809,157,927
Long-term debt (including current portion)	–	2,315,090,104	14,149,789,615	80,600,292,665	20,915,037,758	117,980,210,142
	₱12,013,553,945	₱27,476,141,783	₱20,390,112,871	₱90,071,542,444	₱22,638,505,418	₱172,589,856,461

	2009					
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Financial Assets						
Cash and cash equivalents	₱10,616,842,525	₱6,555,999,021	₱1,338,854,419	₱–	₱–	₱18,511,695,965
Derivative financial assets:						
Designated as accounting hedges	–	–	23,650,032	–	–	23,650,032
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	–	–	5,734,722,815	–	–	5,734,722,815
Government	–	–	1,060,703,259	–	–	1,060,703,259
	–	–	6,795,426,074	–	–	6,795,426,074
Equity securities:						
Quoted	–	56,387,054	1,842,452,930	–	–	1,898,839,984
Unquoted	–	–	4,768	–	–	4,768
	–	56,387,054	1,842,457,698	–	–	1,898,844,752
	–	56,387,054	8,637,883,772	–	–	8,694,270,826
Derivative financial assets:						
Not designated as accounting hedges	–	159,933,982	479,647,945	–	–	639,581,927
	–	216,321,036	9,117,531,717	–	–	9,333,852,753
AFS investments:						
Debt securities:						
Government	–	–	2,798,952,818	2,803,663,523	–	5,602,616,341
Private	–	–	137,537,350	–	4,053,636,251	4,191,173,601
	–	–	2,936,490,168	2,803,663,523	4,053,636,251	9,793,789,942
Equity securities:						
Quoted	–	–	448,981,721	918,161,088	–	1,367,142,809
Unquoted	–	–	72,937,171	–	–	72,937,171
	–	–	521,918,892	918,161,088	–	1,440,079,980
			3,458,409,060	3,721,824,611	4,053,636,251	11,233,869,922
Receivables:						
Trade receivables	1,753,007,720	4,511,241,745	1,838,055,745	2,283,251,957	711,062,567	11,096,619,734
Finance receivables	–	3,497,441,765	2,808,514,498	1,666,961,896	–	7,972,918,159
Due from related parties	1,801,543,481	30,461,556	88,470,435	–	–	1,920,475,472
Interest receivable	956,408	22,118,146	415,842,038	–	–	438,916,592
Other receivables	235,105,132	483,714,500	800,204,054	136,108,608	45,369,536	1,700,501,830
	3,790,612,741	8,544,977,712	5,951,086,770	4,086,322,461	756,432,103	23,129,431,787
HTM investments:						
Private	–	–	–	–	478,111,408	478,111,408
Government	–	–	–	–	829,712,342	829,712,342
Treasury notes	–	–	–	114,632,521	465,429,021	580,061,542
	–	–	–	114,632,521	1,773,252,771	1,887,885,292
Advances to suppliers	3,601,630	248,527,944	45,209,139	7,504,772	2,501,591	307,345,076
Refundable security deposits	–	11,355,560	43,306,683	391,075,239	46,322,646	492,060,128
Other receivables (included under 'Other noncurrent assets' in the consolidated statement of financial position)	–	–	–	54,172,428	–	54,172,428
	₱14,411,056,896	₱15,577,181,273	₱19,978,047,820	₱8,375,532,032	₱6,632,145,362	₱64,973,963,383

(Forward)

	2009					
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Accounts payable and accrued expenses (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position but excluding 'Due to related parties')	₱6,400,162,335	₱10,268,980,164	₱2,642,106,855	₱3,542,160,073	₱1,073,099,986	₱23,926,509,413
Short-term debt	–	14,019,605,299	–	–	–	14,019,605,299
Deposit liabilities	11,691,225,505	613,229,478	59,021,027	1,010,270,595	170,206,986	13,543,953,591
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	290,146,787	1,237,980,114	18,250,623	1,517,894,311	–	3,064,271,835
Deposits from real estate buyers and lessees (included under 'Other current' and 'Noncurrent liabilities' in the consolidated statement of financial position)	–	70,491,643	211,474,929	845,899,716	1,192,631,946	2,320,498,234
Derivative financial liabilities: (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position)	–	3,805,492	121,085,920	625,449,086	–	750,340,498
Long-term debt (including current portion)	–	2,200,196,034	7,504,273,336	82,588,187,144	28,070,349,904	120,363,006,418
	₱18,381,534,627	₱28,414,288,224	₱10,556,212,690	₱90,129,860,925	₱30,506,288,822	₱177,988,185,288

Market Risk

Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

The following discussion covers the market risks of the Group except for its banking segment:

Foreign currency risk
Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. The Group makes use of derivative financial instruments, such as currency swaps, to hedge foreign currency exposure
(Note 8).

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. As of December 31, 2010, 2009 and 2008, approximately 28.0%, 28.0 % and 29.2%, respectively, of the Group's total sales are denominated in currencies other than the functional currency.
In addition, approximately 71.6%, and 71.7% of total debt are denominated in US Dollar as of December 31, 2010 and 2009, respectively. The Group's capital expenditures are likewise substantially denominated in US Dollar.

The tables below summarize the Group's exposure to foreign currency risk as of December 31, 2010 and 2009:

	2010		
	US Dollar	**Other Currencies***	**Total**
Assets			
Cash and cash equivalents	**₱4,632,314,076**	**₱1,049,069,341**	**₱5,681,383,417**
Financial assets at FVPL	**8,372,787,677**	**92,459,548**	**8,465,247,225**
AFS investments	**6,159,491,706**	**681,714,760**	**6,841,206,466**
Receivables	**1,385,157,734**	**2,352,930,584**	**3,738,088,318**
Derivative assets	**1,061,647,025**	**–**	**1,061,647,025**
Other current assets	**31,205,461**	**–**	**31,205,461**
Other noncurrent assets	**175,013,052**	**2,257,526**	**177,270,578**
	21,817,616,731	**4,178,431,759**	**25,996,048,490**
Liabilities			
Accounts payable and accrued expenses	**4,599,401,357**	**2,537,626,831**	**7,137,028,188**
Short-term debt	**8,138,178,927**	**6,396,967,483**	**14,535,146,410**
Derivative liability	**547,032,270**	**–**	**547,032,270**
Long-term debt (including current portion)	**64,401,379,652**	**–**	**64,401,379,652**
Other noncurrent liabilities	**923,451,375**	**–**	**923,451,375**
	78,609,443,581	**8,934,594,314**	**87,544,037,895**
Net Foreign Currency-Denominated Liabilities	**(₱56,791,826,850)**	**(₱4,756,162,555)**	**(₱61,547,989,405)**

**Other currencies include Hong Kong Dollar, Singaporean Dollar, Thai Baht, Chinese Yuan, Indonesian Rupiah, Vietnam Dong, Malaysian Ringgit, Korean Won, New Taiwan Dollar, Japanese Yen, Australian Dollar and Euro.*

	2009		
	US Dollar	Other Currencies*	Total
Assets			
Cash and cash equivalents	₱2,844,387,736	₱1,263,913,513	₱4,108,301,249
Financial assets at FVPL	7,750,298,401	–	7,750,298,401
AFS investments	6,919,096,583	804,711,919	7,723,808,502
Receivables	1,160,766,960	1,923,173,241	3,083,940,201
Derivative assets	308,802,172	–	308,802,172
Other noncurrent assets	189,290,681	–	189,290,681
	19,172,642,533	3,991,798,673	23,164,441,206
Liabilities			
Accounts payable and accrued expenses	6,330,842,104	2,055,123,632	8,385,965,736
Short-term debt	5,993,617,312	6,828,101,045	12,821,718,357
Derivative liabilities	625,449,086	–	625,449,086
Long-term debt (including current potion)	59,097,730,029	–	59,097,730,029
Other noncurrent liabilities	910,665,374	–	910,665,374
	72,958,303,905	8,883,224,677	81,841,528,582
Net Foreign Currency-Denominated Liabilities	(₱53,785,661,372)	(₱4,891,426,004)	(₱58,677,087,376)

**Other currencies include Hong Kong Dollar, Singaporean Dollar, Thai Baht, Chinese Yuan, Indonesian Rupiah, Vietnam Dong, Malaysian Ringgit, Korean Won, New Taiwan Dollar, Japanese Yen, Australian Dollar and Euro.*

The exchange rates used to convert the Group's US Dollar-denominated assets and liabilities into Philippine Peso as of December 31, 2010 and 2009 follow:

	2010	2009
US Dollar-Philippine Peso exchange rate	**₱43.84 to US$1.00**	₱46.20 to US$1.00

Foreign currency borrowings of certain subsidiaries with fiscal year ending September 30 were converted at ₱43.88 and ₱47.39 to US$1.00 as of September 30, 2010 and 2009, respectively.

The following table sets forth the impact of the range of reasonably possible changes in the US Dollar-Philippine Peso exchange rate on the Group's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the year ended December 31, 2010 and 2009.

	2010	
Reasonably Possible Changes in US Dollar-Philippine Peso Exchange Rates	**Change in Income Before Income Tax**	**Change in Equity**
11.4%	**(₱6,342,373,647)**	**₱120,593,750**
(11.4)	**6,342,373,647**	**(120,593,750)**

	2009	
Reasonably Possible Changes in US Dollar-Philippine Peso Exchange Rates	Change in Income Before Income Tax	Change in Equity
10.8%	(₱6,446,215,997)	₱138,266,250
(10.8)	6,446,215,997	(138,266,250)

	2008	
Reasonably Possible Changes in US Dollar-Philippine Peso Exchange Rates	Change in Income Before Income Tax	Change in Equity
10.8%	(₱2,172,157,209)	₱875,792,645
(10.8)	2,172,157,209	(875,792,645)

The Group does not expect the impact of the volatility on other currencies to be material.

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

In 2010, 2009 and 2008, changes in fair value of equity instruments held as financial assets at FVPL due to a reasonably possible change in equity indices, with all other variables held constant, will increase profit by ₱28.6 million, ₱38.6 million and ₱17.6 million, respectively, if equity prices will increase by 1.5%. A similar increase in equity indices on AFS equity instruments will also increase net unrealized gains on other comprehensive income by ₱20.6 million, ₱8.1 million and ₱3.2 million as of December 31, 2010, 2009 and 2008, respectively. An equal change in the opposite direction would have decreased equity and profit by the same amount.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Parent Company's and its subsidiaries' long-term debt obligations which are subject to floating rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group makes use of derivative financial instruments, such as interest rate swaps, to hedge the variability in cash flows arising from fluctuation in benchmark interest rates (Note 8).

The following tables show information about the Group’s financial instruments that are exposed to interest rate risk and presented by maturity profile:

	2010										
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total (In US Dollar)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
Long-term debt											
Foreign currencies:											
Floating rate											
US Dollar loans	**US$82,295,907**	**US$72,880,475**	**US$371,967,803**	**US$63,055,577**	**US$52,559,070**	**US$147,808,596**	**US$790,567,428**	**₱34,658,476,061**	**₱901,854,106**	**₱33,756,621,955**	**₱33,991,244,717**
Interest rate (LIBOR plus margin)											
Fixed rate											
US Dollar loans	**45,497,730**	**225,256,064**	**290,783,126**	**37,174,793**	**37,948,215**	**109,860,431**	**746,520,359**	**32,734,956,244**	**46,377,747**	**32,688,578,497**	**36,438,487,013**
Interest rate (3.7% to12.0%)											
Local currencies:											
Floating rate											
Philippine Peso loans	–	–	**2,000,000,000**	–	–	–	–	**2,000,000,000**	–	**2,000,000,000**	**1,835,380,756**
Interest rate (3M + MART 1 + 1.0-2.0%)											
Fixed rate											
Philippine Peso loans	**7,401,385**	**3,007,956,489**	**4,318,553,226**	**22,009,194,718**	–	–	–	**29,343,105,818**	**132,208,129**	**29,210,897,689**	**31,401,394,228**
Interest rate (6.4% to 8.8%											
							US$1,537,087,784	**₱98,736,538,123**	**₱1,080,439,982**	**₱97,656,098,141**	**₱103,666,506,714**

	2009										
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total (In US Dollar)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
Long-term debt											
Foreign currencies:											
Floating rate											
US Dollar loans	US$68,584,570	US$58,686,235	US$49,151,446	US$347,945,037	US$38,754,387	US$61,814,427	US$624,936,102	₱28,872,574,364	₱948,548,284	₱27,924,026,080	₱26,173,578,904
Interest rate (LIBOR plus margin)											
Fixed rate											
US Dollar loans	47,189,618	48,144,869	235,424,615	297,020,100	40,177,103	162,311,671	830,267,976	38,590,522,862	74,695,271	38,515,827,591	39,692,604,253
Interest rate (3.7% to12.0%)											
Local currencies:											
Floating rate											
Philippine Peso loans	–	–	–	2,000,000,000	–	–	–	2,000,000,000	–	2,000,000,000	2,207,471,672
Interest rate (3M + MART 1 + 1.0-2.0%)											
Fixed rate											
Philippine Peso loans	121,885,010	7,401,385	3,007,956,489	4,318,553,226	22,009,194,718	–	–	29,464,990,828	161,646,533	29,303,344,295	29,688,730,104
Interest rate (6.4% to 8.8%											
							US$1,455,204,078	₱98,928,088,054	₱1,184,890,088	₱97,743,197,966	₱97,762,384,933

The following table sets forth the impact of the range of reasonably possible changes in the interest rates on the Group's income from floating debt obligations before income tax:

	2010	2009
Reasonably Possible Changes in Interest Rates	Change in Income Before Income Tax	
+150 basis points (bps)	**(₱104,871,775)**	(₱166,942,698)
-150 bps	**104,871,775**	166,942,698

Other than the potential impact on income before income tax, there is no other effect on equity.

Price interest rate risk
The Group is exposed to the risks of changes in the value/future cash flows of its financial instruments due to its market risk exposures. The Group's exposure to interest rate risk relates primarily to the Group's financial assets at FVPL and AFS investments.

The tables below show the impact on income before income tax and equity of the estimated future yield of the related market indices of the FVPL and AFS investments using a sensitivity approach.

		2010	
	Reasonably Possible Changes in Market Prices	**Change in Income Before Income Tax**	**Change in Equity**
Derivative financial assets:			
Designated as accounting hedges	**1.5%**	**₱4,564,897**	**₱–**
	(1.5)	**(4,564,897)**	**–**
FVPL	**1.5**	**(368,795,005)**	**–**
	(1.5)	**404,654,396**	**–**
AFS	**1.5**	**–**	**(374,030,961)**
	(1.5)	**–**	**426,990,357**
Derivative financial assets:			
Not designated as accounting hedges	**1.5**	**2,343,244**	**–**
	(1.5)	**(327,626,972)**	**–**

		2009	
	Reasonably Possible Changes in Market Prices	Change in Income Before Income Tax	Change in Equity
Derivative financial assets:			
Designated as accounting hedges	1.5%	₱7,444,169	₱–
	(1.5)	(7,444,169)	–
FVPL	1.5	363,027,817	–
	(1.5)	411,774,502	–
AFS	1.5	–	403,396,607
	(1.5)	–	458,748,396
Derivative financial assets:			
Not designated as accounting hedges	1.5	927,799,086	–
	(1.5)	(209,878,556)	–

		2008	
	Reasonably Possible Changes in Market Prices	Change in Income Before Income Tax	Change in Equity
Derivative financial assets:			
Designated as accounting hedges	1.5%	₱15,404,584	₱–
	(1.5)	(15,404,584)	–
FVPL	1.5	(261,625,548)	–
	(1.5)	402,918,148	–
AFS	1.5	–	(382,085,372)
	(1.5)	–	435,212,942
Derivative financial assets:			
Not designated as accounting hedges	1.5	–	–
	(1.5)	–	–

Commodity price risk
The Group enters into commodity derivatives to manage its price risks on fuel purchases. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Depending on the economic hedge cover, the price changes on the commodity derivative positions are offset by higher or lower purchase costs on fuel. A change in price by US$10.0 per barrel of jet fuel affects the Group's fuel annual costs on pre-tax income by ₱989.8 million in 2010, ₱938.2 million in 2009 and ₱707.9 million in 2008, assuming no change in volume of fuel is consumed.

The Group manages its commodity price risk through fuel surcharges which are approved by the Philippine Civil Aeronautics Board, a fuel hedge that protects the Group's fuel usage from volatile price fluctuations, and certain operational adjustments in order to conserve fuel use in the way the aircraft is operated.

Banking Segment's Market Risk
Market risk may be defined as the possibility of loss due to adverse movements in market factors such as rates and prices. Market risk is present in both trading and non-trading activities. These are the risk to earnings or capital arising from changes in the value of traded portfolios of financial instruments. The risk arises from market-making, dealing and position-taking in interest rate, foreign exchange and equity.

RSBC presently uses historical method, a non-parametric approach for estimating Value-at-Risk (VaR). It estimates future prices/rates directly from historical data based on the assumption that the market movement over the holding period will be the same as a movement which occurred within the specified historical data set.

RSBC observes market risk limits, which are approved by its BOD and reviewed at least annually. Limits are set in such a way as to ensure that risks taken are commensurate to the expected return, and corresponding monitoring reports are prepared regularly by an independent risk management unit.

When limits are breached, approval is sought from successive levels of authority depending on the amount of the excess. The approving authorities include the treasury head, an investment committee composed of top management, and the chairman of the BOD. Limit breaches are periodically presented to the BOD.

VaR is computed to estimate potential losses arising from market movements. RSBC calculates and monitors VaR and profit or loss on a regular basis.

The historical data used by RSBC covers the most recent 500 business days (approximately 2 years). In accordance with the regulations, RSBC updates its data set no less frequently than once every quarter. RSBC estimates VaR using a 1-day holding period. Initially a 99th percentile one-tailed confidence interval was used, however, in October 2008, RSBC adjusted the VaR confidence level to 99.5th percentile, which is higher than the 99% required by the BSP.

Objectives and limitations of the VaR methodology
VaR is used by RSBC to measure market risk from the trading of financial instruments. VaR is an estimate of the maximum decline in value on a given position over a specified holding period in a normal market environment, with a given probability of occurrence.

Historical Simulation, the model being presently used by RSBC is a non-parametric approach of estimating VaR. The returns are not subjected to any functional distribution. VaR is estimated directly from the data without deriving parameters or making assumptions about the entire distribution of the data. This methodology is also based on the premise that the pattern of historical returns is indicative of future returns. This shortcoming is addressed by supplementing the VaR figure with stress testing.

VaR methodology assumptions and parameters
Discussed below are the limitations and assumptions applied by RSBC on its VaR methodology:

a. VaR is a statistical estimate and thus, does not give the precise amount of loss. In statistical terms, rather than giving the entire tail, it is giving an arbitrary point in the tail;
b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from a bank's exposure to market risk;
c. VaR systems are backward-looking. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Major shifts therefore (i.e. an unexpected collapse of the market) are not captured and may inflict losses much bigger than anything the VaR model may have calculated; and
d. The shortcoming relating to the pattern of historical returns being indicative of future returns is addressed by supplementing VaR figure with stress testing.

   VaR backtesting is the process by which financial institutions periodically compare MTM Profit or Loss with the VaR figures to gauge the quality and accuracy of the VaR model. Quarterly backtesting was performed in 2010 and there were no instances that the actual MTM Profit or Loss exceeded the computed VaR figures.

   RSBC supplements the VaR figures with weekly stress testing reported weekly to the MANCOM.

RSBC's interest rate VaR are as follows (in millions):

	2010			
	Average	**High**	**Low**	**Year-end**
Instruments sensitive to local interest rates	**₱56.83**	**₱96.59**	**₱9.93**	**₱10.63**
Instruments sensitive to foreign interest rates	**27.50**	**63.03**	**7.18**	**7.18**
Total VaR	**55.58**	**91.93**	**13.41**	**14.07**

	2009			
	Average	High	Low	Year-end
Instruments sensitive to local interest rates	₱26.33	₱40.12	₱12.60	₱38.41
Instruments sensitive to foreign interest rates	24.18	32.98	18.49	27.48
Total VaR	34.16	42.21	24.59	39.17

Interest rate risk
RSBC's ALCO includes lending and treasury heads. ALCO conducts weekly meetings. Among other discussions, ALCO surveys the interest rate environment, adjusts the interest rates for RSBC's loans and deposits, assesses investment opportunities and reviews the structure of assets and liabilities.

RSBC also has specialized units that help monitor market and regulatory developments pertinent to interest rates and liquidity position, as well as prepare cash position reports as needed.

RSBC also uses the repricing gap report. The repricing gap report is a tool used by RSBC for measuring market risk arising from non-trading portfolios. Although available contractual repricing dates are generally used for putting instruments into time bands, contractual maturity dates (e.g., for fixed rate instruments) or expected liquidation periods often based on historical data are used alternatively. The repricing gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive repricing gap implies that RSBC's net interest income could decline if interest rates decrease upon repricing. A negative repricing gap implies that RSBC's net interest income could decline if interest rates increase upon repricing. Although such gaps are a normal part of the business, a significant change may bring significant interest rate risk. To help control interest rate risk arising from repricing gaps, maximum repricing gap targets are set for time bands up to one year.

Sensitivity analysis for several market factors showing how profit or loss and equity could be affected by changes in the relevant risk factor are in the following tables below. In general, sensitivity is estimated by comparing an initial value to the value derived after a specified change in the market factor, assuming all other variables are constant. The sensitivity of profit or loss may be the estimated effect of the assumed change in interest rates on net interest income, based on assets and liabilities held. The sensitivity of profit or loss may also be the estimated effect of the assumed change in foreign exchange rates on income, based on foreign currency assets andliabilities. On the other hand, AFS investments are revalued using the assumed market factor change to estimate the sensitivity of equity. A negative amount in a table reflects a potential reduction in profit or loss and equity, while a positive amount reflects a potential increase.

The table below demonstrates the sensitivity of net interest income to reasonably possible changes in interest rates:

	2010					
	Change in basis points	**Net interest income estimated effect in million pesos**	**Change in basis points**	**Net interest income estimated effect in million pesos**	**Change in basis points**	**Net interest income estimated effect in million pesos**
Philippine peso (PhP)	**+50**	**22.71**	**+100**	**45.43**	**+150**	**68.14**
	-50	**(22.71)**	**-100**	**(45.43)**	**-150**	**(68.14)**
USD	**+50**	**(1.70)**	**+100**	**(3.40)**	**+150**	**(5.10)**
	-50	**1.70**	**-100**	**3.40**	**-150**	**5.10**

	2009					
	Change in basis points	Net interest income estimated effect in million pesos	Change in basis points	Net interest income estimated effect in million pesos	Change in basis points	Net interest income estimated effect in million pesos
Philippine peso (PhP)	+50	14.72	+100	29.44	+150	44.16
	-50	(14.72)	-100	(29.44)	-150	(44.16)
USD	+50	(2.09)	+100	(4.18)	+150	(6.27)
	-50	2.09	-100	4.18	-150	6.27

In addition, the table below demonstrates the sensitivity of equity to reasonably possible changes in interest rates.

	2010					
	Change in basis points	**Equity estimated effect in million pesos**	**Change in basis points**	**Equity estimated effect in million pesos**	**Change in basis points**	**Equity estimated effect in million pesos**
PhP	+50	**(21.10)**	+100	**(41.62)**	+150	**(61.56)**
	-50	**21.72**	-100	**44.06**	-150	**67.06**
USD	+50	**(33.66)**	+100	**(65.00)**	+150	**(94.23)**
	-50	**36.19**	-100	**75.14**	-150	**117.13**

	2009					
	Change in basis points	Equity estimated effect in million pesos	Change in basis points	Equity estimated effect in million pesos	Change in basis points	Equity estimated effect in million pesos
PhP	+50	(21.18)	+100	(41.95)	+150	(62.33)
	-50	21.18	-100	41.95	-150	62.33
USD	+50	(14.70)	+100	(28.45)	+150	(41.33)
	-50	14.70	-100	28.45	-150	41.33

Foreign currency risk

RSBC seeks to maintain a square or minimal position on its foreign currency exposure. Foreign currency liabilities generally consist of foreign currency deposits in RSBC's FCDU. Foreign currency deposits are generally used to fund RSBC's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held in the FCDU. In addition, the BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

The tables below demonstrate the sensitivity of income to reasonably possible changes in foreign exchange rates. RSBC's equity is not sensitive to changes in foreign exchange rates (amounts in millions).

	2010					
USD/PhP FX rate increase/decrease	**+5%**	**-5%**	**+15%**	**-15%**	**+25%**	**-25%**
Income before income tax estimated effect	**2.19**	**(2.19)**	**6.58**	**(6.58)**	**10.96**	**(10.96)**

	2009					
USD/PhP FX rate increase/decrease	+5%	-5%	+15%	-15%	+25%	-25%
Income before income tax estimated effect	1.90	(1.90)	5.70	(5.70)	9.51	(9.51)

5. Fair Value of Financial Assets and Liabilities

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and cash equivalents, receivables (except for finance receivables and installment contract receivables), accounts payable and accrued expenses and short-term debt
Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Finance receivables
Fair values of loans are estimated using the discounted cash flow methodology, using RSBC's and RBC's current incremental lending rates for similar types of loans. Where the instruments are repriced on a quarterly basis or have a relatively short-term maturity, the carrying amounts approximate fair values.

Installment contract receivables
Fair values of installment contract receivables are based on the discounted value of future cash flows using the applicable rates for similar types of receivables. The discount rates used range from 8.0% to 10.0% in 2010 and 8.0% to 10.1% in 2009.

Debt securities - Fair values of debt securities are generally based on quoted market prices.

Quoted equity securities - Fair values are based on quoted prices published in markets.

Unquoted equity securities - Fair values could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value. These are carried at cost.

HTM investments - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments, or using the discounted cash flow methodology.

Amounts due from and due to related parties
Carrying amounts of due from and due to related parties which are collectible/payable and due on demand approximate their fair values. Due from related parties are unsecured and have no foreseeable terms of repayments.

Deposit liabilities and bills payable
Fair values are estimated using the discounted cash flow methodology using RSBC's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

Noninterest-bearing refundable security deposits
The fair values are determined as the present value of estimated future cash flows using prevailing market rates. Discount rates used ranged from 4.3% to 8.7% in 2010, 4.1% to 8.7% in 2009 and 3.2% to 6.7% in 2008.

Long-term debt
The fair value of floating rate loans are determined by discounting the future cash flows (interests and principal) using prevailing market rates. The frequency of repricing per year affects the fair value. In general, a loan that is repriced every three months will have a carrying value closer to the fair value than a six-month repriceable loan with similar maturity and interest basis. For loans repricing every six months (in US Dollar), the discount curve ranged from 2.9% to 8.3% in 2010, 0.4% to 6.9% in 2009 and from 1.4% to 3.7% in 2008.

Derivative financial instruments
The fair values of the cross currency swaps, interest rate swaps and commodity options are determined based on the quotes obtained from counterparties. The fair values of forward exchange derivatives are calculated by reference to the prevailing interest differential and spot exchange rate as of valuation date, taking into account the remaining term-to-maturity of the forwards. The fair values of embedded prepayment option are estimated based on prices derived using the binomial pricing methodology.

The table below presents a comparison by category of the carrying values and estimated fair values of all the Group's financial instruments as of December 31, 2010 and 2009.

	2010		2009	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Derivative assets				
Designated as accounting hedges	**₱102,271,000**	**₱102,271,000**	₱23,650,032	₱23,650,032
Financial assets at FVPL:				
Held-for-trading:				
Debt securities:				
Private	**6,528,895,745**	**6,528,895,745**	5,277,566,296	5,277,566,296
Government	**1,289,922,199**	**1,289,922,199**	1,038,368,701	1,038,368,701
	7,818,817,944	**7,818,817,944**	6,315,934,997	6,315,934,997
Equity securities:				
Quoted	**2,440,000,567**	**2,440,000,567**	1,898,839,984	1,898,839,984
Unquoted	**4,516**	**4,516**	4,768	4,768
	2,440,005,083	**2,440,005,083**	1,898,844,752	1,898,844,752
Derivative financial assets:				
Not designated as accounting hedges	**1,083,907,607**	**1,083,907,607**	639,581,927	639,581,927
	11,342,730,634	**11,342,730,634**	8,854,361,676	8,854,361,676
AFS investments:				
Debt securities:				
Government	**4,775,865,587**	**4,775,865,587**	4,780,573,833	4,780,573,833
Private	**3,695,869,519**	**3,695,869,519**	3,989,253,211	3,989,253,211
	8,471,735,106	**8,471,735,106**	8,769,827,044	8,769,827,044
Equity securities:				
Quoted	**1,168,562,938**	**1,168,562,938**	1,367,142,809	1,367,142,809
Unquoted	**210,597,671**	**210,597,671**	72,937,171	72,937,171
	1,379,160,609	**1,379,160,609**	1,440,079,980	1,440,079,980
	9,850,895,715	**9,850,895,715**	10,209,907,024	10,209,907,024
Loans and receivables:				
Cash and cash equivalents	**42,110,003,522**	**42,110,003,522**	18,473,692,704	18,473,692,704
Receivables:				
Trade receivables	**9,982,616,285**	**9,656,500,995**	11,096,619,734	10,782,955,515
Finance receivables	**9,687,998,417**	**9,730,442,208**	7,965,950,775	7,977,728,362
Due from related parties	**2,226,813,907**	**2,226,813,907**	1,920,475,472	1,920,475,472
Interest receivable	**711,403,659**	**711,403,659**	438,916,592	438,916,592
Other receivables	**2,017,665,905**	**2,093,554,852**	1,436,094,784	1,436,094,784
	24,626,498,173	**24,418,715,621**	22,858,057,357	22,556,170,725
	66,736,501,695	**66,528,719,143**	41,331,750,061	41,029,863,429
HTM investments:				
Government securities	–	–	377,350,805	387,746,068
Treasury notes	–	–	114,632,521	114,897,751
Private bonds	–	–	478,111,408	477,846,178
	–	–	970,094,734	980,489,997
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position) (Note 21)	**526,999,627**	**523,338,615**	492,060,128	413,817,161
Advances to suppliers (Note 13)	**489,040,439**	**489,040,439**	307,345,076	307,345,076
Other financial assets (included under 'Other noncurrent assets' in the consolidated statement of financial position) (Note 21)	**87,976,029**	**87,976,029**	54,172,428	54,172,428
	₱89,136,415,139	**₱88,924,971,575**	₱62,243,341,159	₱61,873,606,823

(Forward)

	2010		2009	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Accounts payable and accrued expenses (including noncurrent portion booked under 'Noncurrent liabilities' in the consolidated statements of financial position but excluding 'Due to related parties')	**₱21,226,103,406**	**₱21,226,103,406**	₱9,835,219,935	₱9,835,219,935
Short-term debt	**15,352,046,410**	**15,352,046,410**	13,960,074,007	13,960,074,007
Deposit liabilities	**9,749,514,635**	**9,455,069,817**	13,536,301,630	13,647,950,923
Deposits from real estate buyers and lessees (included under 'Other current' and 'Noncurrent liabilities' in the consolidated statements of financial position)	**4,512,203,695**	**4,267,571,484**	2,320,498,234	2,107,239,151
Due to related parties (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	**1,452,535,940**	**1,452,535,940**	3,064,271,835	3,064,271,835
Long-term debt (including current portion)	**97,656,098,141**	**103,666,506,714**	97,743,197,966	97,762,384,933
Total financial liabilities at amortized cost	**149,948,502,227**	**155,419,833,771**	140,459,563,607	140,377,140,784
Financial liabilities at FVPL				
Derivative financial liabilities:				
Not designated as accounting hedges	**444,863,622**	**262,393,820**	333,750,044	329,944,555
Designated as accounting hedges	**364,294,305**	**546,764,107**	416,590,454	420,395,943
	809,157,927	**809,157,927**	750,340,498	750,340,498
	₱150,757,660,154	**₱156,228,991,698**	₱141,209,904,105	₱141,127,481,282

Fair Value Hierarchy of Financial Instruments
The following table shows the Group's financial instruments carried at fair value, analyzed between those whose fair value is based on:

(a) Level 1: quoted (unadjusted) prices in an active market for identical assets or liabilities;
(b) Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
(c) Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	December 31, 2010		
	Level 1	Level 2	Total
Financial Assets			
Derivative financial asset			
Designated as accounting hedges	₱–	₱102,271,000	₱102,271,000
Financial assets at FVPL:			
Held-for-trading:			
Debt securities:			
Private	6,471,600,623	–	6,471,600,623
Government	1,289,922,199	–	1,289,922,199
	7,761,522,822	–	7,761,522,822
Equity securities:			
Quoted	2,440,000,567	–	2,440,000,567
	10,201,523,389	–	10,201,523,389
Derivative financial assets:			
Not designated as accounting hedges	–	1,083,907,607	1,083,907,607
	10,201,523,389	1,083,907,607	11,285,430,996
AFS investments:			
Debt securities:			
Government	4,775,865,587	–	4,775,865,587
Private	3,695,869,519	–	3,695,869,519
	8,471,735,106	–	8,471,735,106
Equity securities:			
Quoted	1,168,562,938	–	1,168,562,938
	9,640,298,044	–	9,640,298,044
	₱19,841,821,433	₱1,186,178,607	₱21,028,000,040
Financial Liabilities			
Financial liabilities at FVPL:			
Derivative financial liabilities:			
Not designated as accounting hedges	₱–	₱262,393,820	₱262,393,820
Designated as accounting hedges	–	546,764,107	546,764,107
	₱–	₱809,157,927	₱809,157,927

	December 31, 2009		
	Level 1	Level 2	Total
Financial Assets			
Derivative financial asset			
Designated as accounting hedges	₱–	₱23,650,032	₱23,650,032
Financial assets at FVPL:			
Held-for-trading:			
Debt securities:			
Private	6,220,514,489	–	6,220,514,489
Government	983,124,450	–	983,124,450
	7,203,638,939	–	7,203,638,939
Equity securities:			
Quoted	1,959,571,981	–	1,959,571,981
	9,163,210,920	–	9,163,210,920
Derivative financial instruments:			
Not designated as accounting hedges	–	639,581,927	639,581,927
	9,163,210,920	639,581,927	9,802,792,847
AFS investments:			
Debt securities:			
Government	4,780,573,833	–	4,780,573,833
Private	3,851,715,862	137,520,120	3,989,235,982
	8,632,289,695	137,520,120	8,769,809,815
Equity securities:			
Quoted	1,367,142,808	–	1,367,142,808
	9,999,432,503	137,520,120	10,136,952,623
	₱19,162,643,423	₱800,752,079	₱19,963,395,502
Financial Liabilities			
Financial liabilities at FVPL:			
Derivative financial instruments:			
Not designated as accounting hedges	₱–	₱124,891,412	₱124,891,412
Designated as accounting hedges	–	625,449,085	625,449,085
	₱–	₱750,340,497	₱750,340,497

In 2010 and 2009, there were no transfers between level 1 and level 2 fair value measurements.

6. Segment Information

Operating Segments

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

The industry segments where the Group operates are as follows:

- Food, agro-industrial and commodities businesses - manufacturing of snack foods, granulated coffee and pre-mixed coffee, chocolates, candies, biscuits, instant noodles, ice cream and frozen novelties, pasta and tomato-based products and canned beans; raising of hog, chicken and manufacturing and distribution of animal feeds, corn products and vegetable oil and the synthesis of veterinary compound; and sugar milling and refining and flour milling.
- Air transportation - air transport services.

- Telecommunications - service provider of voice and data telecommunications services which include international gateway facilities, a local exchange network and traditional business services (fax, telex, leased lines and other value-added network products, value-added network provider using electronics data interchange).
- Real estate and hotels - ownership, development, leasing and management of shopping malls and retail developments; ownership and operation of prime hotels in major Philippine cities; development, sale and leasing of office condominium space in office buildings and mixed use developments including high rise residential condominiums; and development of land into residential subdivisions and sale of subdivision lots and residential houses and the provision of customer financing for sales.
- Petrochemicals - manufacturer of polyethylene (PE) and polypropylene (PP), and other industrial chemicals.
- Banking - commercial and thrift banking operations.
- Other supplementary businesses - printing services, textile insurance brokering, foreign exchange and securities dealing.

No operating segments have been aggregated to form the above reportable operating business segments.

Management monitors the operating results of each segment. The measure presented to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance cost and other charges), interest income, market valuation gain(loss) on financial assets, foreign exchange gain (loss), other revenues, general and administrative expenses, impairment losses and others and income taxes are managed on a group basis and are not allocated to operating segments. Transfer pricing between operating segments are on arm's length basis in a manner similar to transactions with third parties.

The following tables present the financial information of each of the operating segments in accordance with PFRS except for 'Core earnings', 'Earnings before interest and income taxes (EBIT)' and 'Earnings before interest, income taxes and depreciation/amortization (EBITDA)' as of and for the years ended December 31, 2010, 2009 and 2008.

The Group's operating segment information follows:

	December 31, 2010								
	Foods, Agro-Industrial and Commodities	Air Transportation	Tele-communications	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue									
Sale of goods and services:									
External customer	₱57,719,996,079	₱29,088,798,959	₱16,543,916,906	₱10,581,142,605	₱3,306,184,683	₱1,728,555,680	₱–	₱–	₱118,968,594,912
Intersegment revenue	–	–	–	–	566,078,600	–	–	(566,078,600)	–
	57,719,996,079	29,088,798,959	16,543,916,906	10,581,142,605	3,872,263,283	1,728,555,680	–	(566,078,600)	118,968,594,912
Equity in net income (loss) of associates and joint ventures	25,246,000	25,248,534	–	2,648,908,487	–	–	69,321,701	–	2,768,724,722
Total Revenue	57,745,242,079	29,114,047,493	16,543,916,906	13,230,051,092	3,872,263,283	1,728,555,680	69,321,701	(566,078,600)	121,737,319,634
Cost of sales and services (Note 30)	41,113,405,237	16,792,906,706	2,074,712,276	5,131,720,440	3,745,456,507	456,351,939	–	(566,078,600)	68,748,474,505
Gross Income	₱16,631,836,842	₱12,321,140,787	₱14,469,204,630	₱8,098,330,652	₱126,806,776	₱1,272,203,741	₱69,321,701	₱–	52,988,845,129
General and administrative expenses (Note 31)									30,543,058,596
Impairment losses and others (Note 34)									705,866,816
Operating Income									21,739,919,717
Financing cost and other charges (Note 35)									(6,087,474,168)
Finance income (Note 28)									2,216,082,709
Other operating income (Note 29)									838,638,164
Core earnings									18,707,166,422
Market valuation gain (loss) on financial assets									1,626,938,050
Foreign exchange loss									2,846,297,517
Income before income tax									23,180,401,989
Provision for income tax (Note 38)									2,265,838,657
Net income									₱20,914,563,332
Net income (loss) from equity holders of the Parent Company	₱5,014,063,930	₱6,555,670,912	₱262,352,853	₱4,818,939,274	(₱102,146,004)	₱298,339,070	(₱89,038,495)	(₱436,581,739)	₱16,321,599,801
Earnings before interest and income tax	₱7,678,208,385	₱6,475,374,244	₱1,231,416,000	₱3,867,898,445	(₱90,617,302)	₱342,860,225	₱ 2,234,779,720	₱–	₱21,739,919,717
Depreciation and amortization (Notes 16, 17, 18, 19, 21 and 33)	3,419,905,367	2,100,929,764	5,877,050,996	1,912,198,868	131,665,885	65,085,613	39,407,744	–	13,546,244,237
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱11,098,113,752	₱8,576,304,008	₱7,108,466,996	₱5,780,097,313	₱41,048,583	₱407,945,838	₱2,274,187,464	₱–	₱35,286,163,954
Other Information									
Non-cash expenses other than depreciation and amortization:									
Impairment losses on receivables (Note 11)	₱163,552,126	₱2,127,309	₱357,402,880	₱–	₱1,248,635	₱151,285,298	₱12,670,357	₱–	₱688,286,605
Inventory obsolescence and market decline (Note 12)	248,805	–	2,480,671	–	14,850,735	–	–	–	17,580,211
	₱163,800,931	₱2,127,309	₱359,883,551	₱–	₱16,099,370	₱151,285,298	₱12,670,357	₱–	₱705,866,816

	December 31, 2009								
	Foods, Agro-Industrial and Commodities	Air Transportation	Tele-communications	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue									
Sale of goods and services:									
External customer	₱50,452,959,964	₱23,311,006,311	₱14,020,021,311	₱10,376,286,528	₱5,570,751,354	₱1,134,848,716	₱–	₱–	₱104,865,874,184
Intersegment revenue	–	–	–	–	564,551,354	–	–	(564,551,354)	–
	50,452,959,964	23,311,006,311	14,020,021,311	10,376,286,528	6,135,302,708	1,134,848,716	–	(564,551,354)	104,865,874,184
Equity in net income (loss) of associates and joint ventures	25,246,000	(25,474,123)	–	2,903,040,251	–	–	186,490,631	–	3,089,302,759
Total Revenue	50,478,205,964	23,285,532,188	14,020,021,311	13,279,326,779	6,135,302,708	1,134,848,716	186,490,631	(564,551,354)	107,955,176,943
Cost of sales and services (Note 30)	37,477,094,637	14,420,146,122	1,656,424,753	5,036,271,310	6,092,856,205	284,770,693	–	(564,551,354)	64,403,012,366
Gross Income	₱13,001,111,327	₱8,865,386,066	₱12,363,596,558	₱8,243,055,469	₱42,446,503	₱850,078,023	₱186,490,631	₱–	43,552,164,577
General and administrative expenses (Note 31)									27,258,681,692
Impairment losses and others (Note 34)									1,073,630,250
Operating Income									15,219,852,635
Financing cost and other charges (Note 35)									(6,309,924,955)
Finance income (Note 28)									1,563,859,497
Other operating income (Note 29)									203,197,210
Core earnings									10,676,984,387
Market valuation gain (loss) on financial assets									2,329,679,030
Foreign exchange loss									(21,627,447)
Income before income tax									12,985,035,970
Provision for income tax (Note 38)									1,217,229,896
Net income									₱11,767,806,074
Net income (loss) from equity holders of the Parent Company	₱2,482,978,163	₱3,257,833,344	₱129,382,986	₱4,865,312,459	(₱511,103,296)	₱202,811,777	(₱1,982,226,173)	₱100,652,340	₱8,545,641,600
Earnings before interest and income tax	₱4,650,690,173	₱3,138,568,639	₱1,026,760,362	₱4,110,947,313	₱30,828,344	₱241,993,240	₱2,020,064,564	₱–	₱15,219,852,635
Depreciation and amortization (Notes 16, 17, 18, 19, 21 and 33)	3,196,942,269	1,917,683,713	4,819,148,414	1,668,846,295	127,702,927	55,780,264	32,556,875	–	11,818,660,757
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱7,847,632,442	₱5,056,252,352	₱5,845,908,776	₱5,779,793,608	₱158,531,271	₱297,773,504	₱2,052,621,439	₱–	₱27,038,513,392
Other Information									
Non-cash expenses other than depreciation and amortization:									
Impairment losses on receivables (Note 11)	₱228,279,324	₱209,662,427	₱288,655,343	₱1,000,601	₱–	₱37,565,551	₱430,771	₱–	₱765,594,017
Realized loss on AFS investments (Note 10)	185,454,636	–	–	–	–	–	62,358,161	–	247,812,797
Inventory obsolescence and market decline (Note 12)	–	–	10,626,100	–	49,597,336	–	–	–	60,223,436
	₱413,733,960	₱209,662,427	₱299,281,443	₱1,000,601	₱49,597,336	₱37,565,551	₱62,788,932	₱–	₱1,073,630,250

	December 31, 2008								
	Foods, Agro-Industrial and Commodities	Air Transportation	Tele-communications	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue									
Sale of goods and services:									
External customer	₱45,454,500,015	₱19,682,140,058	₱11,351,149,841	₱10,672,746,492	₱8,479,117,287	₱1,038,942,792	₱–	₱–	₱96,678,596,485
Intersegment revenue	–	–	–	–	804,902,669	–	–	(804,902,669)	–
	45,454,500,015	19,682,140,058	11,351,149,841	10,672,746,492	9,284,019,956	1,038,942,792	–	(804,902,669)	96,678,596,485
Equity in net income (loss) of associates and joint ventures	28,184,000	15,530,008	–	1,977,777,384	–	–	368,339,408	–	2,389,830,800
Total Revenue	45,482,684,015	19,697,670,066	11,351,149,841	12,650,523,876	9,284,019,956	1,038,942,792	368,339,408	(804,902,669)	99,068,427,285
Cost of sales and services (Note 30)	34,599,920,305	13,937,810,300	1,101,731,262	6,042,573,107	9,040,235,739	311,381,043	–	(804,902,669)	64,228,749,087
Gross Income	₱10,882,763,710	₱5,759,859,766	₱10,249,418,579	₱6,607,950,769	₱243,784,217	₱727,561,749	₱368,339,408	₱–	34,839,678,198
General and administrative expenses (Note 31)									22,708,399,834
Impairment losses and others (Note 34)									827,124,734
Operating Income									11,304,153,630
Financing cost and other charges (Note 35)									(6,033,237,404)
Finance income (Note 28)									2,514,281,808
Other operating income (Note 29)									1,377,122,100
Core earnings									9,162,320,134
Market valuation gain (loss) on financial assets									(₱7,139,159,069)
Foreign exchange loss									(2,930,519,010)
Income before income tax									(907,357,945)
Provision for income tax (Note 38)									(321,828,720)
Net income									(₱585,529,225)
Net income (loss) from equity holders of the Parent Company	₱233,765,961	(₱3,259,898,168)	(₱985,232,104)	₱3,868,105,913	(₱673,802,846)	₱143,592,558	₱230,234,659	(₱250,432,059)	(₱693,666,086)
Earnings before interest and income tax	₱3,688,201,692	₱1,743,390,543	₱764,358,000	₱3,329,263,930	(₱111,499,721)	₱206,443,223	₱1,683,995,963	₱–	₱11,304,153,630
Depreciation and amortization (Notes 16, 17, 18, 19, 21 and 33)	2,807,244,548	1,546,753,381	3,746,624,524	1,557,862,231	114,694,290	54,925,651	32,582,917	–	9,860,687,542
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱6,495,446,240	₱3,290,143,924	₱4,510,982,524	₱4,887,126,161	₱3,194,569	₱261,368,874	₱1,716,578,880	₱–	₱21,164,841,172
Other Information									
Non-cash expenses other than depreciation and amortization:									
Impairment losses on receivables (Note 11)	₱94,901,001	₱28,700,892	₱229,479,529	₱18,982,104	₱–	₱16,333,309	₱7,882,223	₱–	₱396,279,058
Realized loss on AFS investments (Note 10)	11,674,554	–	–	–	–	–	–	–	11,674,554
Inventory obsolescence and market decline (Note 12)	192,391,148	–	27,546,306	–	108,308,472	–	90,925,196	–	419,171,122
	₱298,966,703	₱28,700,892	₱257,025,835	₱18,982,104	₱108,308,472	₱16,333,309	₱98,807,419	₱–	₱827,124,734

Other information on the Group's operating segment follows:

	December 31, 2010								
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Tele-communications**	**Real Estate and Hotels**	**Petrochemicals**	**Banking**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**Consolidated**
Investments in associates and joint ventures (Note 15)	**₱89,497,240**	**₱369,644,738**	**₱–**	**₱29,361,243,640**	**₱–**	**₱–**	**₱605,376,630**	**₱–**	**₱30,425,762,248**
Segment assets	**₱65,367,175,366**	**₱50,116,559,705**	**₱90,897,908,000**	**₱53,101,135,224**	**₱7,679,208,825**	**₱24,590,673,476**	**₱157,085,570,977**	**(₱122,514,595,174)**	**₱326,323,636,399**
Short-term debt	**₱5,111,859,534**	**₱–**	**₱449,404,721**	**₱–**	**₱2,255,696,545**	**₱–**	**₱7,535,085,610**	**₱–**	**₱15,352,046,410**
Long-term debt	**₱11,226,348,770**	**₱18,432,708,704**	**₱15,264,176,622**	**₱15,000,000,000**	**₱–**	**₱–**	**₱37,732,864,044**	**₱–**	**₱97,656,098,140**
Segment liabilities	**₱23,528,934,357**	**₱39,729,399,583**	**₱90,853,393,000**	**₱25,363,707,010**	**₱9,687,852,790**	**₱19,955,942,974**	**₱88,934,335,230**	**(₱121,190,325,898)**	**₱176,863,239,046**
Capital expenditures (Notes 16 and 17)	**₱3,582,808,089**	**₱6,870,792,379**	**₱12,694,797,000**	**₱4,698,283,286**	**₱1,319,212,632**	**₱153,287,990**	**₱66,572,158**	**₱–**	**₱29,385,753,534**

	December 31, 2009								
	Foods, Agro-Industrial and Commodities	Air Transportation	Tele-communications	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Investments in associates and joint ventures (Note 15)	₱88,302,733	₱366,355,686	₱–	₱26,626,094,598	₱–	₱–	₱1,011,126,142	₱–	₱28,091,879,159
Segment assets	₱60,917,950,331	₱35,591,204,150	₱83,725,608,216	₱51,479,307,022	₱5,248,099,544	₱16,893,565,238	₱164,601,785,584	(₱140,577,520,694)	₱277,879,999,391
Short-term debt	₱5,665,218,301	₱–	₱1,212,643,276	₱–	₱2,168,777,981	₱–	₱4,913,434,449	₱–	₱13,960,074,007
Long-term debt	₱12,246,869,931	₱17,110,126,732	₱13,359,923,482	₱15,115,000,000	₱–	₱–	₱39,911,277,821	₱–	₱97,743,197,966
Segment liabilities	₱24,431,619,892	₱30,770,012,847	₱82,376,561,514	₱25,912,830,845	₱7,157,097,505	₱14,880,400,126	₱96,237,964,699	(₱108,780,982,692)	₱172,985,504,736
Capital expenditures (Notes 16 and 17)	₱3,874,730,827	₱3,417,786,209	₱11,455,872,915	₱3,851,120,580	₱149,606,829	₱60,602,281	₱76,093,420	₱–	₱22,885,813,061

	December 31, 2008								
	Foods, Agro-Industrial and Commodities	Air Transportation	Tele-communications	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Investments in associates and joint ventures (Note 15)	₱93,056,645	₱377,459,904	₱–	₱ 23,606,644,454	₱–	₱–	₱ 1,068,553,200	₱–	₱25,145,714,203
Segment assets	₱57,930,635,067	₱32,833,399,842	₱75,233,781,063	₱40,310,560,786	₱6,336,242,574	₱12,707,398,273	₱145,529,677,951	(₱119,995,224,396)	₱250,886,471,160
Short-term debt	₱11,070,284,642	₱–	₱1,270,292,359	₱677,000,000	₱4,035,141,138	₱–	₱8,083,880,233	₱–	₱25,136,598,372
Long-term debt	₱9,477,802,291	₱17,956,530,573	₱11,137,961,744	₱5,340,000,000	₱–	₱–	₱33,027,231,483	₱–	₱76,939,526,091
Segment liabilities	₱25,786,205,311	₱31,348,290,611	₱74,144,450,313	₱17,323,591,262	₱7,734,137,239	₱10,955,222,107	₱75,756,659,863	(₱84,824,225,940)	₱158,224,330,766
Capital expenditures (Notes 16 and 17)	₱5,058,082,407	₱6,982,639,323	₱12,528,795,000	₱3,954,143,743	₱132,156,273	₱114,938,408	₱2,133,149	₱–	₱28,772,888,303

Intersegment revenues
Intersegment revenues are eliminated at the consolidation level.

Segment Results
Segment results pertain to the net income (loss) of each of the operating segments adjusted by the subsequent take up of significant transactions of operating segments with fiscal year end and the capitalization of borrowing costs at the consolidated level for qualifying assets held by a certain subsidiary. The chief decision maker also uses the 'Core earnings', 'EBIT' and 'EBITDA' in measuring the performance of each of the Group's operating segment. The Group defines each of the operating segment's 'Core earnings' as the total of the 'Operating income', 'Finance income' and 'Other revenue' deducted by the 'Finance cost and other charges'. EBIT is computed by reconciling the finance cost and other charges, provision for income tax to the net income attributable to equity holders of the Parent Company while EBITDA is computed by adding back to the EBIT the depreciation and amortization expenses during the period.

Segment Assets
Segment assets are resources owned by each of the operating segments with the exclusion of intersegment balances, which are eliminated, and adjustment of significant transactions of operating segment with fiscal year end.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments excluding intersegment balances which are eliminated. The Group also reports to the chief operating decision maker the breakdown of the short-term and long-term debt of each of the operating segments.

Capital Expenditures
The components of capital expenditures reported to the chief operating decision maker are the acquisitions of investment property and property plant and equipment during the period.

Geographical Information
The Group operates in the Philippines, Thailand, Malaysia, Indonesia, China, Hong Kong, Singapore and Vietnam.

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2010	2009
Domestic	**₱87,630,644,068**	₱77,752,057,338
Foreign	**34,106,675,566**	30,203,119,605
	₱121,737,319,634	₱107,955,176,943

The Group has no significant customer which contributes 10.0% or more of the consolidated revenues of the Group.

The table below shows the Group's carrying amounts of noncurrent assets per geographic location excluding noncurrent financial assets and pension assets:

	2010	2009
Domestic	**₱178,077,982,308**	₱158,993,359,999
Foreign	**36,789,883,404**	34,300,359,451
	₱214,867,865,712	₱193,293,719,450

7. Cash and Cash Equivalents

This account consists of:

	2010	2009
Cash on hand	**₱783,767,940**	₱869,249,578
Cash in banks	**12,564,138,386**	8,386,398,762
Cash equivalents	**28,762,097,196**	9,218,044,364
	₱42,110,003,522	₱18,473,692,704

Cash in bank earns interest at the respective bank deposit rates. Cash equivalents represent money market placements made for varying periods depending on the immediate cash requirements of the Group, and earn annual interest ranging from 0.3% to 4.8%, 0.1% to 7.3% and 0.6% to 5.4% in 2010, 2009 and 2008, respectively.

Interest income earned from cash in banks and cash equivalents amounted to ₱0.9 billion, ₱0.4 billion and ₱0.9 billion in 2010, 2009 and 2008, respectively (Note 28).

8. Derivative Financial Instruments

The tables below show the fair value of the Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as of December 31, 2010 and 2009. The notional amount is the basis upon which changes in the value of derivatives are measured.

	December 31, 2010					
	Notional Amounts					
	US Dollar	Euro	Philippine Peso	Philippine Peso Equivalent	Derivative Assets	Derivative Liabilities
Derivatives Not Designated as Accounting Hedges						
Freestanding:						
Interest rate swaps	US$200,630,192	€–	₱2,000,000,000	₱10,795,627,617	₱111,066,241	₱431,768,819
Commodity options*	–	–	–	–	489,917,466	–
Foreign currency forwards	6,885,000	19,512,607	–	1,434,223,278	2,419,926	595,499
Currency options	–	300,000	–	17,410,050	–	12,499,304
Embedded:						
Currency forwards	247,395,482	–	–	10,845,817,931	480,503,974	–
	454,910,674	19,812,607	2,000,000,000	23,093,078,876	1,083,907,607	444,863,622
Derivatives Designated as Accounting Hedges						
Freestanding:						
Interest rate swaps	200,000,000	–	–	8,768,000,000	–	364,294,305
Cross currency swaps	12,723,500	–	–	645,604,563	102,271,000	–
	212,723,500	–	–	9,413,604,563	102,271,000	364,294,305
	US$667,634,174	€19,812,607	₱2,000,000,000	₱32,506,683,439	₱1,186,178,607	₱809,157,927
Presented in the consolidated statements of financial position as:						
Current					₱1,186,178,607	₱262,393,820
Noncurrent					–	546,764,107
					₱1,186,178,607	₱809,157,927

*Nominal quantity amounted to 845,000 US barrels as of December 31, 2010.

	December 31, 2009					
	Notional Amounts					
	US Dollar	Euro	Philippine Peso	Philippine Peso Equivalent	Derivative Assets	Derivative Liabilities
Derivatives Not Designated as Accounting Hedges						
Freestanding:						
Interest rate swaps	US$154,089,073	€–	₱2,000,000,000	₱9,118,915,173	₱102,985,391	₱309,858,632
Commodity options*	–	–	–	–	227,794,364	–
Foreign currency forwards	32,863,695	–	–	1,518,302,709	890,296	3,805,492
Currency options	–	800,000		53,331,680	4,566,710	20,085,920
Embedded:						
Currency forwards	318,127,535	–	–	14,697,492,117	303,345,166	–
	505,080,303	800,000	2,000,000,000	25,388,041,679	639,581,927	333,750,044
Derivatives Designated as Accounting Hedges						
Freestanding:						
Interest rate swaps	200,000,000	–	–	9,240,000,000	–	416,590,454
Cross currency swaps	10,723,500	–	–	534,156,088	23,650,032	–
	210,723,500	–	–	9,774,156,088	23,650,032	416,590,454
	US$715,803,803	€800,000	₱2,000,000,000	₱35,162,197,767	₱663,231,959	₱750,340,498
Presented in the consolidated statements of financial position as:						
Current					₱663,231,959	₱124,891,412
Noncurrent					–	625,449,086
					₱663,231,959	₱750,340,498

**Nominal quantity amounted to 420,000 US barrels as of December 31, 2009.*

Derivatives not designated as accounting hedges
The Group's derivatives not designated as accounting hedges include transactions to take positions for risk management purposes. Also included under this heading are any derivatives which do not meet PAS 39 hedging requirements.

- Interest rate swaps
  On May 28, 2008, the Group entered to an interest rate swap agreement with a bank, with a total notional amount of ₱2.0 billion to hedge its interest rate exposures on the Inverse Floating Rate Notes bearing an interest of 15.7% less 3-month (3M) benchmark rate (PDST-F). The interest rate swap has a term of five years and interest exchange is every 5th day of March, June, September and December. Under the agreement, the Group agreed with the counterparty to exchange at quarterly intervals, the Group's floating rate which is based on 3M PSDT-F but not to exceed 15.7% and the counterparty's fixed interest rates. The swap agreement effectively fixes the Group's interest rate exposures on the inverse floating note to 8.8%. As of December 31, 2010 and 2009, the positive fair values of this interest rate swap agreement amounted to ₱111.1 million and ₱103.0 million gain, respectively.

  On October 6, 2008, the Group entered to an interest rate swap agreement with a bank, with a total notional amount of US$100.0 million to hedge its interest rate exposures on the long-term USD floating rate liability. The interest rate swap has a term of eight years and interest exchange is every 29th day of March and 28th day of September.

  On June 27, 2008, the Group entered into an interest rate swap option (swaption) with a notional amount of US$100.0 million. Under the swaption, the Group provided an option to the counterparty to enter into a swap where the Group would pay a fixed rate of 3.7% and receives LIBOR every interest payment date (every June 16 and December 16). The option is exercisable on December 12, 2008. If the option is exercised, the first swap payment would cover the interest period December 16, 2008 to June 16, 2009. The option premium amounted to $0.3 million and was recognized in the consolidated statements of comprehensive income.

  As of December 12, 2008, the option was exercised and the resulting interest rate swap was used to hedge the interest cash flow variability arising from the movements in the benchmark LIBOR of the remaining US$100.0 million of the US$300.0 million loan starting December 16, 2008. The terms of the swaps (i.e., benchmark rate, notional amount, fixing dates and maturity date) coincide with the hedged loan.

  As of December 31, 2010 and 2009, the negative fair values of this interest rate swap amounted to ₱182.5 million and ₱208.8 million, respectively.

  In 2010, the Group entered to an interest rate swap agreement with a bank, with a total notional amount of US$100.6 million to hedge its interest rate exposures on the long-term USD floating rate liability. The interest rate swap has a term of six years and interest exchange is every 28th day of June and 29th day of December. As of December 31, 2010 and 2009, the negative fair value of this interest rate swap amounted to ₱249.3 million and ₱101.0 million, respectively.

- Commodity options
  The Group entered into fuel derivatives to manage its exposure to fuel price fluctuations. Such fuel derivatives are not designated as accounting hedges. The gains or losses on these instruments are accounted for directly as a credit to or charge against profit or loss. As of December 31, 2010 and 2009, the Group has outstanding fuel hedging transactions with notional quantity of 845,000 US barrels and 420,000 US barrels, respectively. The options can be exercised at various calculation dates with specified quantities on each calculation date. As of December 31, 2010, the options have various maturity dates through December 31, 2011.

  As of December 31, 2010 and 2009, the positive fair values of the commodity options amounted to ₱489.9 million and ₱227.8 million gain, respectively.

- Foreign currency forwards
  The Group entered into short-term nondeliverable foreign currency forward contracts. The Group's short-term forwards have varying tenors ranging from one to three months and have a total notional amount of US$6.9 million and €19.5 million as of December 31, 2010 and US$32.9 million as of December 31, 2009. The positive and negative fair values of these foreign currency forwards amounted to ₱2.4 million and ₱0.6 million and ₱0.9 million and ₱3.8 million as of December 31, 2010 and 2009, respectively.

- Currency options
  The Group entered into currency options that are all due within one year from respective reporting dates and have a total notional amount of €0.3 million and €0.8 million as of December 31, 2010 and 2009, respectively. The positive and negative fair values of these currency options amounted to nil and ₱12.5 million and ₱4.6 million and ₱20.1 million as of December 31, 2010 and 2009, respectively.

- Embedded forwards
  The Group has derivatives embedded in some of its contracts. Such derivatives pertain to embedded currency forwards noted in purchase, sales and service contracts, denominated in a currency which is not the functional currency of a substantial party to the contract or routine currency of the transaction for the contracts. The total outstanding notional amount of currency forwards embedded in nonfinancial contracts amounted to US$247.4 million and US$318.1 million as of December 31, 2010 and 2009, respectively. The nonfinancial contracts consist mainly of foreign currency-denominated purchase orders with various expected delivery dates. The nonfinancial contracts have various expected delivery dates ranging from 12 to 40 months.

  As of December 31, 2010 and 2009, the positive fair values of the embedded forwards amounted to ₱480.5 million and ₱303.3 million, respectively.

Derivatives designated as accounting hedges
As part of its asset and liability management, the Group uses derivatives, particularly currency swaps and interest rate swaps, as cash flow hedges in order to reduce its exposure to market risks that is achieved by hedging portfolios of floating rate financial instruments.

The accounting treatment explained in Note 2 to the financial statements, *Hedge Accounting,* varies according to the nature of the hedged item and compliance with the hedge criteria. Hedges entered into by the Group which provide economic hedges but do not meet the hedge accounting criteria are included under derivatives not designated as accounting hedges.

- Interest rate swaps
  On April 23, 2008 and May 9, 2008, the Group entered into two interest rate swaps with amortizing notional amount of US$100.0 million each. The swaps are intended to hedge the interest rate exposure due to the movements in the benchmark LIBOR on $200.0 million of the $300.0 million Guaranteed Term Loan Facility due 2013 (Note 24). Under the swaps, the Group pays fixed and receives LIBOR every interest payment date (every June 16 and December 16). The effectivity of both swaps is on June 16, 2008 and maturity date is on June 16, 2013. The terms of the swaps (i.e., benchmark rate, notional amount, fixing dates and maturity date) coincide with the hedged loan.

  As of December 31, 2010 and 2009, the negative fair value of the swaps amounted to ₱364.3 million and ₱416.6 million.

- Currency swaps
  On January 27, 2010, July 16, 2009 and June 11, 2008, RSBC entered into a long-term currency swap agreements to hedge the foreign exchange risk on 100.00% of certain AFS investments. Under these agreements, RSBC effectively swaps the principal amount and interest from certain US dollar-denominated AFS investments into Philippine peso-denominated cash inflows of principal and interest to be received up to February 15, 2011 and February 15, 2013, respectively. As of December 31, 2010 and 2009, the positive fair value of the currency swaps amounted to ₱102.3 million and ₱23.7 million, respectively.

  The related AFS investment has a carrying value and fair value amounting to ₱572.5 million and ₱548.6 million as of December 31, 2010 and 2009.

  As of December 31, 2010 and 2009, the net unrealized market losses charged to other comprehensive income amounted to ₱58.9 million and ₱49.2 million, respectively.

Hedge Effectiveness Results
As of December 31, 2010 and 2009, the net effective fair value changes on the Group's cash flow hedges that were deferred in other comprehensive income under 'Net unrealized gain (loss) on cash flow hedge' amounting to ₱133.3 million and ₱468.2 million, respectively.

The distinction of the results of hedge accounting into "Effective" or "Ineffective" represent designations based on PAS 39 and are not necessarily reflective of the economic effectiveness of the instruments.

Net Unrealized Loss on Cash Flow Hedge
Movements in the net unrealized loss on cash flow hedge consist of:

	2010	2009	2008
Beginning balance	**(₱397,499,329)**	(₱865,669,863)	₱–
Net changes shown in other comprehensive income (Note 36):			
Net changes in fair value of derivatives taken to other comprehensive income	**135,476,018**	201,547,165	(899,284,256)
Amounts transferred to profit or loss	**(2,185,780)**	266,623,369	33,614,393
	133,290,238	468,170,534	(865,669,863)
	(₱264,209,091)	(₱397,499,329)	(₱865,669,863)

Fair value changes on derivatives
The net movements in fair value of the Group's derivative financial instruments follow:

	2010	2009
Balance at beginning of year:		
Derivative assets	**₱663,231,959**	₱1,138,164,659
Derivative liabilities	**(750,340,498)**	(2,956,680,046)
	(87,108,539)	(1,818,515,387)
Net changes in fair value of derivatives taken to profit or loss	**(2,185,780)**	266,623,369
Net changes in fair value of derivatives taken to other comprehensive income	**135,476,018**	201,547,165
Fair value of settled instruments	**330,838,981**	1,263,236,314
	464,129,219	1,731,406,848
Balance at end of year:		
Derivative assets	**1,186,178,607**	663,231,959
Derivative liabilities	**(809,157,927)**	(750,340,498)
	₱377,020,680	(₱87,108,539)

The net changes in fair value of derivatives taken to profit or loss are included under 'Market valuation gain (loss) on derivative financial instruments' in the consolidated statements of comprehensive income.

9. Financial Assets at Fair Value through Profit or Loss

These investments that are held for trading consist of:

	2010	2009
Debt securities:		
Private	**₱6,528,895,745**	₱5,277,566,296
Government	**1,289,922,199**	1,038,368,701
	7,818,817,944	6,315,934,997
Equity securities:		
Quoted	**2,440,000,567**	1,898,839,984
Unquoted	**4,516**	4,768
	2,440,005,083	1,898,844,752
	₱10,258,823,027	₱8,214,779,749

The Group has recognized net market valuation gains on financial assets at FVPL amounting to ₱1.2 billion and ₱2.0 billion in 2010 and 2009, respectively, and net market valuation loss on financial assets at FVPL amounting to ₱3.7 billion in 2008.

Interest income on FVPL consists of (Note 28):

	2010	2009	2008
Debt securities:			
Private	**₱585,286,153**	₱698,650,939	₱712,330,382
Government	**104,017,469**	64,450,422	263,410,574
	₱689,303,622	₱763,101,361	₱975,740,956

Reclassification of Financial Assets at FVPL

Following the amendments to PAS 39 and PFRS 7, the Group reclassified certain trading assets from the 'Financial assets at FVPL' category to the 'AFS investments' category in the December 31, 2008 consolidated statements of financial position. The 2008 global credit crunch had prompted the amendments to be issued by the IASB, and the adoption of these amendments permitted the Group to revisit the existing classification of their financial assets. The Group identified assets, eligible under the amendments, for which at July 1, 2008, it had a clear change of intent to hold for the foreseeable future rather than to exit or trade in the short term. The disclosures below detail the impact of the reclassifications in the Group's consolidated financial statements.

The following table shows the carrying values of the reclassified assets:

	September 30, 2010*	September 30, 2009*	September 30, 2008*
Private bonds	**₱3,238,990,528**	₱3,851,715,862	₱3,296,606,883
Government securities	**2,543,989,688**	2,559,491,290	2,224,382,820
Equity securities	**943,694,250**	896,441,088	783,853,000
	₱6,726,674,466	₱7,307,648,240	₱6,304,842,703

**URC and Subsidiaries' financial year-end*

As of reclassification date, effective interest rates on reclassified trading assets ranged from 6.06% to 18.94%, with expected recoverable cash flows of ₱12.5 billion. The range of effective interest rates were determined based on weighted average rates by business.

Prior to reclassification, reduction in the fair values of the Group's financial assets at FVPL at July 1, 2008 amounted to ₱1.3 billion, which is included under 'Market valuation gain (loss) on financial assets at FVPL' in the 2008 consolidated statements of comprehensive income.

Had the reclassification not been made, the Group's consolidated statements of comprehensive income for the years ended December 31, 2010 and 2009 would have included an additional market valuation gain on financial assets at FVPL amounting to ₱0.4 billion and ₱1.1 billion, respectively, and a market valuation loss on FVPL amounting to ₱826.2 million for the year ended December 31, 2008.

After reclassification, the reclassified financial assets contributed the following amounts to income before income taxes for the years ended December 31, 2010, 2009 and 2008, respectively:

	2010	2009	2008
Increase (reduction) in:			
Interest income	**₱16,478,340**	₱15,402,694	(₱4,472,252)
Foreign exchange gains (losses)	**(42,496,452)**	7,907,802	(74,970,771)
Provision for impairment losses	**–**	(185,454,636)	(11,674,554)

The reclassification was compliant with the criteria and rules set forth in SEC Memorandum Circular No. 10, Series of 2008, on Amendments to PAS 39 and PFRS 7, as issued by the Philippine Securities and Exchange Commission.

10. Available-for-Sale Investments

This account consists of investments in:

	2010	2009
Debt securities:		
Government	**₱4,775,865,587**	₱4,780,573,833
Private	**3,695,869,519**	3,989,253,211
	8,471,735,106	8,769,827,044
Equity securities:		
Quoted	**1,168,562,938**	1,367,142,809
Unquoted	**210,597,671**	72,937,171
	1,379,160,609	1,440,079,980
	₱9,850,895,715	₱10,209,907,024

The fair value of hedged items under AFS investment amounted to ₱532.7 million net of accumulated discount of ₱7.2 million as of December 31, 2010 and ₱535.9 million, net of accumulated premium of ₱38.6 million as of December 31, 2009.

As of December 31, 2010, AFS investments include the investments reclassified from HTM investments (Note 14).

In 2010, 2009 and 2008, the Group recognized permanent decline on its AFS investments under private debt securities amounting to nil, ₱185.5 million and ₱11.7 million, respectively, and on its AFS investments under quoted equity securities amounting to nil, ₱62.3 million and nil, respectively, (included under 'Impairment losses and others' in the statements of comprehensive income) (Note 34).

Interest income recognized on AFS debt investments are as follows (Note 28):

	2010	2009	2008
Debt securities:			
Government	**₱353,189,546**	₱125,210,572	₱37,670,409
Private	**323,429,132**	292,158,000	103,472,456
	₱676,618,678	₱417,368,572	₱141,142,865

Movements in the net unrealized gain (loss) on AFS investments follow:

	2010		
	Parent Company	**Non-controlling interests**	**Total**
Balance at beginning of period	**₱178,341,156**	**₱50,132,492**	**₱228,473,648**
Net changes shown in other comprehensive income:			
Fair value changes during the period on AFS investments of Parent Company and subsidiaries (Note 36)	**106,666,366**	**157,090,810**	**263,757,176**
Realized gain on sale of AFS investments (Note 29)	**(68,821,240)**	**(4,133,156)**	**(72,954,396)**
	37,845,126	**152,957,654**	**190,802,780**
Net unrealized gain on AFS investments of an associate (Note 15)	**175,748**	**–**	**175,748**
	38,020,874	**152,957,654**	**190,978,528**
Balance at end of period	**₱216,362,030**	**₱203,090,146**	**₱419,452,176**

	2009		
	Parent Company	Non-controlling interests	Total
Balance at beginning of period	(₱1,338,927,963)	(₱717,804,732)	(₱2,056,732,695)
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on AFS investments of Parent Company and subsidiaries	1,363,231,837	699,500,070	2,062,731,907
Realized loss (gain) on sale of AFS investments (Note 29)	(29,534,936)	1,437,984	(28,096,952)
Reclassification adjustments for losses determined to be permanent decline included in profit or loss (Note 34)	180,813,627	66,999,170	247,812,797
	1,514,510,528	767,937,224	2,282,447,752
Net unrealized gain on AFS investments of an associate (Note 15)	2,758,591	–	2,758,591
	1,517,269,119	767,937,224	2,285,206,343
Balance at end of period	₱178,341,156	₱50,132,492	₱228,473,648

	2008		
	Parent Company	Non-controlling interests	Total
Balance at beginning of period	₱710,537,158	₱–	₱710,537,158
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on AFS investments of Parent Company and subsidiaries	(1,955,459,601)	(722,316,815)	(2,677,776,416)
Realized gain on sale of AFS investments (Note 29)	(99,769,988)	–	(99,769,988)
Reclassification adjustments for losses determined to be permanent decline included in profit or loss (Note 34)	7,162,471	4,512,083	11,674,554
	(2,048,067,118)	(717,804,732)	(2,765,871,850)
Net unrealized gain on AFS investments of an associate (Note 15)	(1,398,003)	–	(1,398,003)
	(2,049,465,121)	(717,804,732)	(2,767,269,853)
Balance at end of period	(₱1,338,927,963)	(₱717,804,732)	(₱2,056,732,695)

11. Receivables

This account consists of:

	2010	2009
Trade receivables	**₱12,035,940,022**	₱13,482,471,736
Finance receivables	**10,198,213,416**	8,153,953,185
Due from related parties (Note 40)	**2,226,813,907**	1,920,475,472
Interest receivable	**711,403,659**	438,916,592
Other receivables	**2,465,740,847**	1,783,924,679
	27,638,111,851	25,779,741,664
Less allowance for impairment losses	**3,011,613,678**	2,921,684,307
	₱24,626,498,173	₱22,858,057,357

Total receivables shown in the consolidated statements of financial position follow:

	2010	2009
Current portion	**₱14,609,814,424**	₱18,149,006,089
Noncurrent portion	**10,016,683,749**	4,709,051,268
	₱24,626,498,173	₱22,858,057,357

Trade Receivables

Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱2.5 billion and ₱3.2 billion as of December 31, 2010 and 2009. These are collectible in monthly installments over a period of between one year to five years and earn annual interest ranging from 8.2% to 9.8% based on the remaining principal balance.

Other trade receivables are noninterest-bearing and generally have 30 to 90-day terms.

Finance Receivables
Breakdown of finance receivables, which represent receivables from customers of RSBC, follows:

	2010	2009
Receivables from customers:		
Commercial	**₱5,707,520,977**	₱4,229,474,348
Real estate	**2,180,067,491**	1,667,221,072
Consumption	**1,985,635,932**	2,018,275,394
Domestic bills purchased	**325,494,068**	239,763,411
	10,198,718,468	8,154,734,225
Less unearned interest and discounts	**505,052**	781,040
	₱10,198,213,416	₱8,153,953,185

Interest income on finance receivables, included under 'Banking revenue' in the consolidated statements of comprehensive income, consists of (Notes 27 and 28):

	2010	2009	2008
Receivables from customers:			
Commercial	**₱433,849,503**	₱336,696,334	₱329,806,001
Consumption	**312,436,100**	292,560,298	178,967,035
Real estate	**190,097,977**	152,171,504	121,086,591
Domestic bills purchased	**1,127,396**	1,099,216	685,477
Unquoted debt securities	**9,075,686**	141,025	2,288,776
	₱946,586,662	₱782,668,377	₱632,833,880

Interest income on impaired loans in 2010, 2009 and 2008 amounted to ₱10.3 million, ₱27.8 million and ₱31.7 million, respectively.

Others
Other receivables include claims receivables, creditable withholding tax and dividends receivables.

Allowance for Impairment Losses on Receivables
Changes in the allowance for impairment losses on receivables follow:

	December 31, 2010					
	Individual Assessment			Collective Assessment		
	Trade Receivables	Finance Receivables	Other Receivables	Trade Receivables	Finance Receivables	Total
Balance at beginning of year	**₱438,608,398**	**₱98,554,451**	**₱347,829,895**	**₱1,947,243,604**	**₱89,447,959**	**₱2,921,684,307**
Beginning balance of the acquired subsidiary (Note 45)	**–**	**180,413,407**	**1,571,213**	**–**	**–**	**181,984,620**
Provision for impairment losses (Note 34)	**42,651,210**	**117,602,538**	**136,947,217**	**357,402,880**	**33,682,760**	**688,286,605**
Accounts written-off	**(187,354,562)**	**–**	**(25,340,714)**	**(545,227,793)**	**(9,486,116)**	**(767,409,185)**
Effect of changes in foreign currency rates	**–**	**–**	**(12,932,669)**	**–**	**–**	**(12,932,669)**
Balance at end of year	**₱293,905,046**	**₱396,570,396**	**₱448,074,942**	**₱1,759,418,691**	**₱113,644,603**	**₱3,011,613,678**

	December 31, 2009					
	Individual Assessment			Collective Assessment		
	Trade Receivables	Finance Receivables	Other Receivables	Trade Receivables	Finance Receivables	Total
Balance at beginning of year	₱346,325,472	₱102,092,205	₱44,506,180	₱2,500,180,509	₱50,927,129	₱3,044,031,495
Provision for impairment losses (Note 34)	138,046,408	18,589,197	303,323,715	286,658,343	18,976,354	765,594,017
Accounts written-off	(45,598,733)	(22,126,951)	–	(839,595,248)	–	(907,320,932)
Recoveries	(164,749)	–	–	–	19,544,476	19,379,727
Balance at end of year	₱438,608,398	₱98,554,451	₱347,829,895	₱1,947,243,604	₱89,447,959	₱2,921,684,307

12. Inventories

This account consists of inventories held as follows:

	2010	2009
At cost:		
Raw materials	**₱2,968,663,884**	₱2,737,340,914
Finished goods	**2,594,612,996**	1,609,746,783
	5,563,276,880	4,347,087,697
At NRV:		
Subdivision land, condominium and residential units for sale	**6,197,307,815**	5,084,164,042
Spare parts, packaging materials and other supplies	**3,166,755,860**	2,857,316,781
Work-in-process	**123,324,844**	123,322,642
By-products	**34,418,138**	13,788,689
	9,521,806,657	8,078,592,154
Materials in-transit	**1,227,970,661**	650,122,976
	₱16,313,054,198	₱13,075,802,827

Under the terms of agreements covering liabilities under trust receipts amounting to ₱2.1 billion and ₱2.3 billion as of December 31, 2010 and 2009, respectively, certain inventories have been released to the Group in trust for the creditor banks (Note 24). The Group is accountable to the banks for the value of the trusteed inventories or their sales proceeds.

Inventory written-down as expense (included under 'Cost of sales and services' account in the consolidated statements of comprehensive income) amounted to ₱459.7 million, ₱438.4 million and ₱332.8 million in 2010, 2009 and 2008, respectively.

Inventory obsolescence and market decline (included under 'Impairment losses and others' account in the consolidated statements of comprehensive income) amounted to ₱17.6 million, ₱60.2 million and ₱419.2 million in 2010, 2009 and 2008, respectively (Note 34).

13. Other Current Assets

This account consists of:

	2010	2009
Input VAT - net	**₱4,734,148,479**	₱4,824,908,172
Prepaid expenses	**870,463,452**	771,094,651
Advances to suppliers	**622,669,290**	537,576,894
Restricted cash in bank	**21,966,461**	33,698,718
Others	**14,192,962**	100,753,949
	₱6,263,440,644	₱6,268,032,384

As of December 31, 2010 and 2009, the gross amount of output VAT deducted from input VAT amounted to ₱5.6 billion and ₱5.1 billion, respectively.

Prepaid expenses include:

	2010	2009
Prepaid rent	**₱307,122,061**	₱267,468,251
Prepaid taxes	**284,975,016**	195,950,274
Prepaid insurance	**119,503,439**	142,616,585
Prepaid advertising	**31,174,783**	8,959,148
Prepaid office supplies	**4,120,510**	3,510,047
Prepaid commission	**–**	6,454,765
Other prepaid expenses	**123,567,643**	146,135,581
	₱870,463,452	₱771,094,651

Restricted cash pertains to cash in bank being held as collateral by the counterparty in relation to the Group's existing derivative transactions. These amounts are not immediately available for use in the Group's operations. The amount of cash to be reserved is determined based on the fair value of the derivative on the date of valuation.

14. Held-to-Maturity Investments

As of December 31, 2009, this account consists of:

Private bonds	₱478,111,408
Government securities	377,350,805
Treasury notes	114,632,521
	₱970,094,734

As of December 31, 2009, the Group's HTM investments are carried net of accumulated unearned premium amounting to ₱70.4 million. The aggregate market value of HTM investments amounted to ₱980.5 million as of December 31, 2009.

The Group has recognized interest income on HTM investments included in 'Other interest income' account of amounting to ₱88.9 million in 2010, ₱48.6 million in 2009 and ₱22.0 million in 2008 (Note 28).

Reclassification from HTM investments to AFS investments
RSBC participated in the Global Bond Exchange offered by the Republic of the Philippines on September 20, 2010 and swapped its HTM investments amounting to ₱280.90 million. Such transaction was exempted from the tainting rule as approved by the Philippine SEC and BSP thru its Memorandum No. 2010-27 exempting all Banks and non-Bank BSP-supervised financial institutions who will exempt the debt exchange offerings from the "tainting rule". Under SEC rules, the securities received should be recognized as HTM, and any gain or loss on exchange is amortized over the life of the new securities using the effective interest method. However, under PFRS, RSBC breached the tainting rule provisions of PAS 39. To conform with PFRS, RSBC reclassified all of its HTM investments to AFS investments.

15. Investments in Associates and Joint Ventures

This account consists of:

	2010	2009
Acquisition cost:		
Balance at beginning of year	**₱19,312,878,180**	₱19,135,310,256
Additional investments	**594,409,921**	275,708,252
Disposal of investments	**–**	(98,140,328)
Return of investment from an associate	**(179,812,500)**	–
Balance at end of year	**19,727,475,601**	19,312,878,180
Accumulated equity in net earnings:		
Balance at beginning of year	**8,928,612,045**	6,505,746,920
Equity in net earnings	**2,768,724,722**	3,089,302,759
Share in unrealized gain on AFS investments of an associate (Note 10)	**175,748**	2,758,591
Accumulated equity in net losses of disposed investment	**–**	97,777,706
Cash dividends received	**(697,648,858)**	(766,973,931)
Balance at end of year	**10,999,863,657**	8,928,612,045
Cumulative translation adjustment	**75,711,565**	99,843,440
	30,803,050,823	28,341,333,665
Less allowance for impairment losses	**377,288,575**	249,454,506
	₱30,425,762,248	₱28,091,879,159

The Group's equity in the net assets of its associates and joint ventures and the related percentages of ownership are shown below:

	Percentage of Ownership		Equity in Net Assets	
	2010	2009	**2010**	2009
			(In Million Pesos)	
Associates				
Foreign:				
United Industrial Corp., Limited (UICL)	**35.99**	35.37	**₱29,361.3**	₱26,626.1
Domestic:				
Jobstreet.com Philippines, Inc. (JPI)	**40.00**	40.00	**25.4**	30.9
Sterling Holdings and Security Corporation (SHSC)	**49.00**	49.00	**–**	127.8
Bauang Private Power Corporation (BPPC)/First Private Power Corporation (FPPC)	**20.00**	20.00	**190.1**	469.0
Cebu Light Industrial Park, Inc. (CLIPI)	**20.00**	20.00	**55.4**	53.6
Oriental Petroleum and Minerals Corporation (OPMC)	**19.40**	19.40	**334.5**	329.8
			29,966.7	27,637.2
Joint Ventures				
Domestic:				
Aviation Partnership (Philippines) Corp. (APPC)	**32.11**	49.00	**117.1**	108.6
Digitel Crossing (DC)	**19.83**	19.93	**–**	–
SIA Engineering (Philippines) Corp. (SIAEP)	**22.94**	35.00	**252.5**	257.8
Hunt-Universal Robina Corporation (HURC)	**32.07**	31.94	**89.5**	88.3
			459.1	454.7
			₱30,425.8	₱28,091.9

The Group accounts for its investment in OPMC as an associate although the Group holds less than 20.0% of the issued share capital, as the Group has the ability to exercise significant influence over the investment, due to the Group's voting power (both through its equity holding and its representation in key decision-making committees) and the nature of the commercial relationships with OPMC.

As of December 31, 2010 and 2009, the Group's investments in the following listed investee companies have a fair value of:

	2010	2009
UICL	**₱41,704,635,852**	₱33,542,568,759
OPMC	**504,506,623**	543,314,824

Investment in UICL

Financial information of UICL follows:

	2010	2009
Current assets	**₱27,678,586,135**	₱36,516,850,862
Noncurrent assets	**208,758,782,594**	176,874,702,963
Current liabilities	**33,194,307,055**	29,908,677,216
Noncurrent liabilities	**25,187,533,925**	33,200,588,707
Non-controlling interest	**52,258,990,698**	48,923,066,501
Revenue	**33,673,880,390**	33,446,091,249
Cost of sales	**19,128,414,463**	20,056,869,943
Net income	**7,510,333,330**	16,151,586,914

UICL follows the revaluation method of measuring investment properties while the Group follows the cost method of measuring its investment properties. The financial information of UICL above represents the adjusted amounts after reversal of the effect of revaluation and depreciation on the said assets.

Summarized below is the financial information of other associates of the Group:

2010

	Statement of Financial Position				Statement of Comprehensive Income		
Associate	**Current Assets**	**Noncurrent Assets**	**Current Liabilities**	**Noncurrent Liabilities**	**Revenue**	**Costs and Expenses**	**Net Income**
BPPC	**₱251,028,366**	**₱423,801**	**₱13,639,150**	**₱–**	**₱455,088,194**	**₱388,586,375**	**(₱7,252,272)**
CLIPI	**526,682,111**	**339,241,517**	**586,755,828**	**2,301,973**	**94,342,162**	**84,397,904**	**9,102,149**
OPMC	**996,088,684**	**1,481,703,049**	**24,844,435**	**132,875,182**	**773,041,782**	**255,859,337**	**149,491,920**
SHSC	**263,669,519**	**–**	**2,783,663**	**–**	**–**	**–**	**–**
JPI	**233,638,685**	**11,678,023**	**202,057,745**	**3,299,855**	**227,025,603**	**111,681,941**	**69,004,713**

2009

	Statement of Financial Position				Statement of Comprehensive Income		
Associate	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Costs and Expenses	Net Income
FPPC	₱2,730,082,463	₱2,271,434,920	₱274,982,261	₱2,204,266,495	₱952,241,693	₱525,074,733	₱588,454,812
CLIPI	611,750,647	261,322,962	604,029,824	1,280,107	69,677,021	67,065,459	2,290,470
OPMC	584,691,492	2,220,434,786	247,534,102	220,191,926	312,375,560	145,006,838	139,354,387
SHSC	263,669,519	–	2,783,663	–	–	–	–
JPI	215,080,620	12,417,030	146,790,961	3,452,934	174,344,773	81,677,810	61,767,942

Investment in FPPC/BPPC

On October 14, 2010, the BOD and stockholders of Bauang Private Power Corporation (BPPC) and FPPC approved a Plan of Merger where FPPC shall be merged into and be part of BPPC, and its separate corporate existence shall cease by operation of law. Subsequently, on December 13, 2010, the Philippine SEC approved the Certificate of Filing of the Articles and Plan of Merger. On December 15, 2010, the effective date of the Merger, FPPC transferred its assets and liabilities at their carrying values to BPPC.

Pursuant to the Articles of Merger, BPPC issued common stock to holders of FPPC common stock upon the surrender and cancellation of the common stock of FPPC. The merger was accounted for in accordance with the pooling of interest method where the identifiable assets acquired and liabilities assumed from FPPC are recognized at their carrying values and is accounted for prospectively.

Investment in Joint Ventures

SIAEP

SIAEP is a jointly controlled entity which was incorporated on July 27, 2008 and was established for the purpose of providing line and light maintenance services to foreign and local airlines, utilizing the facilities and services at airports in the Philippines, as well as aircraft maintenance and repair organizations. SIAEP has started commercial operations on August 17, 2009.

The summary of information below is adjusted to the proportionate share of the Group in the assets and liabilities as at December 31, 2010 and 2009 and income and expenses of the jointly controlled entities for the years ended December 31, 2010 and 2009.

2010

	Statement of Financial Position				Statement of Comprehensive Income		
Joint Venture	**Current Assets**	**Noncurrent Assets**	**Current Liabilities**	**Noncurrent Liabilities**	**Revenue**	**Costs and Expenses**	**Net Income (Loss)**
APPC	**₱124,981,674**	**₱16,303,322**	**₱64,137,903**	**₱–**	**₱138,906,299**	**₱120,927,529**	**₱17,978,770**
HURC	**103,644,873**	**1,474,011**	**79,348,562**	**649,426**	**215,778,002**	**123,270,308**	**17,477,037**
SIAEP	**45,559,234**	**144,268,970**	**31,214,911**	–	**1,052,392**	**5,235,854**	**(4,183,462)**
DC	**39,203,398**	**82,324,256**	**10,168,472**	**10,260,009**	**21,965,803**	**20,943,062**	**4,770,891**

2009

	Statement of Financial Position				Statement of Comprehensive Income		
Joint Venture	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Costs and Expenses	Net Income (Loss)
APPC	₱156,952,518	₱36,911,423	₱80,166,575	₱4,152,578	₱183,232,885	₱115,374,053	₱16,876,347
HURC	93,187,381	3,779,330	70,828,827	2,555,264	245,327,808	153,781,220	16,355,315
SIAEP	63,200,032	225,245,858	27,877,999	–	15,991,373	30,492,022	(42,350,470)
DC	26,209,331	101,370,101	31,881,734	401,082	22,990,677	20,457,987	2,132,300

16. Investment Properties

Movements in this account follow:

	2010				
	Land and Land Improvements	Buildings and Improvements	Theater Furniture and Equipment	Construction In-Progress	Total
Cost					
Balance at beginning of period	₱10,111,824,149	₱26,213,113,183	₱260,137,142	₱2,651,257,533	₱39,236,332,007
Additions	1,723,694,832	917,470,013	42,243,750	1,814,322,856	4,497,731,451
Retirement/disposals	(24,000,472)	–	–	–	(24,000,472)
Transfers/other adjustments	5,340,906	2,742,466,842	21,479,813	(2,970,778,193)	(201,490,632)
Balance at end of period	11,816,859,415	29,873,050,038	323,860,705	1,494,802,196	43,508,572,354
Accumulated Depreciation and Amortization					
Balances at beginning of period	46,387,003	9,444,919,234	213,334,787	–	9,704,641,024
Depreciation and amortization	4,799,085	1,599,297,113	21,653,014	–	1,625,749,212
Retirements/disposals	(803,923)	–	–	–	(803,923)
Balance at end of period	50,382,165	11,044,216,347	234,987,801	–	11,329,586,313
Net Book Value at End of Period	₱11,766,477,250	₱18,828,833,691	₱88,872,904	₱1,494,802,196	₱32,178,986,041

	2009				
	Land and Land Improvements	Buildings and Improvements	Theater Furniture and Equipment	Construction In-Progress	Total
Cost					
Balance at beginning of period	₱10,011,836,566	₱23,294,700,371	₱254,274,144	₱2,454,179,853	₱36,014,990,934
Additions	188,074,749	765,269,563	5,862,998	2,350,220,929	3,309,428,239
Retirements/disposals	(95,786,429)	–	–	–	(95,786,429)
Transfers/other adjustments	7,699,263	2,153,143,249	–	(2,153,143,249)	7,699,263
Balance at end of period	10,111,824,149	26,213,113,183	260,137,142	2,651,257,533	39,236,332,007
Accumulated Depreciation and Amortization					
Balances at beginning of period	41,092,269	8,043,554,759	194,034,512	–	8,278,681,540
Depreciation and amortization	5,294,734	1,401,364,475	19,300,275	–	1,425,959,484
Balance at end of period	46,387,003	9,444,919,234	213,334,787	–	9,704,641,024
Net Book Value at End of Period	₱10,065,437,146	₱16,768,193,949	₱46,802,355	₱2,651,257,533	₱29,531,690,983

Investment properties consist mainly of land held for appreciation, shopping malls and commercial centers and office buildings that are held to earn rentals. Most of the Group's properties are in prime locations across the Philippines.

Borrowing Costs

Borrowing costs capitalized to subdivision land, condominium and residential units for sale and investment properties under construction amounted to ₱985.0 million, ₱631.0 million and ₱331.0 million in 2010, 2009 and 2008, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2010, 2009 and 2008 ranges from 7.5% to 12.0%.

Fair Value of Investment Properties

The fair value of investment properties, which has been determined based on valuations performed by an independent and professionally property appraiser as of September 30, 2009, exceeds its carrying cost. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The fair value as of the date of appraisal amounted to ₱50.0 billion.

The value of the investment properties was arrived at using the *Market Data Approach.* In this approach, the value of the investment properties is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as a basis for comparison are situated within the immediate vicinity of the subject property.

Rent Income from Investment Properties

Consolidated rent income from investment properties included under 'Real estate and hotels revenue' in the consolidated statements of comprehensive income amounted to ₱5.6 billion, ₱5.1 billion and ₱4.2 billion in 2010, 2009 and 2008, respectively.

Direct Operating Expenses

Direct operating expenses pertaining to rental operations (included under 'Cost of sales and services' and 'General and administrative expenses' accounts in the consolidated statements of comprehensive income) amounted to ₱1.8 billion, ₱1.6 billion and ₱1.5 billion in 2010, 2009 and 2008, respectively.

Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on investment properties follows:

	2010	2009	2008
Depreciation and amortization expense included under:			
Cost of services (Note 30)	**₱1,618,429,509**	₱1,420,605,645	₱1,326,991,166
General and administrative expenses (Note 31)	**7,319,703**	5,353,839	4,347,539
	₱1,625,749,212	₱1,425,959,484	₱1,331,338,705

Collaterals

As of December 31, 2010, 2009 and 2008, the Group has no investment properties that are pledged as collateral.

17. Property, Plant and Equipment

The composition of and movements in this account follow:

	December 31, 2010					
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Tele-communications Equipment	Investment in Cable Systems	Sub-total
Cost						
Balance at beginning of year	₱3,732,515,791	₱18,137,067,379	₱43,120,859,847	₱49,897,066,990	₱758,846,202	₱115,646,356,209
Additions	396,225,368	635,182,416	1,605,317,626	321,534,312	–	2,958,259,722
Transfers, disposals and other adjustments	(106,077,114)	598,885,740	353,098,550	26,443,376,406	31,880,653	27,321,164,235
Balance at end of year	4,022,664,045	19,371,135,535	45,079,276,023	76,661,977,708	790,726,855	145,925,780,166
Accumulated Depreciation and Amortization						
Balance at beginning of year	399,166,287	7,420,637,719	25,887,769,257	27,382,972,193	192,698,516	61,283,243,972
Depreciation and amortization	59,266,548	828,018,941	2,767,259,768	3,508,427,387	45,499,857	7,208,472,501
Disposals and other adjustments	132,613,275	46,375,885	(393,201,691)	16,366,953	–	(197,845,578)
Balance at end of year	591,046,110	8,295,032,545	28,261,827,334	30,907,766,533	238,198,373	68,293,870,895
Net Book Value at End of Year	**₱3,431,617,935**	**₱11,076,102,990**	**₱16,817,448,689**	**₱45,754,211,175**	**₱552,528,482**	**₱77,631,909,271**

	December 31, 2010				
	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱7,858,924,278	₱32,613,670,640	₱49,636,832,786	₱432,441,740	₱206,188,225,653
Additions	737,365,852	5,017,924,206	16,827,344,744	589,722,381	26,130,616,905
Transfers, disposals and other adjustments	652,409,680	169,528,523	(29,882,392,721)	(635,646,334)	(2,374,936,617)
Balance at end of year	9,248,699,810	37,801,123,369	36,581,784,809	386,517,787	229,943,905,941
Accumulated Depreciation and Amortization					
Balance at beginning of year	5,781,010,176	6,865,298,784	–	–	73,929,552,932
Depreciation and amortization	1,000,837,121	2,059,928,151	–	–	10,269,237,773
Disposals and other adjustments	(102,704,678)	(290,998,717)	–	–	(591,548,973)
Balance at end of year	6,679,142,619	8,634,228,218	–	–	83,607,241,732
Net Book Value at End of Year	**₱2,569,557,191**	**₱29,166,895,151**	**₱36,581,784,809**	**₱386,517,787**	**₱146,336,664,209**

	December 31, 2009					
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Tele-communications Equipment	Investment in Cable Systems	Sub-total
Cost						
Balance at beginning of year	₱4,293,690,981	₱16,851,097,517	₱39,966,043,425	₱43,157,960,583	₱758,846,103	₱105,027,638,609
Additions	244,714,216	861,596,375	3,023,913,830	85,424,313	–	4,215,648,734
Transfers, disposals and other adjustments	(805,889,406)	424,373,487	130,902,592	6,653,682,094	99	6,403,068,866
Balance at end of year	3,732,515,791	18,137,067,379	43,120,859,847	49,897,066,990	758,846,202	115,646,356,209
Accumulated Depreciation and Amortization						
Balance at beginning of year	825,955,398	7,454,038,091	22,948,354,459	24,526,391,288	149,766,575	55,904,505,811
Depreciation and amortization	43,134,944	676,932,434	2,737,079,386	2,836,160,998	42,931,921	6,336,239,683
Disposals and other adjustments	(469,924,055)	(710,332,806)	202,335,412	20,419,907	20	(957,501,522)
Balance at end of year	399,166,287	7,420,637,719	25,887,769,257	27,382,972,193	192,698,516	61,283,243,972
Net Book Value at End of Year	₱3,333,349,504	₱10,716,429,660	₱17,233,090,590	₱22,514,094,797	₱566,147,686	₱54,363,112,237

	December 31, 2009				
	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱7,607,066,619	₱29,837,257,909	₱45,518,503,156	₱283,315,592	₱188,273,781,885
Additions	736,607,677	2,795,572,546	11,447,787,870	380,767,995	19,576,384,822
Transfers, disposals and other adjustments	(484,750,018)	(19,159,815)	(7,329,458,240)	(231,641,847)	(1,661,941,054)
Balance at end of year	7,858,924,278	32,613,670,640	49,636,832,786	432,441,740	206,188,225,653
Accumulated Depreciation and Amortization					
Balance at beginning of year	5,811,192,614	4,948,558,353	–	–	66,664,256,778
Depreciation and amortization	770,392,761	1,917,683,713	–	–	9,024,316,157
Disposals and other adjustments	(800,575,199)	(943,282)	–	–	(1,759,020,003)
Balance at end of year	5,781,010,176	6,865,298,784	–	–	73,929,552,932
Net Book Value at End of Year	₱2,077,914,102	₱25,748,371,856	₱49,636,832,786	₱432,441,740	₱132,258,672,721

Construction in-Progress

DTPI

Projects under construction consists of a cellular tower where relays, routers, power transmission including a generator set, base station and subsystems may be found in a typical infrastructure. These facilities, when rolled out, are subjected to rigid testing for serviceability and traffic utilization, including its ability to inter-operate with other network elements, thereby ensuring seamless inter-connectivity (voice and data). These projects are turn-key and must await final acceptance and certification before the projects under construction qualifying as available for use are transferred to the related 'Property, plant and equipment' account, when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are completed, and the property, plant and equipment are ready for commercial service.

CAI

Construction in-progress represents the cost of aircraft and engine modifications in progress and buildings and improvements and other ground property under construction. Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use. As of December 31, 2010 and 2009, the Group capitalized pre-delivery payments as construction in-progress amounting to ₱1.4 billion and ₱3.4 billion, respectively.

Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on property, plant and equipment follows:

	2010	2009	2008
Depreciation and amortization expense			
(included under):			
General and administrative expenses			
(Note 31)	**₱6,872,424,168**	₱5,914,634,936	₱4,841,081,717
Cost of sales (Note 30)	**3,168,777,966**	2,932,577,881	2,529,157,077
Cost of services (Note 30)	**228,035,639**	177,103,340	144,555,849
	₱10,269,237,773	₱9,024,316,157	₱7,514,794,643

In 2009, the Group recognized losses on property, plant and equipment which were destroyed by a typhoon amounting to ₱63.3 million (included under 'Other operating income (loss)' account in the consolidated statements of comprehensive income) (Note 29).

Investment in Cable Systems

Investment in cable systems represents Digitel's indefeasible rights of use (IRU) of circuits in certain cable systems.

Property, Plant and Equipment Pledged as Collateral

Passenger aircraft held as securing assets under various loans

The Group entered into Export Credit Agency (ECA)-backed loan facilities (the ECA loan) to partially finance the purchase of ten Airbus A319 aircraft (Note 24). The Group also entered into a commercial loan facility to partially finance the purchase of two Airbus A320 aircraft, one CFM 565B4/P engine, two CFM 565B5/P engines and one Quick Engine Change (QEC) Kit. Additionally, the Group entered into both ECA loans and commercial loan facilities to partially finance the purchase of six Avion de Transport Regional (ATR) 72-500 Turbo Propeller Aircraft (Note 24).

Under the terms of the ECA loan and the commercial loan facilities, upon the event of default, the outstanding amount of loan (including interest accrued) will be payable by CALL or ILL or BLL, or by the guarantors which are CPAHI and the Parent Company, or failing that, the respective lenders will foreclose the securing assets.

As of December 31, 2010 and 2009, the carrying amount of the securing assets (included under the 'Property, plant and equipment' in the consolidated statements of financial position) amounted to ₱26.6 billion and ₱23.6 billion, respectively.

On July 18, 2010, one ATR 72-500 turboprop aircraft was damaged due to hard landing at Ninoy Aquino International Airport (NAIA). On November 30, 2010, the Group disposed the aircraft and settled the corresponding loan since it is already considered as constructive loss, wherein reparation cost is higher than the book value of the aircraft.

Others
Certain property, plant and equipment of URC with an aggregate net book value of ₱46.6 million and ₱58.9 million have been pledged as security for certain long-term debt as of December 31, 2010 and 2009 (Note 24).

Operating Fleet
As of December 31, 2010 and 2009, the Group's operating fleet follows:

	2010	2009
Owned (Note 24):		
Airbus A319	**10**	10
Airbus A320	**5**	2
ATR 72-500	**7**	8
Under operating lease (Note 43):		
Airbus A320	**9**	9
	31	29

The additions in 'Passenger aircraft' account includes capitalized asset retirement obligation related to new operating lease agreements amounting to ₱211.0 million for the year ended December 31, 2009 (Note 25). Moreover, change in accounting estimates increase ARO asset by ₱705.7 million in 2010 with recognition of ARO liability.

18. Biological Assets

The composition and movements in this account follow:

	December 31, 2010						
	Swine (At Fair Value Less Estimated Costs to Sell)			Poultry (At Cost)			
	Breeder	Commercial	Sub-total	Breeder	Commercial	Sub-total	Total
Cost							
Balance at beginning of year	₱423,205,686	₱1,007,768,708	₱1,430,974,394	₱184,271,162	₱52,859,437	₱237,130,599	₱1,668,104,993
Additions	324,040,327	2,442,514,305	2,766,554,632	22,487,266	165,074,879	187,562,145	2,954,116,777
Disposal	(334,426,674)	(2,634,447,729)	(2,968,874,403)	(61,277,633)	(158,256,271)	(219,533,904)	(3,188,408,307)
Balance at end of year	412,819,339	815,835,284	1,228,654,623	145,480,795	59,678,045	205,158,840	1,433,813,463
Accumulated Depreciation							
Balance at beginning of year	40,929,558	–	40,929,558	61,296,050	–	61,296,050	102,225,608
Depreciation	29,767,994	–	29,767,994	109,337,200	–	109,337,200	139,105,194
Disposal	(33,210,065)	–	(33,210,065)	(114,629,876)	–	(114,629,876)	(147,839,941)
Balance at end of year	37,487,487	–	37,487,487	56,003,374	–	56,003,374	93,490,861
Gain arising from changes in fair value less estimated costs to sell	(16,109,038)	(28,636,528)	(44,745,566)	–	–	–	(44,745,566)
Net Book Value at End of Year	₱359,222,814	₱787,198,756	₱1,146,421,570	₱89,477,421	₱59,678,045	₱149,155,466	₱1,295,577,036

	December 31, 2009						
	Swine (At Fair Value Less Estimated Costs to Sell)			Poultry (At Cost)			
	Breeder	Commercial	Sub-total	Breeder	Commercial	Sub-total	Total
Cost							
Balance at beginning of year	₱317,016,518	₱944,238,600	₱1,261,255,118	₱181,209,465	₱84,176,110	₱265,385,575	₱1,526,640,693
Additions	360,681,089	2,359,234,546	2,719,915,635	431,020,108	236,814,283	667,834,391	3,387,750,026
Disposal	(270,024,530)	(2,376,974,226)	(2,646,998,756)	(427,958,411)	(268,130,956)	(696,089,367)	(3,343,088,123)
Balance at end of year	407,673,077	926,498,920	1,334,171,997	184,271,162	52,859,437	237,130,599	1,571,302,596
Accumulated Depreciation							
Balance at beginning of year	33,068,331	–	33,068,331	50,312,620	–	50,312,620	83,380,951
Depreciation	42,357,558	–	42,357,558	115,667,044	–	115,667,044	158,024,602
Disposal	(34,496,331)	–	(34,496,331)	(104,683,614)	–	(104,683,614)	(139,179,945)
Balance at end of year	40,929,558	–	40,929,558	61,296,050	–	61,296,050	102,225,608
Gains arising from changes in fair value less estimated costs to sell	15,532,609	81,269,788	96,802,397	–	–	–	96,802,397
Net Book Value at End of Year	₱382,276,128	₱1,007,768,708	₱1,390,044,836	₱122,975,112	₱52,859,437	₱175,834,549	₱1,565,879,385

The Group has about 170,624 and 207,522 heads of swine as of December 31, 2010 and 2009, respectively, and about 478,236 and 576,155 heads of poultry as of December 31, 2010 and 2009, respectively.

Total biological assets shown in the consolidated statements of financial position follow:

	2010	2009
Current portion	**₱846,876,801**	₱1,060,628,145
Noncurrent portion	**448,700,235**	505,251,240
	₱1,295,577,036	₱1,565,879,385

19. Intangible Assets

The composition and movements in this account follow:

	December 31, 2010					
	Technology Licenses	**Licenses**	**Software Costs**	**Trademarks**	**Product Formulation**	**Total**
Cost						
Balance at beginning of year	**₱552,331,752**	**₱99,616,679**	**₱72,161,135**	**₱335,539,346**	**₱425,000,000**	**₱1,484,648,912**
Additions	**–**	**135,076,200**	**–**	**–**	**–**	**135,076,200**
Balance at end of year	**552,331,752**	**234,692,879**	**72,161,135**	**335,539,346**	**425,000,000**	**1,619,725,112**
Accumulated Amortization and Impairment Loss						
Balance at beginning of year	**552,331,752**	**–**	**59,607,145**	**6,919,090**	**–**	**618,857,987**
Amortization (Note 31)	**–**	**–**	**4,268,033**	**2,767,636**	**–**	**7,035,669**
Balance at end of year	**552,331,752**	**–**	**63,875,178**	**9,686,726**	**–**	**625,893,656**
Net Book Value at End of Year	**₱–**	**₱234,692,879**	**₱8,285,957**	**₱325,852,620**	**₱425,000,000**	**₱993,831,456**

	December 31, 2009					
	Technology Licenses	Licenses	Software Costs	Trademarks	Product Formulation	Total
Cost						
Balance at beginning of year	₱552,331,752	₱99,616,679	₱69,967,495	₱335,539,346	₱425,000,000	₱1,482,455,272
Additions	–	–	2,193,640	–	–	2,193,640
Balance at end of year	552,331,752	99,616,679	72,161,135	335,539,346	425,000,000	1,484,648,912
Accumulated Amortization and Impairment Loss						
Balance at beginning of year	552,331,752	–	54,881,844	4,151,454	–	611,365,050
Amortization (Note 31)	–	–	4,725,301	2,767,636	–	7,492,937
Balance at end of year	552,331,752	–	59,607,145	6,919,090	–	618,857,987
Net Book Value at End of Year	₱–	₱99,616,679	₱12,553,990	₱328,620,256	₱425,000,000	₱865,790,925

Technology Licenses

Technology licenses represent the cost of JGSPC's technology and licensing agreements which cover the construction, manufacture, use and sale of polyethylene (PE) and polypropylene (PP) lines. JGSPC's technology licenses were fully impaired in 2006.

Licenses

Included in this account are Bank and Branch licenses.

Bank license is the value assigned to commercial license acquired by the Group through the acquisition of RBC (formerly Royal Bank of Scotland (Philippines), Inc. (RBS)) from Royal Bank of Scotland Plc and Royal Bank of Scotland N.V. (Note 45).

RSBC identified no impairment in its bank and branch licenses in 2010, 2009 and 2008.

Trademarks and Product Formulation

Trademarks were acquired by URC from Nestlé Waters Philippines, Inc. (NWPI) and Acesfood in 2008 and 2007, respectively. Product Formulation was acquired from General Milling Corporation (GMC) in 2008.

20. Goodwill

Movements in the Group's Goodwill account follow:

	2010	2009
Cost		
Balance at beginning of year	**₱1,075,014,724**	₱1,131,063,835
Disposal of investment	**–**	(56,049,111)
Balance at end of year	**1,075,014,724**	1,075,014,724
Accumulated Impairment Losses		
Balance at beginning and end of year	**184,639,704**	240,688,815
Disposal of investment	**–**	(56,049,111)
Balance at end of year	**184,639,704**	184,639,704
Net Book Value at End of Year	**₱890,375,020**	₱890,375,020

The Group's goodwill pertains to: (a) the acquisition of Advanson International Pte. Ltd. (Advanson) in December 2007, (b) the acquisition of Acesfood Network Pte. Ltd. (Acesfood) in May 2007, (c) the excess of the acquisition cost over the fair values of the net assets acquired by Hong Kong China Foods Co. Ltd. (HCFCL) and URC Asean Brands Co. Ltd. (UABCL) in 2000, and (d) the acquisition of Southern Negros Development Corporation (SONEDCO) in 1998. The goodwill arising from the acquisitions of HCFCL, UABCL, Acesfood and Advanson was translated at the applicable year-end exchange rate.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of reporting date. The recoverable amounts of the intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 9.3% to 10.0%. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates were based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

21. Other Noncurrent Assets

This account consists of:

	2010	2009
Deferred subscriber acquisition and retention costs	**₱1,454,924,519**	₱1,510,120,411
Security and miscellaneous deposits	**581,938,092**	476,519,718
Deferred tax assets (Note 38)	**231,357,830**	356,260,002
Pension assets (Note 37)	**77,904,820**	141,018,200
Others	**1,247,421,242**	1,458,194,129
	₱3,593,546,503	₱3,942,112,460

Security Deposits
As of December 31, 2010 and 2009, security deposits include deposits amounting to ₱273.5 million and ₱239.1 million, respectively, which relate to the Group's leased buildings, cellsite lots and commercial spaces. These will be collected in full or offset against rent payable at the end of the lease terms subject to adjustments by the lessor to cover damages incurred on the properties.

Deferred Subscriber Acquisition and Retention Costs
Changes in deferred subscriber acquisition and retention costs follow:

	2010	2009
Balance at beginning of year	**₱1,510,120,411**	₱1,137,425,100
Deferral of subscriber acquisition and retention costs during the year	**1,449,920,497**	1,575,562,888
Amortization during the year	**(1,505,116,389)**	(1,202,867,577)
Balance at end of year	**₱1,454,924,519**	₱1,510,120,411

Others
Others include repossessed chattels and utility deposits.

22. Accounts Payable and Accrued Expenses

This account consists of:

	2010	2009
Accrued expenses	**₱10,296,587,601**	₱9,226,709,693
Trade payables	**8,451,724,454**	8,462,255,018
Deposit liabilities	**8,561,959,697**	12,355,824,049
Due to related parties (Note 40)	**532,241,305**	1,546,377,524
Withholding taxes payable	**358,995,687**	250,778,740
Output value added tax	**265,529,734**	64,906,585
Dividends payable	**7,568,707**	7,002,600
Other payables	**1,782,918,887**	2,185,132,766
	₱30,257,526,072	₱34,098,986,975

Accrued Expenses
Accrued expenses consists of accruals for:

	2010	2009
Advertising and promotions	**₱2,207,835,484**	₱1,530,352,233
Rental expense	**1,496,942,099**	1,217,620,169
Landing and take-off, navigational charges, and other aircraft-related expenses	**1,478,647,591**	1,608,526,921
Accrued interest payable	**1,387,850,779**	1,370,586,239
Compensation and benefits	**1,055,626,303**	463,366,317
Taxes and licenses	**611,245,728**	952,205,195
Contracted services	**567,831,599**	458,242,852
Utilities	**514,151,938**	434,999,035
Royalties	**301,330,370**	218,512,183
Import bills payable	**223,552,924**	580,742,702
Freight and handling costs	**167,692,606**	140,295,962
Insurance	**92,181,719**	99,294,842
Other accrued expenses	**191,698,461**	151,965,043
	₱10,296,587,601	₱9,226,709,693

Other accrued expenses include accruals for travel and transportation, repairs and maintenance and other professional services.

Trade Payables
Trade payables are noninterest-bearing and are normally settled on 30- to 60-day terms. Trade payables arise mostly from purchases of inventories, which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations. Trade payables also include importation charges related to raw materials purchases, as well as occasional acquisitions of production equipment and spare parts. Obligations arising from purchase of inventories necessary for the daily operations and maintenance of aircraft which include aviation fuel, expendables and consumables, equipment and in-flight supplies are also charged to this account.

Deposit Liabilities
Deposit liabilities represent the savings, demand and time deposit liabilities of RSBC and RBC. Of the total deposit liabilities of RSBC as of December 31, 2010 and 2009, 66.5% and 63.6%, respectively, are subject to periodic interest repricing while RBC has no deposit liabilities subject to repricing. Remaining deposit liabilities of RSBC incur an annual fixed interest rates of up to 2.8% for both years. RBC deposit liabilities incurred fixed interest rates ranging from 0.1% to 0.3% in 2010.

As of December 31, 2010 and 2009, under existing BSP regulations for thrift banks, non-FCDU deposit liabilities are subject to statutory reserve of 4.0% and liquidity reserve of 2.0% for both years. As of December 31, 2010 and 2009, the RSBC is in compliance with such regulation.

In 2010, under existing BSP regulations applicable for commercial banks, non-FCDU deposit liabilities of RBC are subject to liquidity reserves equivalent to 11.00% and statutory reserves equivalent to 8.00%. RBC is in compliance with such regulations as of December 31, 2010.

The combined liquidity and statutory reserves as reported to the BSP of RSB and RBC are as follows:

	2010	2009
Cash and other cash items	**₱516,719,879**	₱500,488,184
Due from BSP	**194,661,111**	139,353,611
	₱711,380,990	₱639,841,795

The details of ‘Interest expense’ on ‘Deposit liabilities’, which is included in the ‘Cost of services - Banking’ in the profit or loss are as follows (Note 31):

	2010	2009
Savings	**₱11,467,073**	₱177,368,405
Time	**277,310,307**	76,093,705
Demand	**102,875,442**	11,992,871
	₱391,652,822	₱265,454,981

Other Payables
Other payables mostly consists of management bonus, royalty payables and airport and other related fees.

23. Other Current Liabilities

This account consists of:

	2010	2009
Unearned revenue	**₱5,295,750,754**	₱4,055,257,956
Deposits from real estate buyers and lessees (Note 25)	**1,515,192,936**	1,422,447,263
Others	**–**	70,362,539
	₱6,810,943,690	₱5,548,067,758

Unearned Revenue
The unearned revenue account includes the Group’s (a) unearned air transportation revenue and (b) unearned telecommunications revenue.

Unearned transportation revenue
Passenger ticket and cargo waybill sales are initially recorded under 'Unearned revenue' in the consolidated statements of financial position, until these are recognized under 'Air transportation revenue' in the consolidated statement of comprehensive income, when the transportation service is rendered by the Group (or once tickets are flown).

As of December 31, 2010 and 2009, the Group's unearned air transportation revenue amounted to ₱4.6 billion and ₱3.5 billion, respectively.

Unearned telecommunications revenue
Unearned telecommunications revenue represents the unused/unexpired airtime value of prepaid cards and over-the-air reload services sold. Proceeds from sale of prepaid cards and airtime values through the over-the-air reloading services are initially recognized as unearned revenue by the Group. Revenue is recognized upon the actual usage of the airtime value of the card, net of free service allocation. The unused value of prepaid card is likewise recognized as revenue upon expiration. As of December 31, 2010 and 2009, the Group's unearned telecommunications revenue amounted to ₱689.4 million and ₱586.1 million, respectively.

24. Short-term and Long-term Debt

Short-term Debt
Short-term debt consists of:

	2010	2009
Parent Company:		
Philippine Peso - with interest rate of 3.0% in 2010 and nil in 2009	**₱679,400,000**	₱–
Subsidiaries:		
Foreign currencies - with interest rates ranging from 0.3% to 2.5% in 2010 and 0.5% to 5.9% in 2009	**14,535,146,410**	13,613,574,007
Philippine Peso - with interest rates ranging from 4.5% to 5.6% in 2010 and 6.8% to 9.0% in 2009	**137,500,000**	346,500,000
	14,672,646,410	13,960,074,007
	₱15,352,046,410	₱13,960,074,007

In 2010, 2009 and 2008, the Group has incurred interest expense on short-term notes amounting to ₱253.8 million, ₱949.6 million and ₱1.7 billion, respectively (Note 35).

Long-term Debt
Long-term debt (net of debt issuance costs) consists of:

	Maturities	Interest Rates	2010	2009
Parent Company:				
Bayerische HypoVereinsbank AG (HypoVereinsbank) loan	2011	3.72%	**₱375,431,950**	₱–
	2010	USD LIBOR + 0.625%	**–**	1,186,149,342
Fixed Rate Corporate Notes	2013	8.00%	**4,286,316,088**	4,278,791,337
Fixed Rate Retail Bonds	2014	8.25%	**8,913,511,988**	8,895,450,936
			13,575,260,026	14,360,391,615
Subsidiaries:				
Foreign currencies:				
JGSPL				
US$300.0 million guaranteed term loan facility	2013	USD LIBOR + 2.45%	**13,079,544,763**	13,734,947,420
US$300.0 million guaranteed notes	2013	8.00%	**11,078,059,256**	11,815,938,795
URCPL				
US$200.0 million guaranteed notes	2012	8.25%	**8,215,279,157**	9,211,803,925
URC				
HypoVereinsbank term loan facilities	Various dates through 2009	EURIBOR/ USD LIBOR + 0.75%	–	20,963,975

(Forward)

	Maturities	Interest Rates	2010	2009
Digitel				
Zero-coupon convertible bonds	2013	12.00%	**₱2,312,197**	₱2,285,096
Term loan facilities	Various dates through 2015	USD LIBOR + 0.30% to 2.70%	**15,261,864,425**	13,357,638,386
CAI				
Commercial loan from foreign banks	Various dates through 2017	4.11% to 5.67% in 2009, 3.95% to 6.66% in 2008 and 4.89% to 5.83% in 2007	**2,652,018,641**	3,246,136,787
ECA loans (Note 17)	Various dates through 2018	3.37% to 5.83% in 2009, 3.78% to 5.83% in 2008 and 4.89% to 5.83% in 2007	**15,780,690,063**	13,863,989,944
			66,069,768,502	65,253,704,328
Philippine Peso:				
URC				
₱3.0 billion loan facility	2014	8.75%	**2,977,963,795**	2,974,111,195
Philippine Sugar Corporation restructured loan	2013	7.50%	**33,105,818**	39,990,828
RLC				
₱1.0 billion loan facility	2009	10.70%	**–**	115,000,000
₱3.0 billion loan facility	2012	6.38%	**3,000,000,000**	3,000,000,000
₱2.0 billion bonds	2013	15.70% - PDST-F rate	**2,000,000,000**	2,000,000,000
₱5.0 billion loan facility	2014	8.50%	**5,000,000,000**	5,000,000,000
₱5.0 billion loan facility	2014	8.25%	**5,000,000,000**	5,000,000,000
			18,011,069,613	18,129,102,023
			84,080,838,115	83,382,806,351
			97,656,098,141	97,743,197,966
Less current portion			**10,602,053,608**	5,206,601,663
			₱87,054,044,533	₱92,536,596,303

Except for the balances of subsidiaries reporting at September 30 fiscal year end, the foreign exchanges rates used to revalue the foreign currency borrowings were ₱43.84 to US$1.00 and ₱46.2 to US$1.00 in December 31, 2010 and 2009, respectively. The foreign exchange rates used by the subsidiaries reporting at fiscal year end were ₱43.88 to US$1.00 and ₱47.39 to US$1.00 in September 30, 2010 and 2009, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱0.9 billion (US$18.9 million) and ₱1.0 billion (US$22.1 million) as of December 31, 2010 and 2009, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱132.2 million and ₱161.6 million as of December 31, 2010 and 2009, respectively.

Except for the liability under the minimum capacity purchase agreement, repayments of the long-term debt (gross of debt issuance costs) follow:

	2010	2009
Due in:		
2010	**₱–**	₱5,471,178,878
2011	**10,870,674,413**	10,486,998,344
2012	**21,346,566,015**	21,931,420,555
2013	**24,851,953,936**	25,027,942,573
2014	**26,403,294,121**	25,655,829,517
Thereafter	**15,264,049,638**	10,354,718,187
	₱98,736,538,123	₱98,928,088,054

Certain loan agreements contain provisions which, among others, require the maintenance of specified financial ratios at certain levels and impose negative covenants which, among others, prohibit a merger or consolidation with other entities, dissolution, liquidation or winding-up except with any of its subsidiaries; and prohibit the purchase or redemption of any issued shares or reduction of registered and paid-up capital or distribution of assets resulting in capital base impairment.

The following significant transactions affected the Group's long-term debt:

<u>Parent Company ₱9.0 Billion Fixed Retail Bonds</u>
On November 19, 2009, the Parent Company issued ₱9.0 Billion retail bonds constituting direct, unconditional, unsubordinated, and unsecured obligations of the Parent Company ranking pari passu at all time times without preference with all outstanding unsubordinated debt and unsecured obligations of the Parent Company, except for any statutory preference or priority established under Philippine law. The Bonds bears fixed interest rate of 8.25% calculated based on 30/360 day count and payable semiannually every 20th of May and November until November 20, 2014.

The Bonds were used to finance the operations of the Air transportation and Telecommunications segment of the Group.

The capitalized transaction costs related to the issuance of the retail bonds amounted to ₱106.5 million.

<u>Subsidiaries' Foreign Currency Loans</u>
JGSPL US$ LIBOR + 2.45% Guaranteed Term Loan Facility Due 2013
In June 2008, JGSPL issued US$300.0 million US$ LIBOR + 2.45% guaranteed notes, due on June 16, 2013, which are unconditionally and irrevocably guaranteed by the Parent Company. Unless previously redeemed, the US$ LIBOR + 2.45% guaranteed notes will be repaid in five equal semi-annual installments amounting to US$60.0 million beginning on the 6th interest period until maturity.

JGSPL 8.00% Guaranteed Notes Due 2013
In January 2006, JGSPL issued US$300.0 million 8.00% guaranteed notes due 2013 which are unconditionally and irrevocably guaranteed by the Parent Company. Unless previously purchased and cancelled, the 8.00% guaranteed notes will be redeemed at their principal amount on January 18, 2013.

URCPL 8.25% Guaranteed Notes Due 2012
On January 14, 2005, URCPL issued US$200.0 million 8.25% notes due 2012 guaranteed by URC. Unless previously redeemed or purchased and cancelled, the notes will be redeemed at their principal amount, plus accrued and unpaid interest on January 20, 2012.

These corporate notes contain negative covenants which include among others maintenance of the guarantor of a debt to equity ratio of not greater than 2.0 to 1.0.

Reacquisition of bonds
On October 29, 2008, the Group reacquired a portion of its bonds payable with a face value of ₱241.7 million (US$5.0 million) for a total proceeds of ₱228.0 million (US$4.5 million). The Group recognized gain on reacquisition of bonds amounting to ₱20.8 million (included under 'Others - net' in the consolidated statements of comprehensive income).

On February 20, 2010, the Group made a partial principal repayment on its bonds payable with a face value of ₱342.8 million (US$7.4 million).

Digitel Zero Coupon Convertible Bonds
On December 8, 2003, Digitel issued zero coupon convertible bonds due 2013 (Digitel Bonds) with face value of US$31.1 million and issue price of US$10.0 million. Unless previously converted, cancelled or redeemed, the bonds are convertible into Digitel's common shares at ₱1 par value at the end of the tenth year after the issue date and are redeemable at the option of Digitel, in whole or in part, at the end of each year starting one year after the issue date and every year thereafter at the following redemption dates and values:

Redemption Date	Redemption Value[a]
End of 1st year from issue date	US$35.29
End of 2nd year from issue date	38.75
End of 3rd year from issue date	42.63
End of 4th year from issue date	46.97
End of 5th year from issue date	51.83
End of 6th year from issue date	57.28
End of 7th year from issue date	63.38
End of 8th year from issue date	70.21
End of 9th year from issue date	77.87
End of 10th year from issue date	86.44

[a]*Per US$100 of face value*

Alternately, the bondholders will have the right to convert the Digitel bonds into common shares of Digitel at redemption date. The number of conversion shares to be received by the bondholders upon exercise of the conversion right is equivalent to the total redemption value which the bondholders would have received if the Digitel bonds were redeemed multiplied by the exchange rate for the relevant date divided by the ₱1.0 par value. Unless previously converted, purchased or cancelled or redeemed, the Digitel bonds shall be converted into the common shares of Digitel at the end of the tenth year of the issue date. In January 2006, the conversion options expired due to an amendment on the bond agreement.

The Parent Company subscribed and paid a total of $9,996,392 for the bonds ("JGSHI-subscribed Bonds"). On January 3, 2006, Digitel entered into a Memorandum of Agreement (MOA) with the Parent Company to amend the conversion options of JGSHI-subscribed Bonds. On the said MOA, the conversion rights provided for in the terms and conditions of the Bonds as contained in the Application to Purchase and in the Prospectus, the Parent Company agreed that any conversion of its JGSHI-subscribed Bonds into Digitel shares shall be subjected to the consent of Digitel.

The Digitel bonds constitute direct, unconditional, unsubordinated and unsecured obligations of Digitel and shall at all times rank pari passu and without preference among themselves and at least equally with all other present and future unsubordinated, unsecured obligations of Digitel, except as may be preferred by virtue of mandatory provision of law.

The bondholders have the option, through a resolution approved by 75.0% of the face value of the bonds then outstanding, to require a lien on unencumbered assets of Digitel not subject to a dispute, valued at approximately US$200,000, subject to the limitations, conditions and restrictions of a Mortgage Trust Indenture (MTI). The MTI will be administered by a security trustee appointed in compliance with the MTI.

DCPL Bonds Due 2014
In November 2004, Digitel Capital Philippines Ltd (DCPL), a subsidiary of Digitel, issued bonds to JGSPL due 2014 with face value of US$590.1 million and issue price of US$190.0 million. The proceeds of the bonds were used for Digitel's expansion projects. The issuance of DCPL Bonds was approved by Digitel's shareholders in it special stockholders' meeting held on May 28, 2001. The subscription of DCPL Bonds was also approved by the Parent Company's BOD on December 5, 2003, which was ratified by the Parent Company's shareholders in its meeting held on July 22, 2004. This transaction being among entities under common control has been agreed by the Parent Company, DCPL and JGSPL, as an equity transaction.

The DCPL bonds are exchangeable to common shares of Digitel based on the redemption values as determined on specified dates. In anticipation of the plan or intent to convert or redeem the bonds in 2011, the issuer and bondholder agreed to bring the bond carrying value to its redemption value as at December 31, 2010.

Digitel Term Loan Facilities
Digitel and its wholly owned subsidiary, Digitel Mobile Phils., Inc. (DMPI), entered into various term loan facility agreements to finance various purchase and supply agreements. Said term loan facilities follow:

- Digitel US$14.0 million HypoVereinsbank loan

  In January 2001, Digitel and HypoVereinsbank signed a buyer's credit agreement to finance the export contract of Digitel with a certain foreign supplier. HypoVereinsbank agreed to make available the total amount of US$14.0 million, in two tranches of US$11.8 million and US$2.2 million. The amount is used to finance 85.0% of the export contract value totaling US$16.5 million. Said loan is payable in 14 equal, consecutive, semi-annual installments beginning six months after the final acceptance of all units purchased but not later than June 30, 2002. Digitel will pay interest equivalent to USD LIBOR plus 0.75%.

- Digitel US$43.5 million Nordea Bank AG (Nordea) loan

  On January 12, 2004, Digitel entered into an export credit facility with Nordea in the aggregate principal amount of up to US$43.5 million. Under the export credit facility, Nordea shall make available the amount of the loan for the sole purpose of financing up to (i) 85.0% of the offshore contract value amounting to US$40.6 million, and (ii) 85.0% of the Swedish Export Credits Guarantee Board (EKN) premium. The interest payable on the loan shall be the USD LIBOR plus 0.75% per annum. The loan is payable in 14 consecutive equal semi-annual installments, the first of which shall fall due on March 15, 2005, subject to EKN's rules and regulations.

- DMPI US$20.0 million Nordic Investment Bank (Nordic) loan

  On October 12, 2004, DMPI entered into a term loan facility with Nordic in the amount of up to US$20.0 million, guaranteed by Digitel and the Parent Company. The loan shall bear interest equivalent to the sum of USD LIBOR plus 2.70% per annum. The loan is payable in 12 consecutive equal semi-annual installments on the payment dates starting on March 15, 2006 and September 15, 2011.

- DMPI US$23.6 million Societe Generale (SG) and Calyon loan

  On April 11, 2005, DMPI entered into an equipment supply contract with a certain foreign supplier for the supply of equipment, software and offshore services (the Equipment supply contract). Under the terms and conditions of the Export Credit Agreement, SG and Calyon agreed to make available a credit of up to US$23.6 million. The amount shall be used to finance the Equipment Supply Contract, to the extent covered by the insurance of SINOSURE, a credit insurance agency. The aggregate amount of all disbursements under the facility shall be payable in 14 consecutive equal semi-annual installments, the first one of which will become due six months after repayment date and thereafter, each of them falling due on the following interest payment date. DMPI shall pay interest equivalent to USD LIBOR plus 0.60% per annum.

- DMPI US$19.0 million Calyon and SG loan

  On May 5, 2005, DMPI entered into a supply and service contract with Alcatel CIT and Alcatel Philippines Inc. for the supply of various telecommunications materials, software and services for the Global System for Mobile Communication (GSM) Cellular Mobile Short-term Core Extension Project (the Supply and Service Contract). Under the terms and conditions of the loan, Calyon and SG agreed to make available a credit of up to US$19.0 million. The amount shall be used to finance the Supply and Service Contract, to the extent covered by the insurance of COFACE, a French credit insurance agency. The aggregate amount of all disbursements under the Loan shall be payable in 14 consecutive equal semi-annual installments, the first one of which will become due six months after the starting date for repayment date and thereafter each of them falling due on the following interest payment date. DMPI shall pay interest equivalent to USD LIBOR plus 0.40% per annum.

- DMPI US$18.7 million Nordea loan

  On April 4, 2006, DMPI entered into a loan facility with Nordea. Under the terms of the facility, Nordea shall make available the amounts of (i) US$17.1 million and (ii) 100.00% of the premium payable to EKN, the aggregate amounts not to exceed the commitment of US$18.7 million. The Nordea loan is guaranteed by Digitel and the Parent Company. The loan bears interest equivalent to the sum of USD LIBOR plus 0.35% per annum. The loan is payable in 18 consecutive equal semi-annual installments, the first of which shall fall due on October 30, 2006, subject to EKN's rules and regulations

- DMPI US$12.7 million SG and Calyon loan

  On March 9, 2006, DMPI entered into a purchase agreement with Huawei Technologies Co., Ltd., for the supply of equipment and software for the GSM services in the National Capital Region (the Phase 6A 200 Sites Project). Under the terms and conditions of the loan, SG and Calyon agreed to make available a credit of up to US$12.7 million. The amount shall be used to finance the Phase 6A 200 Sites Project, to the extent covered by the insurance of SINOSURE, a credit insurance agency. The loan is payable in 14 consecutive equal semi-annual installments, the first one of which will become due six months after the starting date for repayment and thereafter, each of them falling due on the following interest payment date.

- DMPI ING Bank N.V. (ING) loans

  In 2006, DMPI entered into various purchase agreements with certain suppliers and service contractors. Pursuant to the aforementioned purchase agreements, DMPI entered into a loan agreement with ING where ING agreed to make available amounts up to US$61.2 million to finance the purchase agreements. The amounts loaned from ING shall is payable in 14 consecutive equal semi-annual installments (the start payment dates for which the various drawdowns are stipulated in the contract). The loans bear interest equivalent to the sum of USD LIBOR plus margins ranging from 0.30% to 0.60%
  per annum.

- DMPI US$27.9 million ING Amsterdam Loans

  On December 14, 2007, DMPI entered into a purchase agreements with Huawei Technologies Co., Ltd. The purchase agreements relate to the supply of equipment, hardware, software, and services for the Phase 7 CORE Expansion, Phase 1 3G Network and Phase 7 Intelligent Network Expansion. Pursuant to the aforementioned purchase agreements, DMPI entered into loan agreements in 2008 with ING Amsterdam where the latter agreed to make available amounts up to US$34.2 million to finance the purchase agreements. The amounts loaned from ING is payable in 14 consecutive equal semi-annual installments starting 18 months from the date of signing of contract. The loan is guaranteed by the Parent Company.

- DMPI US$96.6 Million Nordea Bank and ING Bank Loan

  On April 28, 2009, DMPI entered into a loan facility with Nordea and ING Bank. Under the terms of facility, Nordea and ING shall finance up to $71.6 million, being 85.0% of the Export Contract Value purchase by DMPI from Ericsson Inc.certain equipment and $24.7 million, being 29.6% of the Export Contract Value for local costs incurred to Ericsson Inc. The amount owned is payable in seventeen (17) consecutive equal semi-annual payments at a fixed rate of 3.68% per annum plus a risk premium in respect of Nordea and ING at a rate of 0.75% per annum plus 0.2% margin per annum calculated on the loan. The loan is guaranteed by Digitel and the Parent Company

- DMPI USD$40.6 Million Hongkong and Shanghai Banking Corporation Limited (HSBC)

  In 2009, DMPI entered into a loan facility wherein HSBC will finance the payments to be made by DMPI for the supply of equipment and services availed by DMPI with Huawei Technologies for the Phase 7 South Luzon Base Station Expansion Project. The loaned amount will be paid in fourteen (14) equal semi-annual installments with an interest rate of 1.8% per annum plus LIBOR. The loan is guaranteed by the Parent Company.

- DMPI US$49.9 million China CITIC loan

  In 2009, DMPI entered into a loan facility with China CITIC for the supply of the equipment, software, and related materials for the Phase 2 3G Expansion, transmission for the Phase 2 3G Expansion and Phase 8A NCR and South Luzon BSS Expansion Projects. The loaned amount will be paid in fourteen (14) equal semi-annual installments with an interest rate of 1.8% per annum plus LIBOR. The loan is guaranteed by the Parent Company.

The foregoing liabilities of Digitel, except for the liability under the minimum purchase agreement are guaranteed up to a certain extent by Digitel's majority stockholders and the Parent Company. In addition, the covering loan agreements of such liabilities contain covenants which, among others, restrict the incurrence of loans or debts not in the ordinary course of business, merger or disposition of any substantial portion of Digitel's assets, distribution of capital or profits, redemption of any of its issued shares, and reduction of Digitel's registered and paid-up capital.

CAI Commercial Loan From Foreign Banks
In 2007, CAI entered into a commercial loan facility to partially finance the purchase of two Airbus A320 aircraft, one CFM 565B4/P engine, two CFM 565B5/P engines and one QEC Kit. The security trustee of the commercial loan facility established ILL, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to a: (a) ten-year finance lease arrangement for the aircraft, (b) six-year finance lease arrangement for the engines and (c) five-year finance lease arrangement for the QEC Kit. The quarterly rental payments of CAI correspond to the principal and interest payments made by ILL to the commercial lenders and are guaranteed by the Parent Company. CAI has the option of purchasing the aircraft, the engines and the QEC Kit for a nominal amount at the end of such leases.

In 2008, CAI also entered into a commercial loan facility, in addition to ECA loans, to partially finance the purchase of six ATR 72-500 turboprop aircraft. The security trustee of the commercial loan facility established BLL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to CAI. The commercial loan facility is payable in 12 equal, consecutive, semi-annual installments starting six months after the utilization date.

The terms of the commercial loan from foreign banks follow:

- Term of 10 years starting from the delivery date of each Airbus A320 aircraft.
- Term of six and five years for the engines and QEC Kit, respectively.
- Term of six years starting from the delivery date of each ATR 72-500 turboprop aircraft.
- Annuity style principal repayments for the two Airbus A320 aircraft and six ATR 72-500 turboprop aircraft, and equal principal repayments for the engines and the QEC Kit. Principal repayments shall be made on a quarterly and semi-annual basis for the two Airbus A320 aircraft, engines and the QEC Kit and six (6) ATR 72-500 turboprop aircraft, respectively.
- Interest on the commercial loan facility for the two Airbus A320 aircraft shall be 3-month LIBOR plus margin. On February 29, 2009, the interest rates on the two Airbus A320 aircraft, engines and QEC Kit were fixed ranging from 4.11% to 5.67%.
- Interest on the commercial loan facility for the six ATR 72-500 turboprop aircraft shall be 6-month LIBOR plus margin.
- The commercial loan facility provides for material breach as an event of default.
- Upon default, the outstanding amount of loan will be payable, including interest accrued. The lenders will foreclose on secured assets.

CAI's ECA Loans
In 2005 and 2006, CAI entered into ECA-backed loan facilities to partially finance the purchase of ten Airbus A319 aircraft. The security trustee of the ECA loans established CALL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to 12-year finance lease agreements. The quarterly rental payments made by CAI to CALL correspond to the principal and interest payments made by CALL to the ECA-backed lenders. The quarterly lease rentals to CALL are guaranteed by CPAHI and the Parent Company. CAI has the option of purchasing the aircraft for a nominal amount at the end of such leases.

In 2008, CAI entered into ECA loans to partially finance the purchase of six ATR 72-500 turboprop aircraft. The security trustee of the ECA loans established BLL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to ten-year finance lease agreements. The semi-annual rental payments made by CAI to BLL corresponds to the principal and interest payments made by BLL to the ECA-backed lenders. The semi-annual lease rentals to BLL are guaranteed by the Parent Company. CAI has the option of purchasing the aircraft for a nominal amount at the end of such leases.

In 2009, the Group entered into ECA loans to partially finance the purchase of two ATR 72-500 turboprop aircraft. The security trustee of the ECA loans established SLL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to 10-year finance lease agreements. The semi-annual rental payments made by CAI to SLL corresponds to the principal and interest payments made by SLL to the ECA-backed lenders. The semi-annual lease rentals to SLL are guaranteed by the Parent Company. CAI has the option of purchasing the aircraft for a nominal amount at the end of such leases.

The terms of the ECA-backed facilities, which are the same for each of the 10 Airbus A319 aircraft and eight ATR 72-500 turboprop aircraft, follow:

- Term of 12 years starting and 10 years from the delivery date of each Airbus 319 aircraft and ATR 72-500 turboprop aircraft, respectively.
- Annuity style principal repayments for the first four aircraft, and equal principal repaymentsfor the last six aircraft. Principal repayments shall be made on a quarterly basis.
- Interest shall be fixed at the option of the borrower on the first interest payment date, based on relevant swap rate plus an agreed-upon margin. Fixed interest rates range from 3.78% to 5.83% and from 4.89% to 5.83% in 2010 and 2009, respectively.
- As provided under the ECA-backed facility, CALL cannot create or allow to exist any security interest, other than what is permitted by the transaction documents or the ECA administrative parties. CALL must not allow impairment of first priority nature of the lenders' security interests.
- The ECA-backed facility also provides for the following events of default: (a) nonpayment of the loan principal or interest or any other amount payable on the due date; (b) breach of negative pledge, covenant on preservation of transaction documents; (c) misrepresentation; (d) commencement of insolvency proceedings against CALL or CALL becomes insolvent; (e) failure to discharge any attachment or sequestration order against CALL's assets; (f) entering into an undervalued transaction, obtaining preference or giving preference to any person, contrary to the laws of the Cayman Islands; (g) sale of any aircraft under ECA financing prior to discharge date; (h) cessation of business; (i) revocation or repudiation by CALL, CAI, the Parent Company or CPAHI of any transaction document or security interest; and (j) occurrence of an event of default under the lease agreement with CAI.
- Upon default, the outstanding amount of the loan will be payable, including interest accrued. The ECA lenders will foreclose on the secured assets, namely the aircraft.
- An event of default under any ECA loan agreement will occur if an event of default as enumerated above occurs under any other ECA loan agreement.

In 2010, the Group entered into ECA-backed loan facilities to fully finance the purchase of three Airbus A320 aircraft. The security trustee of the ECA loans established SALL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to the Company pursuant to twelve-year finance lease agreements. The quarterly rental payments made by the Company to SALL corresponds to the principal and interest payments made by SALL to the ECA-backed lenders. The quarterly lease rentals to SALL are guaranteed by the Parent Company. The Company has the option to purchase the aircraft for a nominal amount at the end of such leases

On November 30, 2010, the Company pre-terminated the lease agreement with BLL related to the disposal of one ATR 72-500 turboprop aircraft. The outstanding balance of the related loans and accrued interests amounting to ₱638.1 million (US$14.5 million) and ₱13.0 million (US$0.3 million), respectively, were also pre-terminated. The proceeds from the insurance claim on the related aircraft were used to settle the loan and accrued interest. The Parent Company was released as guarantor on the related loans.

<u>Philippine Peso Loans</u>

URC Philippine Sugar Corporation Restructured Loan

Republic Act (RA) No. 7202 dated February 24, 1992 provided for, among others, the condonation of all penalties and surcharges on loans granted to sugar producers from crop year 1974-1975 up to and including 1984-1985. The guidelines for the implementation of RA No. 7202 was issued under Executive Order No. 31 dated October 29, 1992, directing all government lending financial institutions to write-off from their respective books the interest in excess of 12.00% yearly and all penalties and surcharges due.

Certain assets of URC with a net book value of ₱46.6 million and ₱58.9 million as December 31, 2010 and 2009, respectively were used to secure the loan (Note 17). The loan is payable in 25 equal annual amortizations of ₱9.9 million. Unpaid interest on the loan amounted to ₱1.9 million and ₱2.3 million and as of December 31, 2010 and 2009, respectively.

URC ₱3.0 Billion 8.75% Fixed Corporate Notes Due 2014
On March 24, 2009, URC issued fixed corporate notes amounting to ₱3.0 billion to various financial institutions for capital expenditures and general corporate purposes. The notes bear a fixed interest rate of 8.75%, payable semi-annually in arrears, and have a term of five years, maturing on March 27, 2014.

The notes contain negative covenants that, among others, prohibit merger or consolidation with other entities if it is not the surviving entity, nor shall it create or form another corporation or subsidiary when a material adverse effect will result. The notes also contain affirmative covenants which include among others maintenance of a debt to equity ratio of not greater than 2.0 to 1.0 and interest coverage ratio of not lesser than 2.0 to 1.0.

RLC ₱1.0 Billion Loan due in October 2009
On October 6, 2004, RLC obtained a five-year loan from ING, Manila Branch and Security Bank Corporation under the DBP-JBIC loan facility payable in nine semi-annual installments. The loan which bears a fixed interest rate of 9.20% per annum plus a margin of 1.50% per annum was used to partially finance capital expenditures of RLC.

Borrowing costs capitalized to subdivision land, condominium and residential units for sale and investment properties and other investments amounted to ₱16.0 million and ₱36.0 million in 2010, 2009 and 2008, respectively.

RLC ₱3.0 Billion Bonds due in May 2012
On May 24, 2007, RLC issued a ₱3.0 billion Fixed Rate Corporate Note Facility constituting direct, unconditional, unsubordinated, general and unsecured obligations of RLC ranking at least pari passu in all respects and ratably without preference or priority (except for any statutory preference or priority applicable in the winding-up of RLC) with all other outstanding unsecured and unsubordinated obligations of the Group. The term of the bonds is five years and one-day from Issue Date to be issued in one tranche.

The interest rate shall be 6.38% per annum and shall be payable semi-annually, computed based on the outstanding balance with payments commencing on the Issue Date and ending on the Maturity Date.

RLC ₱2.0 Billion Loan Facility due in June 2013
On June 4, 2008, the RLC issued a ₱2.0 billion Inverse Floating Rate Note Facility constituting direct, unconditional, unsubordinated, general and unsecured obligations of RLC ranking at least pari passu in all respects and ratably without preference or priority (except for any statutory preference or priority applicable in the winding-up of RLC) with all other outstanding unsecured and unsubordinated obligations of RLC. The term of the bonds is five years and one day from issue date.

The interest rate is at 15.70% less the 3-month Benchmark Rate on an interest determination date rounded off to the nearest 1/100 or 1.00% per annum and shall be payable quarterly, computed based on the outstanding balance, with payments commencing on the issue date and ending on the maturity date.

RLC ₱5.0 Billion Retail Bonds due July 2014
On July 13, 2009, RLC issued ₱5.0 billion bonds constituting direct, unconditional, unsubordinated and unsecured obligations of RLC ranking pari-passu in all respects and ratably without any preference or priority with all other outstanding unsecured and unsubordinated obligations of RLC. The bond is payable with a lump-sum payment on July 14, 2014 or shall be redeemable at par upon maturity or on a date which is five years and one day from issue date.

The interest rate is 8.50% per annum and shall be payable semi-annually, computed based on the outstanding balance, with payments commencing on the issue date and ending on the maturity date. The payment of the interest shall begin on January 14, 2010.

RLC ₱5.0 Billion *Retail Bonds due August 2014*
On August 26, 2009, RLC issued ₱5.0 billion bonds constituting direct, unconditional, unsubordinated and unsecured obligations of RLC ranking pari-passu in all respects and ratably without any preference or priority with all other outstanding unsecured and unsubordinated obligations of RLC. The bonds are payable with a lump-sum payment on August 27, 2014 or shall be redeemable at par upon maturity or on a date which is five years and one day from issue date.

The interest rate is 8.25% per annum and shall be payable semi-annually, computed based on the outstanding balance with payments commencing on the issue date and ending on the maturity date. The payment of the interest shall begin on February 27, 2010.

Total interest expense and other related charges on long-term debts amounted to ₱5.2 billion, ₱4.5 billion and ₱3.5 billion in 2010, 2009 and 2008, respectively (Note 35).

25. Other Noncurrent Liabilities

This account consists of:

	2010	2009
Accrued project costs	**₱10,708,408,526**	₱6,712,327,392
Deposits from real estate buyers and lessees	**2,857,766,003**	2,383,301,870
ARO (Notes 17 and 35)	**2,572,134,065**	1,585,192,428
Deposit liabilities	**1,187,554,939**	1,180,477,581
Accrued maintenance cost	**923,451,428**	910,665,374
Due to related parties (Note 40)	**920,294,635**	1,517,894,311
Derivative liabilities (Note 8)	**546,764,107**	625,449,086
Pension liabilities (Note 37)	**543,271,577**	465,556,610
Others	**745,817,598**	1,082,463,037
	₱21,005,462,878	₱16,463,327,689

Accrued Project Costs
Accrued project costs represent costs of unbilled materials, equipment and labor relating to telecommunications projects which are already eligible for capitalization as of December 31, 2010 and 2009. The determination of costs to be capitalized is based on the contract price multiplied by the percentage of shipped materials and/or delivered services.

Deposits from Real Estate Buyers and Lessees
Deposits from lessees represent cash received from tenants representing three to six months' rent which shall be refunded to tenants at the end of lease term. The Group recognized discount on deposits from lessees amounting to ₱97.0 million and ₱101.0 million as of December 31, 2010 and 2009, respectively. The related interest expense on the discount amounted to ₱71.3 million, ₱68.6 million and ₱60.6 million in 2010, 2009 and 2008, respectively (Note 35). The deposits from lessees were discounted using PDST-F rate plus 2.0% spread.

In addition, 'Deposits from real estate buyers' represent cash received from buyers which shall be applied against the total contract price of the subdivision land, condominium and residential units that are for sale. The deposits from buyers are normally applied against the total contract price within a year from the date the deposits were made.

Included in 'Deposits from real estate buyers and lessees' account are cash collections in excess of the receivables recognized under the percentage-of-completion method which amounted to ₱1.7 billion and ₱1.0 billion as of December 31, 2010 and 2009, respectively.

ARO
The Group is legally required under certain leased property and lease contracts to restore certain leased passenger aircraft and leased properties to stipulated return conditions and to bear the costs of restoration such as dismantling and deinstallation at the end of the contract period. These costs are accrued based on an internal estimate made by the work of both third party and Group's engineer which includes estimates of certain redelivery costs at the end of the operating lease.

Movements in the Group's ARO follow:

	2010	2009
Balance at beginning of year	**₱1,585,192,428**	₱1,610,891,948
Additional provision for the year*	**705,651,245**	–
Accretion expense (Note 35)	**212,684,898**	145,303,741
Capitalized to property, plant and equipment (Note 17)	**68,605,494**	211,006,826
Payments of restorations during the year	**–**	(382,010,087)
Asset retirement obligation	**₱2,572,134,065**	₱1,585,192,428

**Related to the change in accounting estimates for the recognized ARO liability.*

Deposit Liabilities
Deposit liabilities represent time deposit liabilities of RSBC with maturities of beyond 12 months from reporting date. Of the total noncurrent deposit liabilities of RSBC as of December 31, 2010 and 2009, 6.4% and 8.2%, respectively, are subject to periodic interest repricing. Remaining deposit liabilities bear annual fixed interest rates of up to 2.8% for both years.

Accrued Maintenance
This account pertains mostly to accrual of maintenance cost of aircraft based on the number of flying hours but will be settled beyond one year based on management's assessment.

26. Equity

Details of the Group common stock follow:

	2010	2009
Authorized shares	**12,850,800,000**	12,850,800,000
Par value per share	**₱1.00**	₱1.00
Issued shares	**6,895,273,657**	6,895,273,657
Outstanding shares	**6,739,528,227**	6,797,191,657
Treasury shares	**155,745,430**	98,082,000

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided by total capital. The Group includes within gross debt all interest-bearing loans and borrowings and derivative liabilities, while capital represents total equity.

The Group's computation of debt-to-capital ratio follows:

		2010	2009
(a)	Gross debt		
	Short-term debt (Note 24)	**₱15,352,046,410**	₱13,960,074,007
	Long-term debt (Note 24)	**97,656,098,141**	97,743,197,966
	Derivative liabilities (Note 8)	**809,157,927**	750,340,498
		₱113,817,302,478	₱112,453,612,471
(b)	Capital	**₱149,460,397,353**	₱104,894,494,655
(c)	Debt-to-capital ratio (a/b)	**0.76:1**	1.07:1

The Group's policy is to ensure that the debt-to-capital ratio would not exceed the 2:1 level.

Restricted Retained Earnings

Parent Company

In 2003, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱8.0 billion for payment of various bonds of certain wholly owned subsidiaries.

On December 28, 2009, the Parent Company's BOD approved the additional appropriation of retained earnings amounting to ₱15.0 billion, which shall be used for the settlement of the Parent Company's various obligations and capital expenditure commitments.

On December 30, 2010, the Parent Company's BOD approved the additional appropriation of retained earnings amounting to ₱19.0 billion, which shall be used for the settlement of the Parent Company's various obligations and capital expenditure commitments.

URC

In 2003, URC's BOD approved the appropriation of retained earnings amounting to ₱3.0 billion for the Company's expansion plans.

RLC

On May 14, 2003, the BOD of the Company approved the appropriation of ₱3.5 billion, out of the unappropriated retained earnings, for future expansion

On September 15, 2009, the BOD of RLC approved the additional appropriation of ₱7.0 billion, out of the unappropriated retained earnings of RLC to support the capital expenditure requirement of the Company.

CAI

On March 4, 2008, the Group's BOD approved the additional appropriation of ₱1.0 billion from its unrestricted retained earnings as of December 31, 2007 for the same purpose.

Subsequently on September 22, 2008, the Group's BOD and stockholders approved the reversal of the total appropriated retained earnings of ₱4.0 billion and such amount was made part of the unrestricted retained earnings.

EHI

On August 31, 2002, EHI's BOD approved the appropriation of retained earnings amounting to ₱35.0 million to be used for investment purposes.

Cash Dividends

Parent Company

Details of the Parent Company's dividend declarations follow:

	2010	2009	2008
Date of declaration	**June 28, 2010**	June 26, 2009	July 30, 2008
Dividend per share	**₱0.05**	₱0.03	₱0.03
Total dividends	**₱339.9 million**	₱203.9 million	₱203.9 million
Date of record	**July 16, 2010**	July 24, 2009	August 29, 2008
Date of payment	**August 6, 2010**	August 19, 2009	September 24, 2008

The following tables summarize the dividends declared by significant investee companies:

URC

Details of URC's dividend declarations follow:

	2010	2009	2008
Date of declaration	**April 15, 2010**	April 16, 2009	April 17, 2008
Dividend per share	**₱0.94**	₱0.25	₱0.68
Total dividends	**₱1.9 billion**	₱0.5 billion	₱1.5 billion
Date of record	**May 5, 2010**	May 15, 2009	May 16, 2008
Date of payment	**May 20, 2010**	June 10, 2009	June 12, 2008

RLC

Details of RLC's dividend declarations follow:

	2010	2009	2008
Date of declaration	**April 15, 2010**	April 16, 2009	April 17, 2008
Dividend per share	**₱0.48**	₱0.25	₱0.53
Total dividends	**₱1.3 billion**	₱0.7 billion	₱1.5 billion
Date of record	**May 5, 2010**	May 15, 2009	May 16, 2008
Date of payment	**May 20, 2010**	June 10, 2009	June 12, 2008

Stock Dividends

CAI

In 2004, CAI's BOD approved the declaration of stock dividends amounting to ₱310.0 million. Pending the filing of the application for an increase in authorized capital stock, such transaction was recorded under Stock Dividends to be Issued account in the equity section of the consolidated statement of financial position of CAI. With the approval of the increase in authorized capital stock by the Philippine Civil Aeronautics Board (CAB) and SEC in 2007, Stock Dividends to be issued amounting to ₱310.0 million was transferred to common stock. The SEC approved the issuance of the stock dividend on November 19, 2008.

On September 22, 2008, CAI's BOD and stockholders approved further the issuance of ₱2.2 billion stock dividends to all stockholders as of August 31, 2008 to be issued and paid for out of the unrestricted retained earnings as of December 31, 2007 and reversed restricted retained earnings. Stock dividend of ₱20.0 per share was declared, of which ₱19.0 per share or ₱2.1 billion was recorded under Capital Paid-in Excess of Par Value account in the equity section of the consolidated statement of financial position of CAI.

Treasury Shares

The Group has outstanding 155.7 million treasury shares amounting to ₱974.7 million as of December 31, 2010 and 98.1 million treasury shares amounting to ₱721.8 million as of December 31, 2009 and 2008,

Equity Reserve

On October 26, 2010, CAI had an initial public offering (IPO) which include issuance of Primary shares and Secondary shares. The Secondary shares that were sold were owned by CPAir Holdings, Inc., a wholly owned subsidiary of the Parent Company.

As a result of the IPO, the Group's remaining ownership over CAI is 65.4%. The Group recognized net gain from CAI's IPO amounting ₱18.6 billion included in 'Equity reserve' account in the consolidated statements of changes in equity.

Non-controlling interests
Below is the rollfoward of non-controlling interests:

	2010	2009	2008
Beginning balance	**₱21,736,756,026**	₱19,750,489,997	₱22,611,043,424
Total comprehensive income:			
Net income attributable to non-controlling interests	**4,592,963,531**	3,222,164,474	108,136,860
Other comprehensive income attributable to non-controlling interests:			
Net gain (loss) on AFS investments	**152,957,654**	767,937,224	(717,804,732)
Cumulative translation adjustments	**(39,286,413)**	(14,273,905)	11,956,763
	113,671,241	753,663,319	(705,847,969)
	4,706,634,772	3,975,827,793	(597,711,109)
Cash dividends paid to non-controlling interests	**(1,217,749,826)**	(468,346,673)	(1,154,401,939)
Non-controlling interests arising from IPO of CAI and acquisition of subsidiaries	**7,383,795,370**	–	–
Increase in subsidiaries' treasury shares	**(718,184,546)**	(1,256,286,392)	(1,107,382,344)
Adjustment on subscription receivables	**–**	(264,928,699)	–
Others	–	–	(1,058,035)
	₱31,891,251,796	₱21,736,756,026	₱19,750,489,997

On October 22, 2009, RLC's BOD approved the creation and implementation of a share buyback program allotting up to ₱1.0 billion to reacquire a portion of RLC's issued and outstanding common shares, representing approximately 3.1% of current market capitalization. As of December 31, 2009, the Parent Company bought 5,592,600 shares at a cost of ₱69.0 million.

On December 8, 2009, the URC's BOD also approved the purchase of 81.5 million of its common shares through the share buy-back program at ₱14.0 per share or a total consideration of ₱1.1 billion. The purchase increased the outstanding treasury shares to 156.6 million shares, equivalent to 7.0% of its outstanding shares.

In November and December 2010, URC repurchased a total of 8.0 million shares for a total consideration of ₱290.0 million, pursuant to its share buy-back program.

27. Banking Revenue

This account consists of:

	2010	2009	2008
Interest income (Note 28)	**₱1,352,786,871**	₱1,015,457,670	₱893,811,640
Trading and securities gains	**254,858,437**	32,077,313	64,141,499
Service fees and commission income	**120,910,372**	87,313,733	80,989,653
	₱1,728,555,680	₱1,134,848,716	₱1,038,942,792

28. Finance Income

This account consists of:

	2010	2009	2008
Interest income from finance receivables (Note 11)	**₱946,586,662**	₱782,668,377	₱632,833,880
Interest income from cash in banks and cash equivalents (Note 7)	**853,317,711**	355,886,207	929,522,995
Interest income from investments in financial assets at FVPL (Note 9)	**689,303,622**	763,101,361	975,740,956
Interest income from AFS investments (Note 10)	**676,618,678**	417,368,572	141,142,865
Interest income from installment contract receivables (Note 11)	**234,195,441**	111,115,924	358,094,035
Others	**168,847,466**	149,176,726	370,758,717
	₱3,568,869,580	₱2,579,317,167	₱3,408,093,448

Interest income are included in the following accounts in the statement of comprehensive income as follows:

	2010	2009	2008
Finance income	**₱2,216,082,709**	₱1,563,859,497	₱2,514,281,808
Banking revenue (Note 27)	**1,352,786,871**	1,015,457,670	893,811,640
	₱3,568,869,580	₱2,579,317,167	₱3,408,093,448

29. Other Operating Income

This account consists of:

	2010	2009	2008
Dividend income	**₱192,886,520**	₱152,951,456	₱140,824,885
Gain (loss) on sale of financial assets at FVPL (Note 9)	**100,414,480**	9,488,003	(119,422,094)
Realized gain (loss) on sale of AFS investments (Note 10)	**72,954,396**	28,096,952	99,769,988
Others - net	**472,382,768**	12,660,799	1,255,949,321
	₱838,638,164	₱203,197,210	₱1,377,122,100

30. Cost of Sales and Services

This account consists of:

	2010	2009	2008
Raw materials used	**₱33,909,798,842**	₱31,322,026,530	₱34,274,389,846
Direct labor	**1,978,803,934**	1,900,284,484	1,431,188,529
Overhead cost	**9,392,906,165**	8,342,982,808	7,608,973,979
Total manufacturing cost	**45,281,508,941**	41,565,293,822	43,314,552,354
Work-in-process	**(2,202)**	42,205,137	10,437,162
Cost of goods manufactured	**45,281,506,739**	41,607,498,959	43,324,989,516
Finished goods	**(988,723,595)**	1,397,900,529	(489,736,141)
Cost of sales	**44,292,783,144**	43,005,399,488	42,835,253,375
Cost of services	**24,455,691,361**	21,397,612,878	21,393,495,712
Cost of sales and services	**₱68,748,474,505**	₱64,403,012,366	₱64,228,749,087

Overhead costs are broken down as follows:

	2010	2009	2008
Depreciation and amortization	**₱3,171,545,602**	₱2,935,345,517	₱2,531,924,713
Utilities and rental	**3,128,070,940**	2,627,422,993	2,661,428,438
Repairs and maintenance	**1,255,770,951**	1,108,490,964	934,802,885
Personnel	**1,237,064,340**	1,071,950,477	982,110,545
Rental	**130,391,613**	140,328,813	62,051,431
Handling and delivery charges	**97,648,773**	92,264,695	79,681,007
Royalties	**73,810,601**	106,148,087	180,813,016
Research and development	**58,033,639**	50,164,915	41,140,269
Others	**240,569,706**	210,866,347	135,021,675
	₱9,392,906,165	₱8,342,982,808	₱7,608,973,979

Cost of services is broken down as follows:

	2010	2009	2008
Air transportation	**₱16,792,906,706**	₱14,420,146,122	₱13,937,810,300
Real estate	**4,134,814,048**	4,130,396,012	5,095,048,762
Telecommunications	**2,074,712,276**	1,656,424,753	1,101,731,262
Hotel operations	**996,906,392**	905,875,298	947,524,345
Banking	**456,351,939**	284,770,693	311,381,043
	₱24,455,691,361	₱21,397,612,878	₱21,393,495,712

31. General and Administrative Expenses

This account consists of:

	2010	2009	2008
Depreciation and amortization (Notes 16, 17 and 33)	**₱6,879,743,871**	₱5,919,988,775	₱4,845,429,256
Advertising and promotions	**5,499,957,808**	4,684,653,656	3,845,844,046
Personnel (Notes 32 and 37)	**4,483,065,912**	3,847,491,311	3,339,772,517
Outside services	**3,252,627,024**	2,958,754,744	2,683,641,957
Rental	**2,061,828,053**	1,845,901,252	1,515,600,729
Utilities and supplies	**1,743,911,629**	1,575,470,942	1,235,932,054
Aircraft and engine lease	**1,604,855,579**	1,723,886,536	1,062,847,730
Repairs and maintenance	**1,191,396,887**	1,045,304,107	942,488,156
Taxes, licenses and fees	**1,071,956,481**	742,357,852	645,769,724
Travel and transportation	**751,973,496**	742,775,714	713,165,914
Sales commission	**379,092,639**	381,451,055	431,056,608
Insurance	**340,551,553**	292,655,630	250,628,704
Communication	**173,276,418**	215,751,517	203,098,602
Entertainment, amusement and recreation (Note 38)	**177,565,285**	167,827,423	172,143,735
Others	**931,255,961**	1,114,411,178	820,980,102
	₱30,543,058,596	₱27,258,681,692	₱22,708,399,834

<u>Others</u>
Other expenses include royalties, donation and contribution and membership and subscription dues.

32. Personnel Expenses

This account consists of:

	2010	2009	2008
Salaries and wages	**₱6,122,193,991**	₱5,221,280,381	₱4,732,749,441
Other employee benefits	**1,500,065,252**	1,236,815,812	958,269,251
Pension expense (Note 37)	**185,982,970**	176,123,665	41,835,144
	₱7,808,242,213	₱6,634,219,858	₱5,732,853,836

The breakdown of personnel expenses follows:

	2010	2009	2008
General and administrative expenses (Note 31)	**₱4,483,065,912**	₱3,847,491,311	₱3,339,772,517
Cost of sales and services	**3,325,176,301**	2,786,728,547	2,393,081,319
	₱7,808,242,213	₱6,634,219,858	₱5,732,853,836

33. Depreciation and Amortization

The breakdown of depreciation and amortization on property, plant and equipment, investment properties, deferred subscriber acquisition and retention costs, biological assets and intangible assets follows:

	2010	2009	2008
General and administrative expenses (Note 31)	**₱6,879,743,871**	₱5,919,988,775	₱4,845,429,256
Cost of sales and services	**6,666,500,366**	5,898,671,982	5,015,258,286
	₱13,546,244,237	₱11,818,660,757	₱9,860,687,542

34. Impairment Losses and Others

This account consists of:

	2010	2009	2008
Provision for impairment losses on receivables (Note 11)	**₱688,286,605**	₱765,594,017	₱396,279,058
Inventory obsolescence and market decline (Note 12)	**17,580,211**	60,223,436	419,171,122
Permanent decline in value of AFS investments (Notes 10 and 36)	**–**	247,812,797	11,674,554
	₱705,866,816	₱1,073,630,250	₱827,124,734

35. Financing Costs and Other Charges

This account consists of:

	2010	2009	2008
Interest expense	**₱5,932,066,425**	₱6,029,448,280	₱5,714,212,456
Dividends on cumulative redeemable preferred shares	**–**	174,417,813	253,991,250
Bank charges and others	**155,407,743**	106,058,862	65,033,698
	₱6,087,474,168	₱6,309,924,955	₱6,033,237,404

The Group's interest expense is incurred from the following:

	2010	2009	2008
Long-term debt (Note 24)	**₱5,245,675,113**	₱4,514,944,346	₱3,533,787,411
Short-term debt (Note 24)	**253,777,149**	949,601,373	1,690,028,395
Accretion of ARO (Note 25)	**212,684,898**	145,303,741	102,852,875
Advances from affiliates	**142,704,437**	244,974,361	183,924,472
Others	**77,224,828**	174,624,459	203,619,303
	₱5,932,066,425	₱6,029,448,280	₱5,714,212,456

Dividends on cumulative redeemable preferred shares represent 12.00% and 11.75% dividend for Tranche 1 Series A and Tranche 2 Series A, respectively of the Group's nonconvertible, nonvoting, nonparticipating, cumulative and redeemable preferred shares. On July 29, 2009 and August 5, 2009, the Parent Company redeemed its issued cumulative preferred shares designated as Tranche 1 Series A and Tranche 2 Series A, respectively with a price amounting to ₱2.11 billion.

Others include interest expense on amortization of discount on deposits from lessees amounting to ₱71.3 million in 2010, ₱68.6 million in 2009 and ₱60.6 million in 2008 (Note 25).

36. Components of Other Comprehensive Income

Below is the composition of the Group's 'Other comprehensive income':

	2010	2009	2008
Cumulative translation adjustments	**(₱91,091,377)**	(₱95,351,176)	(₱36,438,689)
Net gain (loss) on AFS investments (Note 10):			
Net changes in fair value during the period	**263,757,176**	2,062,731,907	(2,677,776,416)
Reclassification adjustment included in the profit or loss arising from:			
Disposal of AFS investments	**(72,954,396)**	(28,096,952)	(99,769,988)
Permanent decline in fair value	–	247,812,797	11,674,554
	190,802,780	2,282,447,752	(2,765,871,850)
Net gain (loss) from cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to other comprehensive income	**135,476,018**	201,547,165	(899,284,256)
Amounts transferred to profit or loss	**(2,185,780)**	266,623,369	33,614,393
	133,290,238	468,170,534	(865,669,863)
Net unrealized gain (loss) on AFS investments of associates and joint ventures (Note 10)	**175,748**	2,758,591	(1,398,003)
	₱233,177,389	₱2,658,025,701	(₱3,669,378,405)

The income tax effects relating to other comprehensive income are as follow:

	2010		
	Before tax	**Tax Benefit**	**Net of tax**
AFS investments of Parent Company and subsidiaries	**₱188,299,570**	**₱2,503,210**	**₱190,802,780**
Net movement on cash flow hedge	**133,290,238**	–	**133,290,238**
Cumulative translation adjustments	**(91,091,377)**	–	**(91,091,377)**
Net unrealized gain on AFS investments on associates and joint ventures	**175,748**	–	**175,748**
	₱230,674,179	**₱2,503,210**	**₱233,177,389**

	2009		
	Before tax	Tax Benefit	Net of tax
AFS investments of Parent Company and subsidiaries	₱2,280,276,552	₱2,171,200	₱2,282,447,752
Net movement on cash flow hedge	468,170,534	–	468,170,534
Cumulative translation adjustments	(95,351,176)	–	(95,351,176)
Net unrealized gain on AFS investments on associates and joint ventures	2,758,591	–	2,758,591
	₱2,655,854,501	₱2,171,200	₱2,658,025,701

	2008		
	Before tax	Tax Benefit	Net of tax
AFS investments of Parent Company and subsidiaries	(₱2,768,086,928)	₱2,215,078	(₱2,765,871,850)
Net movement on cash flow hedge	(865,669,863)	–	(865,669,863)
Cumulative translation adjustments	(36,438,689)	–	(36,438,689)
Net unrealized loss on AFS investments on associates and joint ventures	(1,398,003)	–	(1,398,003)
	(₱3,671,593,483)	₱2,215,078	(₱3,669,378,405)

37. Employee Benefits

Pension Plans

Except for URC and RLC, the Parent Company and certain consolidated subsidiaries have unfunded, noncontributory, defined benefit pension plans covering substantially all of their regular employees. The plans provide for retirement, separation, disability and death benefits to its members. The benefits are based on a defined formula with minimum lump-sum guarantee of 22.5 days pay per year of service.

URC and RLC have funded, noncontributory defined benefit pension plans covering all their regular employees. The pension fund are being administered and managed by certain stockholders as trustees. URC and RLC, however, reserve the right to discontinue, suspend or change the rates and amounts of their contributions at any time on account of business necessity or adverse economic conditions.

Total pensions assets and liabilities recognized in the consolidated statements of financial position follow:

	2010	2009
Pension assets (Note 21)	**₱77,904,820**	₱141,018,200
Pension liabilities (Note 25)	**543,271,577**	465,556,610

The amounts recognized as pension liabilities follow:

	2010	2009
Present value of defined benefit obligation	**₱770,190,122**	₱526,194,596
Fair value of plan assets	**(56,813,768)**	(60,559,560)
Unfunded status	**713,376,354**	465,635,036
Unrecognized actuarial gains	**(170,104,777)**	(78,426)
Pension liabilities at end of year	**₱543,271,577**	₱465,556,610

URC's pension assets on its pension plan follow:

	2010	2009
Present value of funded obligation	**₱1,220,977,777**	₱1,038,335,900
Fair value of plan assets	**1,247,197,112**	1,354,691,200
Funded status	**26,219,335**	316,355,300
Unrecognized actuarial losses (gains)	**72,951,908**	(122,990,200)
Asset to be recognized in the consolidated statements of financial position	**99,171,243**	193,365,100
Less asset not recognized due to limit	**21,266,423**	52,346,900
Net plan assets	**₱77,904,820**	₱141,018,200
Asset limit to be recognized in the consolidated statements of financial position	**₱77,904,820**	₱141,018,200
Net plan assets in excess of the asset ceiling limit (not recognized in the consolidated statements of financial position)	**₱21,266,423**	₱52,346,900

Asset limits recognized in the consolidated statements of financial position were determined as follows:

	2010	2009
(a) Retirement asset	**₱77,904,820**	₱141,018,200
(b) Asset ceiling limit		
i. Unrecognized actuarial losses (gains)	**72,951,908**	(122,990,200)
ii. Present value of available reduction in future contributions	**26,219,335**	316,355,300
Limit	**99,171,243**	193,365,100
Lower of (a) and (b)	**₱77,904,820**	₱141,018,200

Movements in the fair value of plan assets follow:

	2010		
	URC	**RLC**	**Total**
Balance at beginning of year	**₱1,354,691,200**	**₱60,559,560**	**1,415,250,760**
Expected return on plan assets	**67,734,560**	**(3,039,272)**	**64,695,288**
Actual contributions	**–**	**8,117,961**	**8,117,961**
Benefits paid	**(142,232,831)**	**(11,253,211)**	**(153,486,042)**
Actuarial gains (losses)	**(32,995,817)**	**2,428,730**	**(30,567,087)**
Balance at end of year	**₱1,247,197,112**	**₱56,813,768**	**1,304,010,880**
Actual return on plan assets	**₱34,738,743**	**₱–**	**₱34,738,743**

	2009		
	URC	RLC	Total
Balance at beginning of year	₱1,341,210,300	₱57,568,490	₱1,398,778,790
Expected return on plan assets	73,766,600	3,166,100	76,932,700
Actual contributions	–	6,652,020	6,652,020
Benefits paid	(66,676,400)	(6,839,120)	(73,515,520)
Actuarial gains	6,390,700	12,070	6,402,770
Balance at end of year	₱1,354,691,200	₱60,559,560	₱1,415,250,760
Actual return on plan assets	₱67,616,000	₱–	₱67,616,000

There are no reimbursement rights recognized as a separate asset as of December 31, 2010 and 2009.

The overall expected rates of return on assets are based on the market expectations prevailing as at the reporting date, applicable to the period over which the obligation is to be settled.

Net plan assets consist of the following:

	2010			
	URC		**RLC**	
	Amount	**%**	**Amount**	**%**
Cash	**₱544,419**	**–**	**₱225,331**	**0.40**
Receivables (Note 40)	**1,553,392,757**	**124.55**	**65,034,281**	**114.47**
Liabilities (Note 40)	**(306,740,064)**	**(24.55)**	**(8,445,844)**	**(14.87)**
	₱1,247,197,112	**100.00**	**₱56,813,768**	**100.00**

	2009			
	URC		RLC	
	Amount	%	Amount	%
Cash	₱32,634	–	₱179,754	0.30
Receivables (Note 40)	1,512,183,064	111.63	66,922,515	110.50
Liabilities (Note 40)	(157,524,498)	(11.63)	(6,542,709)	(10.80)
	₱1,354,691,200	100.00	₱60,559,560	100.00

URC expects to contribute about ₱115.5 million into the pension fund for the year ending 2011.

Changes in the present value of the Group's defined benefit obligations follow:

	2010		
	URC	**Others***	**Total**
Balance at beginning of year	**₱1,038,335,900**	**₱526,194,596**	**₱1,564,530,496**
Current service cost	**59,860,000**	**61,697,357**	**121,557,357**
Interest cost	**102,068,419**	**57,511,969**	**159,580,388**
Benefits paid	**(142,232,831)**	**(29,551,494)**	**(171,784,325)**
Actuarial losses - net	**162,946,289**	**94,311,623**	**257,257,912**
Effect of curtailment	**–**	**60,026,071**	**60,026,071**
Balance at end of year	**₱1,220,977,777**	**₱770,190,122**	**₱1,991,167,899**

Others include RLC, which has a funded, noncontributory defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.

	2009		
	URC	Others*	Total
Balance at beginning of year	₱1,113,492,800	₱379,041,001	₱1,492,533,801
Current service cost	32,126,200	48,871,988	80,998,188
Interest cost	92,085,900	42,127,835	134,213,735
Benefits paid	(66,676,400)	(30,056,232)	(96,732,632)
Actuarial losses (gains) - net	(132,692,600)	94,460,200	(38,232,400)
Effect of curtailment	–	(8,250,196)	(8,250,196)
Balance at end of year	₱1,038,335,900	₱526,194,596	₱1,564,530,496

** Others include RLC, which has a funded, noncontributory defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.*

Components of pension expense (included under 'Personnel expenses' in the 'General and administrative expenses' account in the consolidated statements of comprehensive income) follow (Note 32):

	2010		
	URC	**Others***	**Total**
Current service cost	**₱59,860,000**	**₱61,046,677**	**₱120,906,677**
Interest cost	**102,068,419**	**56,832,979**	**158,901,398**
Expected return on plan assets	**(67,734,560)**	**3,039,272**	**(64,695,288)**
Net actuarial losses (gains) recognized during the year	**(31,080,477)**	**357,473**	**(30,723,004)**
Loss (gain) recognized under Paragraph 58A	**–**	**134,117**	**134,117**
Total pension expense	**₱63,113,382**	**₱121,410,518**	**₱184,523,900**

** Others include RLC, which has a funded, noncontributory defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.*

	2009		
	URC	Others*	Total
Current service cost	₱32,126,200	₱48,871,988	₱80,998,188
Interest cost	92,085,900	42,127,835	134,213,735
Expected return on plan assets	(73,766,600)	(3,166,100)	(76,932,700)
Net actuarial losses (gains) recognized during the year	53,900,180	(9,899,868)	44,000,312
Effect of curtailment	–	(6,155,870)	(6,155,870)
Total pension expense	₱104,345,680	₱71,777,985	₱176,123,665

** Others include RLC, which has a funded, noncontributory defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.*

	2008		
	URC	Others*	Total
Current service cost	₱55,595,900	₱48,114,200	₱103,710,100
Interest cost	88,771,600	33,176,267	121,947,867
Expected return on plan assets	(67,019,700)	(188,000)	(67,207,700)
Past service costs	132,355,700	57,287,960	189,643,660
Net actuarial gain recognized during the year	(284,102,700)	(3,883,683)	(287,986,383)
Effect of curtailment	–	(18,272,400)	(18,272,400)
Total pension expense (income)	(₱74,399,200)	₱116,234,344	₱41,835,144

** Others include RLC, which has a funded, noncontributory defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.*

The assumptions used to determine pension benefits of the Group follow:

	2010		2009		2008	
	URC	**Others***	URC	Others*	URC	Others*
Retirement age	**60**	**60**	60	60	60	60
Average remaining working life (in years)	**9**		11	5 to 19	12	7 to 20
Discount rate	**7.7%**	**8.2%**	9.8%	11.2%	8.3%	8.0% to 17.6%
Salary rate increase	**5.5%**	**5.0%**	5.5%	5.5% to 7.5%	5.5%	4.0% to 7.5%
Expected rate of return on plan assets	**3.9%**	**5.5%**	5.0%	5.0%	8.3%	5.5%

** Others include RLC, which has a funded, noncontributory defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.*

Amounts for the current annual period and previous four annual periods are as follows:

	URC				
	2010	2009	2008	2007	2006
Defined benefit obligation	**₱1,220,977,777**	₱1,038,335,854	₱1,113,492,800	₱934,438,200	₱753,987,300
Plan assets	**1,247,197,112**	1,354,691,166	1,341,210,300	1,218,540,900	1,162,943,500
Deficit (surplus)	**₱26,219,335**	(₱316,355,312)	(₱227,717,500)	(₱284,102,700)	(₱408,956,200)
Experience adjustments on:					
Plan assets	**(₱32,995,817)**	₱6,390,700	(₱5,111,600)	(₱18,194,700)	₱7,867,500
Plan liabilities	**(3,797,073)**	(7,144,800)	(176,556,600)	78,783,300	(181,622,700)

	Others*				
	2010	2009	2008	2007	2006
Defined benefit obligation	**₱770,190,122**	₱526,194,596	₱379,041,001	₱336,173,450	₱492,793,951
Plan assets	**56,813,768**	60,559,560	57,568,490	104,000	–
Deficit (surplus)	**₱713,376,354**	₱465,635,036	₱321,472,511	₱336,069,450	₱492,793,951
Experience adjustments on:					
Plan assets	**(₱2,428,730)**	₱12,070	₱7,876,242	₱251,500	₱–
Plan liabilities	**(35,088,216)**	(81,239,100)	(3,194,328)	81,519,200	10,494,100

** Others include RLC, which has a funded, noncontributory defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.*

38. Income Taxes

Provision for (benefit from) income tax consists of:

	2010	2009	2008
Current	**₱1,614,256,871**	₱1,060,271,191	₱812,001,097
Deferred	**651,581,786**	156,958,705	(1,133,829,817)
	₱2,265,838,657	₱1,217,229,896	(₱321,828,720)

Republic Act (RA) No. 9337
RA No. 9337, An Act Amending National Internal Revenue Code, provides that the RCIT tax rate shall be 35.0% until December 31, 2008. Starting January 1, 2009, the RCIT rate shall be 30.0%. Interest expense allowed as a deductible expense is reduced by 42.0% of interest income subjected to final tax until December 31, 2008. Starting January 1, 2009, interest expense allowed as a deductible expense shall be reduced to 33.0% of interest income subjected to final tax.

Entertainment, Amusement and Recreation (EAR) Expenses
Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1.0% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (included under 'General and administrative expenses' account in the consolidated statements of comprehensive income) amounting to ₱177.6 million, ₱167.8 million and ₱172.1 million in 2010, 2009 and 2008, respectively (Note 31).

Components of the Group's net deferred tax assets (included in the 'Other noncurrent assets' account in the statement of financial position) follow (Note 21):

	2010	2009
Deferred tax assets on:		
Unrealized foreign exchange loss	**₱121,633,292**	₱136,969,338
Unfunded profit sharing	**39,296,193**	28,052,997
Unfunded pension benefits	**10,812,937**	7,934,803
Allowance for impairment losses on receivables and property, plant and equipment	**2,470,321**	209,277,605
MCIT carryforward	**–**	83,925,491
NOLCO	**–**	19,781,840
Difference between cost and net realizable value of inventories	**–**	–
Others	**82,445,187**	85,888,320
	256,657,930	571,830,394
Deferred tax liabilities on:		
Unrealized foreign exchange gain	**(11,649,234)**	(52,573,674)
Unrealized profit on excess of market value over cost of biological assets	**–**	(113,140,800)
Pension assets	**–**	(42,305,460)
Unamortized capitalized interest	**–**	(5,405,230)
Mark-to-market gain	**–**	–
Others	**(13,650,866)**	(2,145,228)
	(25,300,100)	(215,570,392)
Net deferred tax asset	**₱231,357,830**	₱356,260,002

Components of the Group's net deferred tax liabilities reported in the statement of financial position follow (Note 21):

	2010	2009
Deferred tax assets on:		
NOLCO	**₱656,840,056**	₱608,173,270
Allowance for impairment losses on receivables and property, plant and equipment	**704,723,126**	580,408,976
Unfunded pension benefits	**122,376,264**	100,622,293
Unrealized foreign exchange loss	**65,442,455**	–
MCIT carryforward	**33,112,332**	30,713,763
Foreign subsidiaries	**5,120,386**	15,302,886
Allowance for impairment on investment on joint venture	**–**	74,836,000
Others	**1,128,861,134**	734,473,884
	2,716,475,753	2,144,531,072
Deferred tax liabilities on:		
Unrealized foreign exchange gain	**(2,553,673,703)**	(2,039,341,479)
Unamortized capitalized interest	**(1,948,977,116)**	(1,782,962,422)
Excess of financial gross profit over taxable gross profit	**(632,412,563)**	(585,132,399)
Deferred subscriber acquisition costs	**(440,894,000)**	(401,640,000)
Borrowing Cost	**(341,702,566)**	(196,693,129)
Double depreciation	**(194,506,665)**	(194,506,665)
Mark-to-market gain	**(364,791,144)**	(222,573,617)
Unrealized profit on excess of market value over cost of hog markets	**(99,717,131)**	–
Others	**(1,196,359,668)**	(1,246,938,757)
	(7,773,034,556)	(6,669,788,468)
Net deferred tax liabilities	**(₱5,056,558,803)**	(₱4,525,257,396)

Certain subsidiaries did not recognize any deferred tax assets on the following temporary differences on account of the subsidiaries' respective ITH. In addition, management of these subsidiaries believes that they may not be able to generate sufficient taxable income that will be available to allow all or part of the deferred tax assets to be realized.

Details of unrecognized deferred tax assets follow:

	2010	2009
Allowance for impairment losses on receivables	**₱1,075,232,575**	₱3,314,992,604
NOLCO	**716,192,496**	1,664,787,447
Accrued expenses	**89,294,058**	50,069,017
Difference between cost and NRV of inventories	**21,903,446**	–
Accrued pension costs	**18,850,002**	117,428,797
MCIT	**12,256,392**	23,283,968
Unrealized foreign exchange losses	**5,020,418**	105,048,810
Allowance for credit losses	**19,739**	–
Accretion of ARO	**–**	390,887,699
Unearned revenue	**–**	120,074,015
Allowance for inventory obsolescence	**–**	63,998,836
Depreciation of ARO	**–**	15,872,348
Prepaid rent	**–**	1,448,078
	₱1,938,769,126	₱5,867,891,619

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	2010	2009	2008
Statutory income tax rate	**30.00%**	30.00%	35.00%
Tax effects of:			
Equity in net earnings of affiliates	**(3.58)**	(8.33)	92.18
Nontaxable income	**(0.25)**	(0.41)	(84.25)
Effect of unrecognized deferred tax assets	**(0.72)**	(1.82)	(49.95)
Income subjected to lower tax rates	**(1.13)**	(3.38)	48.73
Board of Investments (BOI) tax credits and others	**(10.84)**	(10.99)	17.25
Nondeductible interest expense	**0.43**	1.89	(18.18)
Others	**(4.14)**	2.41	(5.31)
Effective income tax rate	**9.77%**	9.37%	35.47%

39. Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the year attributable to equity holders of the Parent Company divided by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

The following table reflects the net income (loss) and share data used in the basic/dilutive EPS computations:

	2010	2009	2008
Net income (loss) applicable to equity holders of the Parent Company	**₱16,321,599,801**	₱8,545,641,600	(₱693,666,085)
Weighted average number of common shares	**6,739,528,227**	6,797,191,657	6,797,191,657
Basic/dilutive earnings (loss) per share	**₱2.42**	₱1.26	(₱ 0.10)

There were no potential dilutive common shares in 2010, 2009 and 2008.

40. Related Party Transactions

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following were the significant related party transactions which were carried out based on terms agreed with related parties:

Related Party	Relationship	Financial Statement Account	Nature*	2010	2009
DMPI	Subsidiary	Due from related parties	Various	**₱13,344,189,935**	₱12,813,624,653
JGSCL	-do-	Due from related parties	Various	**9,703,751,100**	10,881,184,266
DIGITEL	-do-	Due from related parties	Various	**9,333,704,850**	10,632,605,703
		Unquoted debt security	Various	**1,127,073,530**	1,113,863,484
JGSPC	-do-	Due from related parties	Various	**8,107,121,151**	4,647,329,016
JGSCS	-do-	Due to related parties	Various	**2,465,771,172**	3,880,093,978
URC Retirement Plan	Affiliate	Due to related parties	Various	**1,536,795,008**	1,517,894,311
CPAir Holdings	Subsidiary	Due from related parties	Various	**1,495,307,396**	2,705,496,083
LMI	-do-	Due to related parties	Various	**1,140,619,132**	1,027,539,166
URC	-do-	Due from related parties	Various	**836,779,941**	1,164,861,854
EHI	-do-	Due from related parties	Various	**650,578,113**	644,732,113
RLC	-do-	Due from related parties	Various	**342,954,804**	–
		Due to related parties	Various	**–**	2,521,885,000
Robinsons Inc.	Affiliate	Due from related parties	Various	**223,924,790**	–
		Due to related parties	Various	**–**	393,598,397
WIMC	Subsidiary	Due from related parties	Various	**138,227,946**	138,201,146
JGSCMC	-do-	Due to related parties	Various	**81,183,700**	80,855,490
TIC	-do-	Due from related parties	Various	**47,326,404**	47,326,404
HSFC	-do-	Due from related parties	Various	**13,640,346**	13,640,346
CAI	-do-	Due to related parties		**623,922**	–
		Due from related parties	Various	**–**	44,795,390
OPMC	Associate	Due from related parties	Various	**602,666**	–
		Due to related parties	Various	**–**	306,774,396
JGSPL	Subsidiary	Due from related parties	Various	**–**	1,492,768,406
Robinsons Supermarket Corporation	Affiliate	Due to related parties	Various	**–**	391,521,280
Others	Various	Due from related parties	Various	**278,440,926**	57,635,924
	Various	Due to related parties	Various	**577,815,012**	1,133,455,728

**See discussion below.*

The Parent Company has signed various financial guarantee agreements with third parties for the short-term and long-term loans availed by its subsidiaries as discussed in Note 24 to the consolidated financial statements. Being the centralized treasury department within the Group, the Parent Company usually receives advances from subsidiaries and in turn, makes advances to other subsidiaries. Certain advances are treated as loans and are charged with interest. The Group has entered into transactions with associates and other related parties principally consisting of sales, purchases, advances and reimbursement of expenses, regular banking transactions and management and administrative service agreements.

Interest earned by the Parent Company on transactions with related parties amounted to ₱929.8 million, ₱648.3 million in and ₱733.1 million in 2010, 2009 and 2008, respectively, while interest income earned by the Parent Company from the bonds issued by Digitel amounted to ₱72.0 million, ₱71.7 million and ₱63.1 million in 2010, 2009 and 2008, respectively. Interest expense incurred amounted to ₱214.9 million in 2010, ₱299.0 million in 2009 and ₱183.9 million in 2008.

Most of the aforementioned intercompany transactions between the Parent Company and its subsidiaries are eliminated in the accompanying consolidated financial statements.

The following table reflects the net income (loss) and share data used in the basic/dilutive EPS computations:

	2010	2009
Due from related parties (Note 11)	**₱2,226,813,907**	₱1,920,475,472
Due to related parties (Notes 22 and 25)	**1,452,535,940**	3,064,271,835

The Group's significant transactions with related parties which are not eliminated follow:

(a) Sales to related parties (which include affiliates Robinson's Supermarket, Robinsons Convenient Store, HURC and Robinsons Handyman) amounted to ₱1.4 billion, ₱0.8 billion and ₱0.7 billion in 2010, 2009 and 2008, respectively.

(b) As of December 31, 2010 and 2009, URC's plan assets include amounts due to URC totaling ₱306.7 million and ₱157.5 million, respectively (Note 37). As of December 31, 2010 and 2009, the Group's plan assets also include amounts due from JGSHI totaling ₱1.5 billion (Note 37). Due from JGSHI included in URC's plan assets are short-term in nature and incurs interest ranging from 2.0% to 4.5% in 2010, 3.5% to 7.3% in 2009 and 4.4% and 8.3% in 2008. Said receivable has an average term of 28 days.

(c) The 40.0% non-controlling interest in RBC represents the percentage ownership of Robinsons Holdings, Inc. (RHI), an affiliate of the Group (Note 45).

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel
There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

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

	2010	2009	2008
Short-term employee benefits	**₱1,681,572,390**	₱1,358,733,794	₱1,211,562,136
Post-employment benefits	**42,596,161**	48,692,974	71,912,721
	₱1,724,168,551	₱1,407,426,768	₱1,283,474,857

41. Registration with Government Authorities/Franchise

Certain operations of consolidated subsidiaries are registered with the BOI as preferred pioneer and non-pioneer activities, and are granted various authorizations from certain government authorities. As registered enterprises, these consolidated subsidiaries are subject to some requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

42. Leases

URC

Operating Lease Commitments - Group as a Lessee

The URC Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to five years from dates of the contracts and are renewable under certain terms and conditions. The URC Group's rentals incurred on these leases (included under 'General and administrative expenses' account in the consolidated statements of comprehensive income) amounted to ₱55.0 million, ₱54.3 million and ₱76.9 million in 2010, 2009 and 2008, respectively.

Future minimum lease payments under noncancellable operating leases follow:

	2010	2009	2008
Within one year	**₱16,953,651**	₱17,207,956	₱16,953,651
After one year but not more than five years	**67,814,604**	68,831,823	67,814,604
	₱84,768,255	₱86,039,779	₱84,768,255

Operating Lease Commitments - Group as a Lessor

The URC Group has entered into a one-year renewable, noncancellable lease with various related parties covering certain land and buildings where office spaces are located.

Total rental income earned from investment properties (included under 'Others' in the consolidated statements of comprehensive income) amounted to ₱56.6 million, ₱56.8 million and ₱55.4 million in 2010, 2009 and 2008, respectively. Direct operating expenses (included under 'General and administrative expenses ' in the consolidated statements of comprehensive income) arising from investment properties amounted to ₱0.2 million in 2010, 2009 and 2008.

Future minimum lease receivables under noncancellable operating leases that are due within one year amounted to ₱57.1 million, ₱57.4 million and ₱55.9 million in 2010, 2009 and 2008 respectively.

RLC

Operating Lease Commitments - Group as a Lessee

The RLC Group entered into long-term operating leases of land with lease terms ranging from 25 to 50 years. These leases include clauses to enable escalation of rental charges on the agreed dates. Total rent expense (included under 'General and administrative expenses' account in the consolidated statements of comprehensive income) amounted to ₱131.0 million, ₱156.0 million and ₱159.0 million in 2010, 2009 and 2008, respectively.

Future minimum lease payments under noncancellable operating leases of certain lessee subsidiaries follow:

	2010	2009	2008
Within one year	**₱47,147,298**	₱48,004,527	₱43,074,198
After one year but not more than five years	**213,176,325**	202,539,847	193,571,713
Over five years	**6,253,520,299**	6,306,558,981	6,363,531,642
	₱6,513,843,922	₱6,557,103,355	₱6,600,177,553

Operating Lease Commitments - Group as a Lessor
The RLC Group has entered into commercial property leases on its investment property portfolio. These noncancellable leases have remaining lease terms of between one and ten years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. The lease contracts also provide for the percentage rent, which is a certain percentage of actual monthly sales or minimum monthly gross sales, whichever is higher. Total rent income (included under 'Real estate and hotels revenue' account in the consolidated statements of comprehensive income) amounted to ₱5.6 billion, ₱5.1 billion and ₱4.4 billion in 2010, 2009 and 2008, respectively. Total percentage rent recognized as income amounted to ₱1.6 billion, ₱1.4 billion and ₱1.2 billion in 2010, 2009 and 2008, respectively.

Future minimum lease receivables under noncancellable operating leases follow:

	2010	2009	2008
Within one year	**₱1,128,494,867**	₱943,532,729	₱984,022,565
After one year but not more than five years	**2,728,725,119**	1,354,524,223	1,931,090,773
Over five years	**587,588,901**	71,111,376	40,517,868
	₱4,444,808,887	₱2,369,168,328	₱2,955,631,206

<u>JGSPC</u>
Operating lease commitments - Group as a Lessee
JGSPC has entered into contracts of lease for its Cybergate office and the shuttle bus that transports its employees from Balagtas to Batangas plant. Rental expense (included under 'Cost of sales and services' and 'General and administrative expenses' accounts in the consolidated statements of comprehensive income) charged to operations amounted to ₱13.4 million, ₱10.5 million and ₱11.6 million in 2010, 2009 and 2008, respectively.

Rental expense is distributed as follows:

	2010	2009	2008
Cost of sales and services	**₱4,437,250**	₱4,406,529	₱5,492,277
General and administrative expenses (Note 31)	**8,937,421**	6,064,736	6,129,420
	₱13,374,671	₱10,471,265	₱11,621,697

Future minimum lease payments under the noncancellable lease of the office space follow:

	2010	2009	2008
Within one year	**₱5,735,207**	₱4,739,843	₱5,462,089
After one year but not more than five years	**24,745,585**	–	4,739,843
	₱30,480,792	₱4,739,843	₱10,201,932

<u>CAI</u>
Operating Aircraft Lease Commitments - Group as a Lessee
CAI entered into operating lease agreements with certain leasing companies which cover the following aircraft:

A320 aircraft
The following table summarizes the specific lease agreements on seven Airbus A320 aircraft:

Date of Lease	Lessor	No. of Units	Lease Term
December 23, 2004	CIT Leasing Corporation	2	May 2005 - May 2012 June 2005 - June 2012
April 23, 2007	Celestial Aviation Trading Limited (Celestial Aviation)	1	October 2007 - October 2015
May 29, 2007	CIT Aerospace International	4	March 2008 - March 2014 April 2008 - April 2014 May 2008 - May 2014 October 2008 - October 2014

On March 14, 2008, CAI entered into operating lease agreement with Celestial Aviation Trading (CAT) 19 for the lease of two Airbus A320 aircraft, which were delivered in 2009. On the same date, CAI also entered into another lease agreement with Celestial Aviation Trading 23 Limited (CAT 23) for the lease of additional Airbus 320 aircraft to be received in 2012. In November 2010, CAI signed an amendment to the operating lease agreements with CAT 23, advancing the delivery of the two Airbus A320 aircraft from 2012 to 2011.

Lease agreements with CITAI, CAT 17 and CAT 19 were amended to effect the novation of lease rights by the original lessors to new lessors as allowed under the existing lease agreements. Future minimum lease payments under the above-indicated operating aircraft leases follow:

	2010		2009		2008	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso Equivalent
Within one year	**US$37,805,531**	**₱1,657,394,479**	US$33,749,946	₱1,559,247,505	US$27,900,136	₱1,325,814,463
After one year but not more than five years	**113,948,252**	**4,995,491,368**	118,485,725	5,474,040,495	97,286,394	4,623,049,443
Over five years	**8,408,351**	**368,622,108**	25,541,363	1,180,010,971	35,857,829	1,703,964,034
	US$160,162,134	**₱7,021,507,955**	US$177,777,034	₱8,213,298,971	US$161,044,359	₱7,652,827,940

Lease expense relating to aircraft leases (included in 'General and Administrative Expenses' account in the consolidated statements of comprehensive income) amounted to ₱1.6 billion, ₱1.7 billion and ₱1.1 billion in 2010, 2009 and 2008, respectively.

Operating Non-Aircraft Lease Commitments
CAI has entered into various lease agreements for its hangar, office spaces, ticketing stations and certain equipment. These leases have remaining lease terms ranging from one to ten years. Certain leases include a clause to enable upward revision of the annual rental charge ranging from 5.0% to 10.0%.

Future minimum lease payments under these noncancellable operating leases follow:

	2010	2009	2008
Within one year	**₱101,622,518**	₱92,283,350	₱76,145,138
After one year but not more than five years	**443,485,392**	406,896,291	432,109,782
Over five years	**124,367,033**	230,752,642	280,466,642
	₱669,474,943	₱729,932,283	₱788,721,562

Lease expenses relating to non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱231.2 million, ₱239.7 million and ₱149.2 million in 2010, 2009 and 2008, respectively.

<u>Digitel</u>
Operating Lease Commitments - Group as a Lessee
Digitel leases certain premises for some of its telecommunications facilities and equipment and for most of its business centers and cell sites. The operating lease agreements are for periods ranging from 1 to 30 years from the date of the contracts and are renewable under certain terms and conditions. The agreements generally require certain amounts of deposit and advance rentals, which are shown as part of 'Other current' and 'Other noncurrent assets' accounts in the consolidated statements of financial position. Digitel's rentals incurred on these leases, included under 'General and administrative expenses' account in the consolidated statements of comprehensive income, amounted to ₱1.5 billion, ₱1.3 billion and ₱1.2 billion in 2010, 2009 and 2008, respectively.

Future minimum lease payments under these noncancellable operating leases follow (amounts in thousands):

	2010	2009	2008
Within one year	**₱1,043,756,189**	₱893,270,149	₱707,477,351
After one year but not more than five years	**5,464,040,282**	4,857,427,267	3,942,456,694
Over five years	**2,574,333,405**	3,157,624,336	3,545,095,921
	₱9,082,129,876	₱8,908,321,752	₱8,195,029,966

RSBC

Operating Lease Commitments - Group as a Lessee

RSBC leases its head office and branch premises for periods ranging from one to five years, renewable upon mutual agreement of both parties. Various lease contracts include escalation clauses, most of which bear annual rent increase ranging from 5.0% to 10.0%. Rent expense recognized by RSBC (included under 'General and administrative expenses' in the consolidated statements of comprehensive income, amounted to ₱71.0 million, ₱61.0 million and ₱54.3 million in 2010, 2009 and 2008, respectively.

Future minimum lease payments under these noncancellable operating leases follow:

	2010	2009	2008
Within one year	**₱58,282,212**	₱42,040,155	₱51,026,632
After one year but not more than five years	**106,832,167**	53,848,469	75,756,522
Over five years	**26,977,792**	4,731,106	8,114,306
	₱192,092,171	₱100,619,730	₱134,897,460

43. Other Commitments and Contingent Liabilities

RLC

Capital Commitments

RLC has contractual commitments and obligations for the construction and development of investment properties and property and equipment items aggregating ₱3.3 billion, ₱2.9 billion and ₱6.1 billion as of September 30, 2010, 2009 and 2008, respectively. Moreover, RLC has contractual obligations amounting to ₱1.6 billion, ₱1.5 billion and ₱2.3 billion as of September 30, 2010, 2009 and 2008, respectively, for the completion and delivery of real estate units that have been presold.

CAI

CAI's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱31.5 billion as of December 31, 2010 which are payable over the following periods:

	December 31, 2010	
	US dollar	**Philippine peso equivalent**
Within one year	**US$153,097,113**	**₱6,711,777,434**
After one year but not more than five years	**565,169,279**	**24,777,021,191**
	US$718,266,392	**₱31,488,798,625**

JGSPC

JGSPC has an existing technology and licensing agreement with a foreign company covering the construction, manufacture, use and sale of the PP and PE lines. In further consideration for the rights granted to JGSPC, pursuant to the licensing agreement, JGSPC shall pay the foreign company a running royalty fee equivalent to a certain sum for each metric ton of resin sold up to the end of the royalty term.

Royalty expense recognized as part of 'Cost of sales and services' in the consolidated statements of comprehensive income amounted to ₱73.8 million, ₱106.1 million and ₱180.8 million in 2010, 2009 and 2008, respectively (Note 30).

Digitel

Digitel has existing agreements with various telecommunication carriers and operators, local exchange carriers, international exchange carriers, CMTS operators, paging and trunk radio operators, provincial operators and with the Philippine Government to cover the following services:

a. International telecommunications operation services between servicing points in another country where the other party is domiciled and Digitel's terminals servicing points in the Philippines.
b. National and international private leased circuit services on a reciprocal basis between the other party and Digitel in the timely support of services to their respective customers.
c. Internet transport and access services and other telecommunication services that may be introduced from time to time.
d. Interconnection of Digitel's CMTS network with the CMTS, local exchange, inter-exchange and international gateway facilities with the telecommunications network of other domestic telecommunication carriers.

Digitel has a commitment to construct, install, operate and maintain a nationwide CMTS using GSM technology. Prior to the assignment of the PA to DMPI, Digitel entered into a supply agreement with foreign suppliers including their local affiliates for Phases 1 to 4 of the said project. Digitel and DMPI have incurred costs for said project totaling to ₱19.6 billion in 2010 and 2009.

Off-Balance Sheet Items

In the normal course of RSBC's operations, there are various outstanding contingent liabilities and bank guarantees which are not reflected in the accompanying consolidated financial statements. The subsidiary bank does not anticipate material unreserved losses as a result of these transactions.

Following is a summary of RSBC's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2010	2009
Trust and Investment Group accounts	**₱12,325,143,897**	₱1,184,689,555
Commitments - foreign currency swap	**557,741,200**	464,341,200
Late deposit/payment received	**10,178,403**	14,468,354
Outward bills for collection	**548,037**	548,036
Items held for safekeeping	**52,282**	31,629
Domestic standby letters of credit	–	5,908,000
Other contingent accounts	**82,570**	46,119

Contingencies

DMPI

On July 23, 2009, the NTC issued NTC Memorandum Circular (MC) No. 05-07-2009 (Guidelines on Unit of Billing of Mobile Voice Service). The MC provides that all cellular mobile voice service shall be billed on a six (6) seconds per pulse scheme.

DMPI, Globe Telecom and Smart Communications Inc. all filed petitions before the Court of Appeals seeking the nullification of Orders of the NTC, which sought to implement MC. DMPI maintains that the Orders of the NTC are void as being without basis in fact and law and in violation of DMPI's rights to due process. On February 19, 2010, the Court of Appeals (CA) issued an order restraining the NTC from implementing the per-pulse billing scheme.

DMPI believes that its legal position is strong. If however, a final judgment is made against DMPI, DMPI may be contingently liable to refund to any complaining subscriber any excess charges. Refund, if any, would however only apply to those charged on a per minute basis and not to almost all of its subscribers who have been availing of its unlimited voice services.

As of December 31, 2010, the management believes that it will not impact the contingency on services provided which comprise substantially of unlimited connection.

Others
The Group has various contingent liabilities arising in the ordinary conduct of business from legal proceedings which are either pending decision by the courts, under arbitration or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* is not disclosed on the ground that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

44. Disposal Group Held for Sale

In September 2010, URC decided to sell its wholly owned subsidiaries Shantou SEZ Toyo Food Industrial Co. Ltd. (Shantou SEZ Toyo) and Guangdong Acesfood Co. Ltd. (Guangdong Acesfood), both of which are registered in the People's Republic of China. As of September 30, 2010, the combined total assets and liabilities of the two subsidiaries amounted to ₱334.0 million and ₱984.2 million, respectively.

45. Business Combination

On February 24, 2010, RSBC, the banking arm of the Group, signed a Share Purchase Agreement with the Royal Bank of Scotland Group plc and The Royal Bank of Scotland N.V. for the sale of the latter's share in RBS.

On March 29, 2010, a Deed of Amendment on the Share Purchase Agreement was signed among JGSCSC, RHI, Royal Bank of Scotland Group plc and The Royal Bank of Scotland N.V. Inc. changing the acquirer from RSBC to JGSCSC and RHI.

On May 6, 2010, the Group acquired 60.0% of the voting interest and 52.7% of the non-voting preferred shares of RBS for a purchase price of ₱187.4 million and ₱1.2 billion, respectively.

The fair values of identifiable assets and liabilities of RBS as of acquisition date follows:

Cash and other investments	₱3,015,021,701
Loans and receivables	360,024,228
Other assets	26,529,970
Total assets	3,401,575,899
Deposit liabilities	46,149,245
Bills payable	715,540,540
Other liabilities	329,891,770
Total liabilities	1,091,581,555
Net assets	2,309,994,344
Less share in net identifiable assets of non voting preferred shares	2,221,394,357
Share in net identifiable assets of common stock	88,599,987
Less non-controlling interest (40.0%)	35,442,664
Total net assets acquired pertaining to 60.0% voting interest	53,157,323
Value of license acquired	134,276,211
Total assets acquired for cash	₱187,433,534
Net cash inflow arising from acquisition of a subsidiary	
Cash and cash equivalent acquired	₱3,015,021,701
Cash consideration	1,357,513,818
	₱1,657,507,883

On May 20, 2010, the BOD and the stockholders of RBS approved the change of name from Royal Bank of Scotland (Philippines) Inc. to Robinsons Bank Corporation.

46. Merger

LMI (Surviving Entity) and ADMC,WIMC, CPMC, HSFC, SIC and TIC (Absorbed Corporations)
On April 22, 2010, the SEC approved the Plan and Articles of Merger executed on July 2009 and December 22, 2009, respectively, by and among LMI, the surviving corporation, and ADMC,WIMC, CPMC, HSFC, SIC and TIC, the absorbed corporations. The Plan Articles of Merger was approved by the BOD on July 22, 2009.

Plan Merger of Parent Company and Certain Subsidiaries
On May 7, 2010, the BOD of the Parent Company, approved the merger of LMI, JGCC and PPCI (Absorbed Corporations) with and into the Parent Company. On June 28, 2010, the shareholders of the Parent Company approved the Plan of Merger. As of December 31, 2010, the Parent Company is in the process of obtaining the SEC approval.

The Plan of Merger indicates that no Parent Company shares will be issued in exchange for the net assets of the Absorbed Corporations considering that all of them are wholly owned subsidiaries of the Parent Company and any Parent Company shares will just be issued to the Parent Company itself and said shares will be considered as treasury shares.

Plan Merger of RSBC and RBC
On May 25, 2010, the BOD and the stockholders of RSBC approved the following:

a. Merger of RSBC and RBC under the following salient terms:
   - The shares of the capital stock of RSBC outstanding on the effective date of merger shall be cancelled;
   - All shareholders of RSBC shall become the stockholders of RBC in which all outstanding shares of RSBC shall be cancelled in exchange for Series B Preferred Stock of RBC from the latter’s increase in authorized capital stock at the exchange ratio of 4.192 RBC shares for every one share of RSBC;
   - The share of capital stock of RBC issued and outstanding at the effective date of merger shall, together with the Series B Preferred shares to be issued pursuant to above, continue to be the issued and outstanding shares of RBC;
   - The Series B Preferred Stock to be issued by RBC pursuant to the merger shall have a par value of ₱10.00 per share and shall be redeemable at the option of RBC, non-voting, convertible, non-cumulative and preferred as to dividends; and
   - RBC, having the commercial banking license, will be the surviving entity.
b. Plan of Merger of RSBC and RBC
c. Articles of Merger of RSBC and RBC
d. Amendments of RBC’s Articles of Incorporation as of the effective date of merger
e. Amendments to the By-Laws of RBC as of the effective date of merger

On December 9, 2010, the BSP approved the merger of RSBC and RBC. On January 25, 2011, RSBC received the Certificate of Authority issued by the Centralized Application and Licensing Group of the BSP to be filed together with the Plan of Merger and the Articles of Merger of the two banks with the Philippine SEC.

The effectivity of the Plan of Merger will be subject to the approval of BSP, Philippine SEC and Philippine Deposit Insurance Corporation, and will be further conditioned on the issuance of BIR of a ruling that the Plan of Merger qualifies as a tax-free merger under section 40(c) 2 of the NIRC of 1997.

47. Subsequent Events

The following events happened subsequent to the reporting date:

a. On January 12, 2011, URC’s BOD approved the extension of URC’s share buy-back program, allotting up to another ₱2.5 billion to reacquire a portion of the Parent Company’s issued and outstanding common shares. The extension of the share buyback program shall have the same terms and conditions as the share buyback program approved by the BOD on November 13, 2007.

b. On January 27, 2011, the stockholders' of the Parent Company approved the amendment of its articles of incorporation to implement the following: (a) increase in authorized capital stock from Fourteen Billion Eight Hundred Fifty Million Eight Hundred Thousand Pesos (₱14,850,800,000) to Fourteen Billion Eight Hundred Ninety Million Eight Hundred Thousand Pesos (₱14,890,800,000); and (b) to create Four Billion (4,000,000,000) voting and non-redeemable preferred shares with a par value of One Centavo (₱0.01) per share, for a total par value of Forty Million Pesos (₱40,000,000).

c. On February 16, 2011, the BOD of RLC ratified and confirmed the stock rights offering of the common shares of the RLC with a par value of ₱1.00 per share, under the following indicative terms and conditions and subject to the approval by the Philippine SEC of the application of the RLC for the increase in its authorized capital stock:

   i. the offer of up to 1,364,610,228 common shares of the RLC (Offer Shares) to be taken from the increase in the authorized capital stock of the RLC;
   ii. subject to the applicable rules of the Philippine Stock Exchange (PSE), onlyshareholders as of record date to be determined by the RLC will be entitled to subscribe to one Offer Share for every two common shares held as of such record date;
   iii. the offer price shall be ₱10.00 per Offer Share;
   iv. such other terms and conditions as may be determined by the RLC.

d. On February 23, 2011, the stockholders of RLC held a special meeting to approve the following:

   i. increase in the authorized capital stock of RLC from Three Billion Pesos (₱3,000,000,000.00) divided into Three Billion (3,000,000,000) common shares with a par value of One Peso (₱1.00) per share to Eight Billion Two Hundred Million Pesos (₱8,200,000,000.00) divided into Eight Billion Two Hundred Million (8,200,000,000) common shares with a par value of One Peso (₱1.00) per share; and
   ii. amendment of the first paragraph of Article Seventh of the Amended Articles of Incorporation of RLC to reflect the increase in the authorized capital stock of RLC.

e. On February 28, 2011, the BOD of CAI approved the creation and implementation of a share buyback program. The share buyback program will cover up to ₱2.0 billion worth of CAI's common share. The share buyback program shall commence upon approval and shall end upon utilization of the said amount, or as may be otherwise determined by CAI's BOD.

f. On March 17, 2011, the BOD of CAI approved the declaration of a regular cash dividend in the amount of ₱2.00 per share and a special cash dividend in the amount of ₱1.00 per share from the unrestricted retained earnings of CAI to all stockholders of record as of April 14, 2011 and payable on May 12, 2011.

g. On March 29, 2011, the Parent Company and certain related parties executed a sale and purchase agreement with Philippine Long Distance Telephone Company (PLDT) under which PLDT has agreed to purchase all the rights, title and interest in the assets of DTPI as follows:

   i. 3,277,135,882 common shares of DTPI, representing approximately 51.55% equity share in DTPI;
   ii. zero coupon convertible bonds due 2013 and 2014 by issued DTPI and its subsidiary to the Parent Company which are convertible into approximately 18.6 billion shares of DTPI and certain related party by June 30, 2011; and
   iii. intercompany advances of ₱34.1 billion made by the the Parent Company and a certain subsidiary to DTPI and Subsidiaries.

The total consideration for the assets amounted to ₱69.2 billion. The transaction is intended to be completed on June 30, 2011.

48. Supplemental Disclosures to Cash Flow Statements

The principal noncash activities of the Group were as follows:

a. Movements in the cumulative translation adjustment amounting to ₱91.1 million, ₱95.4 million and ₱36.4 million in 2010, 2009 and 2008, respectively.

b. In 2010, 2009 and 2008, the Group capitalized as part of the cost of new born biological assets (suckling) amounting to ₱80.5 million, ₱1.1 million and ₱30.9 million.

c. In 2010, 2009 and 2008, the Group foreclosed some assets, which are recorded under 'Investment properties' account in the consolidated financial position, amounting to ₱16.0 million, ₱7.7 million and ₱42.7 million, respectively.

d. The Group's significant non-cash investing activities pertain to additions to accrued project cost of ₱4.0 billion, ₱15.9 million and ₱1.6 billion as of December 31, 2010, 2009 and 2008, respectively (Note 15), and capitalized borrowing costs of ₱0.8 billion, ₱1.4 billion and ₱1.1 billion (Note 10) as of December 31, 2010, 2009 and 2008, respectively.

e. On February 28, 2010, the Group sold an engine for ₱89.5 million with a book value of ₱72.2 million to a third party maintenance service provider (buyer). The transaction was settled through direct offset against the Group's US-dollar denominated liability to the buyer amounting to ₱88.3 million.

f. On December 31, 2010, the Group recognized a liability based on the schedule of pre-delivery payments amounting to ₱286.0 million with a corresponding debit to 'Construction-in progress' account. The liability was paid on January 3, 2011.

g. In 2010, the additions in 'Passenger aircraft' account include increase in ARO asset amounting to ₱705.7 million due to change in accounting estimates. In 2009, the additions in 'Passenger aircraft' account include capitalized ARO asset related to new operating lease agreements amounting to ₱211.0 million (Note 17). The above capitalized ARO asset has corresponding recognition of ARO liability with the same amount.

h. In 2010, the Group acquired three passenger aircraft by assuming direct liabilities. This transaction is considered as a non-cash financing activity.

i. In 2010, the Group participated in the Global Bond Exchange offered by the Republic of the Philippines on September 20, 2010 and swapped its HTM investments amounting to ₱280.9 million.

j. In 2008, the Group reclassified certain trading assets from the financial assets at FVPL category to the AFS investments category and from AFS investments category to HTM investments category in the consolidated statements of financial position (Notes 9, 10 and 14).

k. In 2008, the Group reclassified an investment in shares of stock amounting to ₱257.7 million recorded as AFS investment to Investment in associate after determining that the Group has significant influence over the investee company (Note 15).

l. In 2008, the following accounts were transferred to assets of disposal group classified as held for sale after meeting the requirements of PFRS 5:

Assets:	
Cash and cash equivalents	₱57,900
Property, plant and equipment	192,063,742
Other assets	5,295,219
Liabilities:	
Accounts payable	31,536
Due to related parties	8,695,853

49. Approval for the Release of the Consolidated Financial Statements

The accompanying consolidated financial statements of the Group were approved and authorized for issue by the BOD on March 29, 2011.

CORPORATE DIRECTORY

Common Stock
Listed on the
Philippine Stock Exchange, Inc.
3rd Floor, Philippine Stock Exchange
Ayala Triangle, Ayala Avenue
Makati City

Stock Transfer and Dividend Paying Agent
Banco de Oro Unibank, Inc.
15/F BDO South Tower
Makati Avenue corner H.V. dela Costa St.,
Makati City, Philippines

Corporate Head Office
JG Summit Holdings, Inc.
43/F Robinsons Equitable Tower
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JACK n JILL
Nova
Piattos
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trio
Cream All
PANCIT SHANGHAI
Presto
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C2
cool & clean
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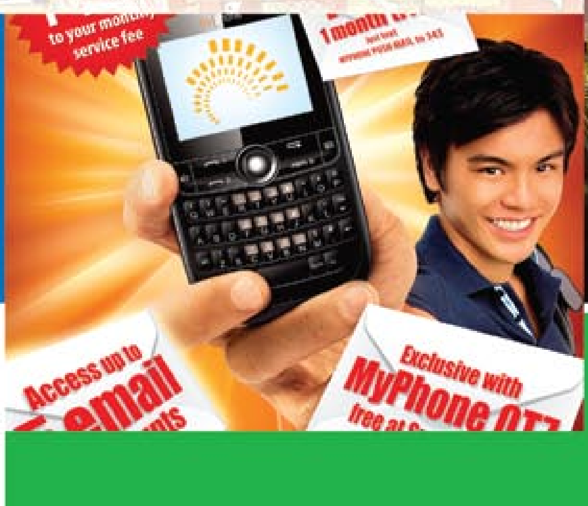
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