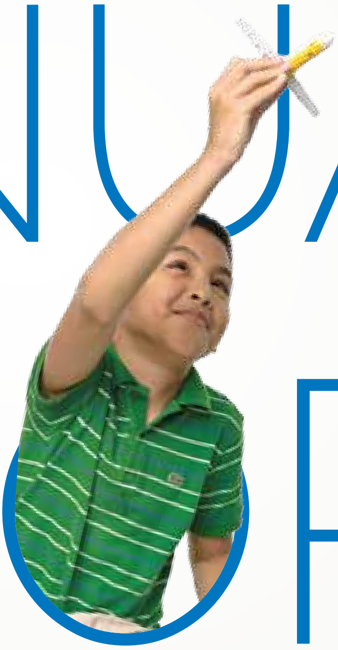
2012 ANNUAL REPORT



JG SUMMIT
HOLDINGS, INC.

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JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

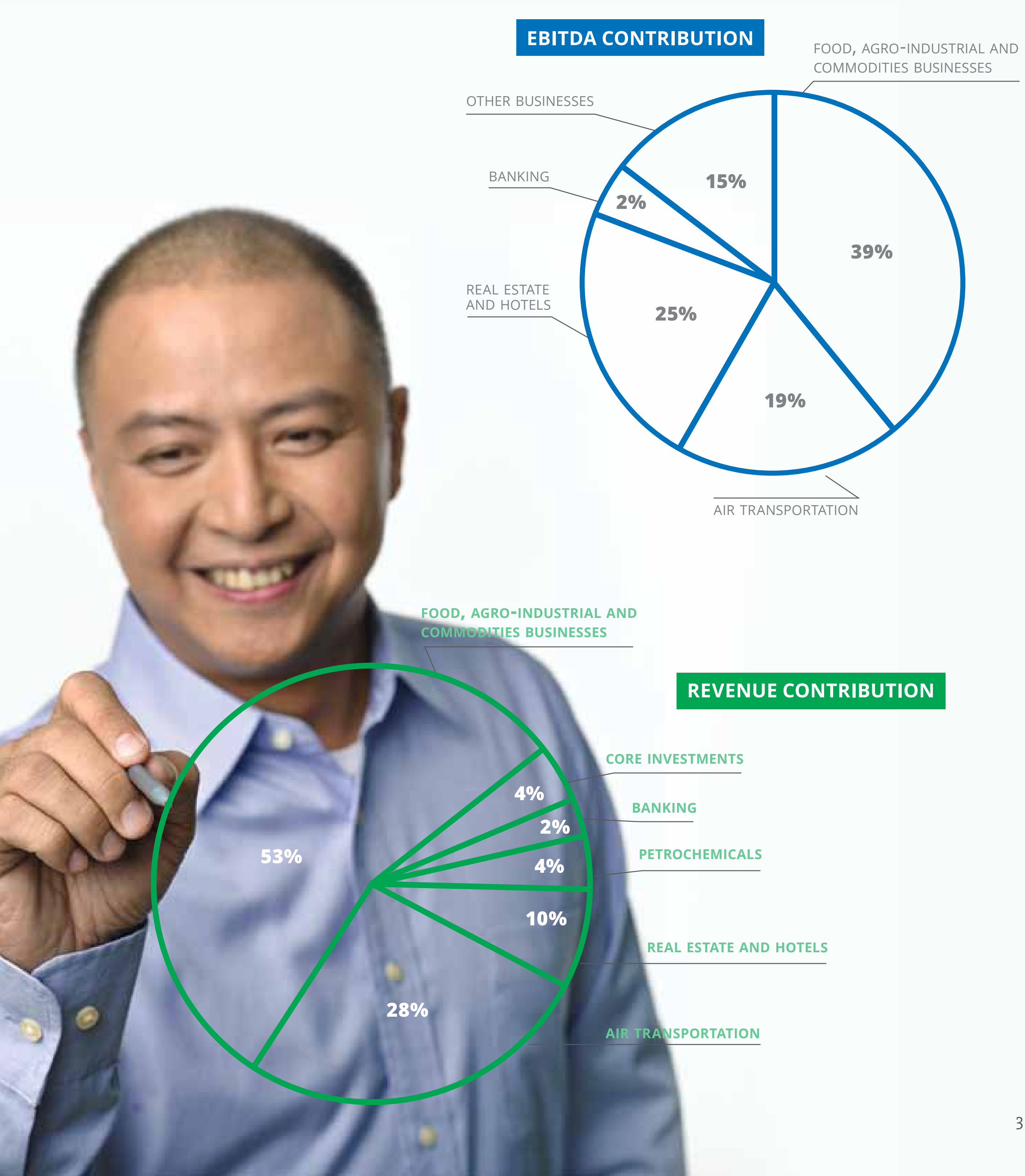
FINANCIAL HIGHLIGHTS

December 31 (in million pesos except per share and statistical data)

			2012 vs 2011 Increase (Decrease)	
For the Year	2012	2011	Amount	%
Revenues	135,253	123,497	11,756	10%
Net Income (equity holders of the parent)	13,533	21,513	(7,980)	-37%
From Continuing Operations	13,533	8,477	5,056	60%
From Discontinued Operations	-	13,036	(13,036)	-100%
As of the Year				
Total Assets	340,298	313,634	26,664	9%
Total Liabilities	141,371	133,235	8,136	6%
Total Equity	198,927	180,399	18,528	10%
Per Share				
Basic Earnings	1.99	3.19	(1.20)	-38%
Book Value	22.86	20.96	1.90	9%
Other Financial Data				
Current Ratio	1.10	1.53	(0.43)	-28%
Gearing Ratio	0.41	0.50	(0.09)	-19%
Net Debt Equity Ratio	0.20	0.18	0.02	9%
EBIT and EBITDA				
EBIT	20,568	17,351		
EBITDA	29,140	25,329		

Revenue Contribution:	
Food, Agro-industrial and Commodities businesses	71,202
Air Transportation	37,904
Real Estate and Hotels	13,496
Petrochemicals	4,913
Banking	2,534
Core Investments	5,204
	135,253

EBITDA Contribution:	
Food, Agro-industrial and Commodities businesses	11,456
Air Transportation	5,487
Real Estate and Hotels	7,299
Banking	632
Other Businesses	4,266
	29,140



LETTER TO SHAREHOLDERS

Message from the CHAIRMAN and CEO and the PRESIDENT and COO

Dear Fellow Shareholders,

Over the past three years, our company successfully executed strategic moves which cemented our dominance in the snack foods and ready-to-drink tea market, our leading position in the domestic airline business, our strong presence in commercial centers, hotels and office buildings, and the elevation of our market position in the telecommunications market with the acqusition of Digital Telecommunications Philippines, Inc. (Digitel) by Philippine Long Distance Telephone Company (PLDT). To achieve these, the Group has been very active in tapping new and additional funding from the capital markets which not only strengthens the Group's balance sheet but also boosts the Group's expansion plans, enabling us to ride with the country's strong economic growth performance.

In 2010, we unlocked the value of our airline business via an initial public offering (IPO). The public offering strengthened the balance sheet of Cebu Air Inc. (Cebu Pacific) and that of the parent company. With the IPO's success, the airline company has become self-sufficient and no longer requires guarantees from the parent company for its borrowings. Cebu Pacific went ahead with its expansion program to a doubling of its fleet size from 41 at end Dec 2012 to 85 planes by 2021 (inclusive of six Airbus A330-300 for the long-haul trips). At present, the Cebu Pacific IPO continues to hold the record as the largest low cost carrier IPO in the world with gross proceeds of US$613 million.

With an optimistic outlook on the property sector, Robinsons Land Corporation (RLC) tapped the equity market for additional funding from its one share for every two shares held rights offering at PhP10.00 a share in April 2011. The rights offering raised a total of PhP13.65 billion in gross proceeds for the property company, which was used to increase its landbank by 206 hectares or 56% to 571 hectares on a net basis in December 2012.

In October 2011, we entered into a landmark PhP74.1 billion transaction with the acquisition of Digitel by PLDT, the country's largest telecom company. Digitel was sold in exchange for an 8% stake in PLDT and US$600million in cash proceeds from the PLDT share option sale. A portion of the cash proceeds from the sale was used to prepay the US$300million syndicated loan of the parent company.

In June 2012, Universal Robina Corporation (URC) re-issued 120 million treasury shares at PhP62.00 a share, raising PhP7.4 billion in gross proceeds. The re-issuance of treasury shares boosted URC's free float by 5.5%. A portion of the proceeds from the sale was used to fund the purchase of all the remaining 23% interest in URC International not owned by URC in August 2012. The purchase amounted to PhP7.2 billion, valuing the whole international business at PhP31.3 billion. The transaction was value accretive to the food company as it was purchased at a discount to URC's market valuation at the time of the transaction. The transaction will enable URC to fully capture the earnings of one of its fastest growing business segments. URC also bought its fifth sugar mill from the company's internally generated funds. The acquisition increased the company's ranking to become the second largest sugar miller in the country.

From two overnight secondary share placements of JG Summit Holdings, Inc. (JGS), the parent company's free float of its shares of stock in the Philippine Stock Exchange increased by 4.6% in 2012. A total of 315 million secondary shares were sold to a wider base of institutional investors, broken down into 100 million shares at PhP25.00 a share in February 2012 and 215 million at PhP32.00 a share in September of last year. This resulted to an expansion in the holding company's average daily turnover at the Philippine Stock Exchange (PSE) by nearly six times to US$2.2 million from around US$380,000 in 2011, which assisted in the 57.1% increase in its stock price from PhP25.15 per share to PhP39.50 per share over a one year period.

Accolades

For two consecutive years, JG Summit has been the only Philippine company voted as one of the top 50 best publicly traded companies in the Asia-Pacific region by Forbes Asia. Our company was chosen from a pool of 1,295 companies having at least US$3 billion in annual revenue or market capitalization. The Fab 50 list featured companies that have managed to thrive amid the decelerating growth in Asia and the nonexistent growth in the US and European markets.

RLC, on the other hand, received another international recognition and was named as the Overall Best Managed Company in the Philippines by Euromoney, a leading business publication in their annual poll last January 2013. The investor community praised RLC's leading role in promoting transparent communication to investors and its clear strategy, management accessibility and solid earnings potential.

Strong jump in earnings

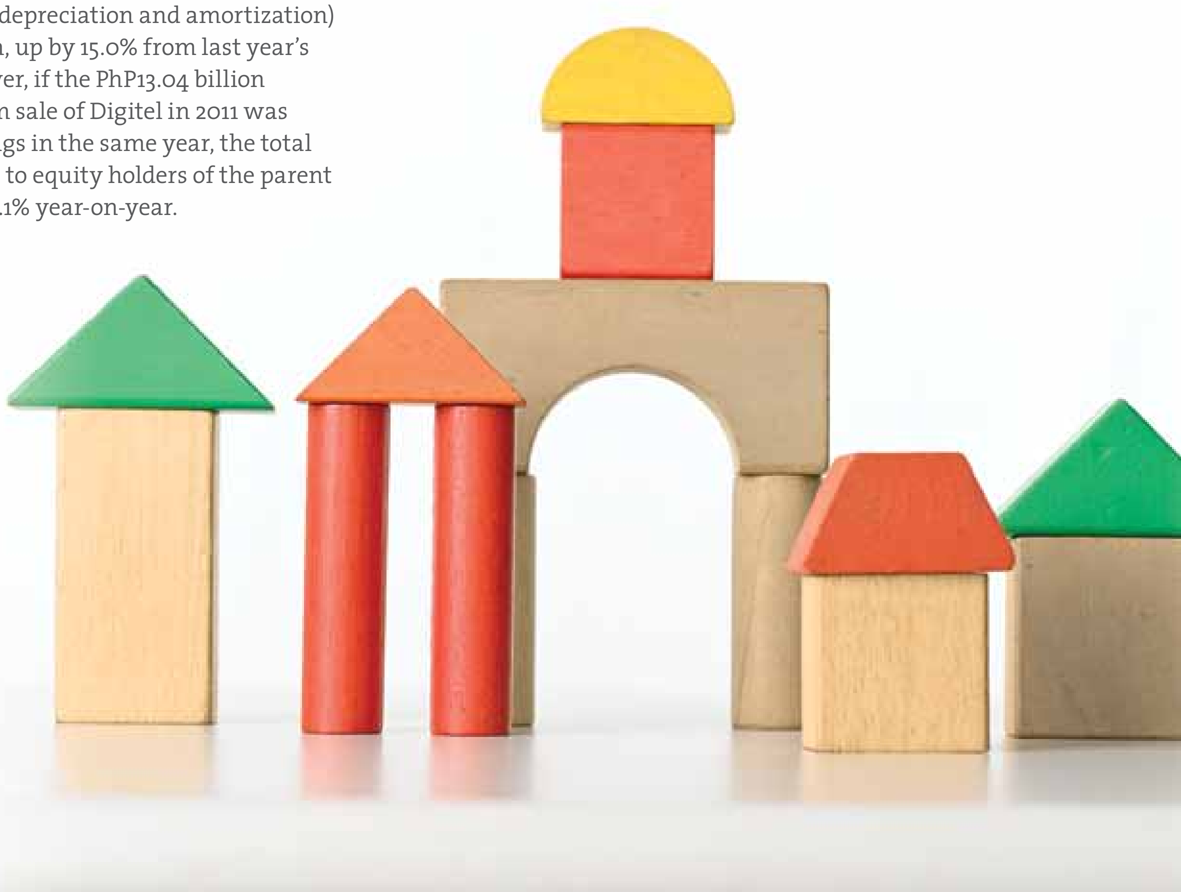
The Forbes Fab 50 award was well-deserved as our company reported a 59.6% jump in consolidated net income (attributable to equity holders of the parent company) from continuing operations from PhP8.48 billion in 2011 to PhP13.53 billion in 2012 on the back of 9.5% growth in revenues to PhP135.25 billion in 2012. The Group's core earnings before taxes, (income before extraordinary gains from the sale of Digitel in 2011, the effects of foreign exchange currency translations, and mark-to-market valuations of its financial investments), grew 19.6% to PhP19.47 billion in 2012 from PhP16.28 billion in 2011 with most businesses registering increases in operating profit. Consolidated EBITDA (operating income plus depreciation and amortization) reached PhP29.14 billion, up by 15.0% from last year's PhP25.33 billion. However, if the PhP13.04 billion extraordinary gain from sale of Digitel in 2011 was added back to its earnings in the same year, the total net income attributable to equity holders of the parent showed a decrease of 37.1% year-on-year.

Record high share prices

The robust earnings performance in 2012 as well as the company's improving liquidity did not go unnoticed by the market. On sound fundamentals, JG Summit and its listed subsidiaries have generally outperformed the PSE index in 2012. JG Summit, URC and RLC have all hit record high share prices last year. In fact, RLC and URC were top and second outperformers of the PSE index in 2012 at 51% and 42%, respectively. The PSE Index surged 33% in 2012. JGS was at Top 9, beating the PSE index by 24% last year.

Record high dividend income

As a holding company, JG Summit earns income from cash dividends of its core operating subsidiaries and core investments, interest income from its bond portfolio and capital gains from equity investments. In 2012, our company received record high cash dividend income amounting to PhP7.3 billion, 40.4% higher than the previous year's dividend income of PhP5.2 billion. The PhP2.1 billion increase in dividend income was attributed mainly to PLDT which contributed PhP2.95 billion from our 8.0% stake in the telecom company. Despite the lower earnings in FY2012, URC declared the same amount of cash dividends in FY2012 as that of FY2011 at PhP1.90 a share. RLC likewise declared the same amount of dividends as in FY2011 at PhP0.36 a share. Hit by high fuel costs, Cebu Pacific cut the cash dividend it declared last year by two thirds. Bulk of the dividend income was used to partially fund the construction of our US$800 million naphtha cracker plant.



Betting on the revival of the manufacturing sector

The revival of the manufacturing sector is believed to be the key growth engine of the Philippine economy. The manufacturing sector used to contribute 43% of the gross domestic product (GDP) in the early 1980's but fell through the years to just about a third of the domestic economy. Nonetheless, this sector can offer more jobs and bring about higher productivity which will result to higher incomes for a significant portion of the population.

Our company is in the forefront of the expected resurgence of the manufacturing sector activities. Petrochemical products are one of the basic raw materials for the manufacturing industry. Once our naphtha cracker plant is completed by the latter part of 2013 as well as the rehabilitation and expansion of the existing polymer plants, it will be the only fully integrated petrochemical complex in the country. The expanded capacity of the polymer plants will be sufficient to supply most of the current domestic demand of polymer products,

According to independent studies, demand for petrochemical products significantly increases as affordable petrochemical products become readily available in the local market.

Growing banking business

Formerly a thrift bank, Robinsons Bank Corporation (RBC) in 2011 started operating as a commercial bank with the acquisition of Royal Bank of Scotland's commercial bank operations in the country. The bank's aim is to become a significant player in the banking industry over the next five years. Last year, we successfully acquired Legazpi Savings Bank (LSB) which resulted in an addition of 11 bank branches to RBC's branch network of 65. As an incentive for the acquisition, RBC is allowed to open 31 branches in the eight restricted cities in Metro Manila over three years, well ahead of Bangko Sentral ng Pilipinas' (BSP) branch liberalization starting July 2014. In addition, RBC need not comply with the minimum PhP10 billion capital requirement and PhP20 million licensing fee for each new bank branch to be opened. Even with the latest acquisition, RBC has remained adequately capitalized at a capital adequacy ratio (CAR) of 26% as of end December 2012 and will more than comply with the minimum Basel III CAR requirement of 12.5% by January 2014.

Going infra

Improving the country's infrastructure will fuel more foreign direct investments and help propel the country's economic growth rate higher. Our Group has the appropriate skillset to join in the Public-Private-Partnership (PPP) projects of the government particularly for airport terminals. Operating and managing airport terminals will have synergies with our airline and property businesses. We have partnered with Metro Pacific Investments Corporation to bid for the rehabilitation, expansion, operations and maintenance of the Cebu-Mactan International Airport, the country's second largest airport hub.

Major Pan-ASEAN player

Our company is one of the few companies in the Philippines which successfully expanded its businesses outside the country. URC's C2 green tea is now the largest ready-to-drink tea brand in Vietnam. We are the largest producer and distributor of Jack n Jill biscuits and wafers in Thailand. We are gaining traction for our food products in other countries such as Malaysia, Singapore, China, Hong Kong, and Indonesia. Cebu Pacific is the country's second largest local airline company that carries international passengers to other Asian countries. As per the Civil Aviation Board data, Cebu Pacific cornered 16.3% market share in 2012 for its international traffic from only 12.8% three years ago. United Industrial Corp. Ltd. (UIC), which holds 79.9% stake in Singapore Land Limited, develops and manages hotels, commercial centers, office buildings and residential condominium units both in Singapore and China. All these are a testament that our Group is fast becoming a major Pan-Asean player.

Our Group generates approximately a third of our revenues in foreign currencies. URC gets around 25% of its revenues from its International operations. Cebu Pacific earns approximately a quarter of its revenues in foreign currencies from its international ticket sales. Some residential condominium units of RLC are sold to overseas Filipino workers, immigrants and foreign investors. Our equity earnings in UIC are in foreign currency. With these, we have not only successfully diversified the Group's revenue base but also have currency hedge for any unforeseen weakness in the financial market.

Making Filipino life better

Most, if not all our companies, are consumer-oriented businesses. We introduce products with quality comparable to multinational companies' and sell them at prices that are affordable to the Filipino population. Cebu Pacific, for example, changed how Filipinos get around by making it affordable for every Juan to travel. It recently launched its long-haul flights and will be the first Filipino airline company to fly from the Philippines to Dubai, offering air fares that are 35% to 40% cheaper than the economy rate from full-serviced airline

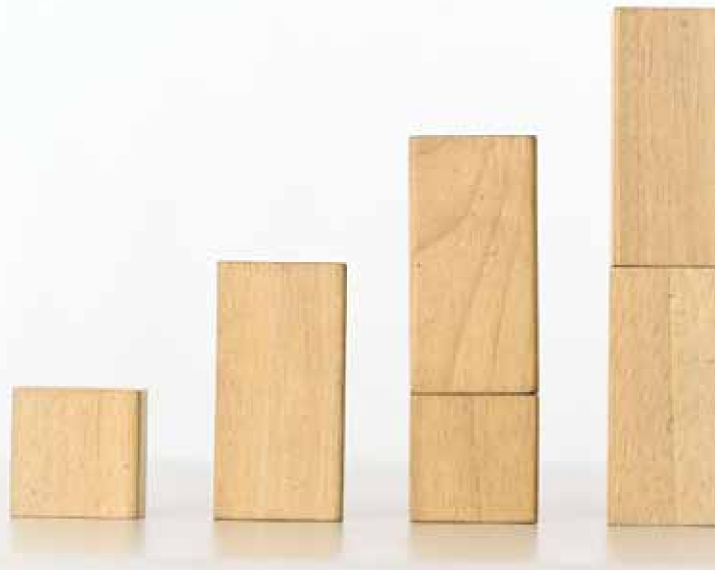
James L. Go
Chairman and CEO

companies. URC constantly innovates to offer a wide array of affordable and high quality food products. We are successful in doing this because of scale, supply chain efficiencies, and pricing power through our market leadership. RLC's projects are located all over the Philippines with commercial centers situated in major key cities of the country. RLC launched residential and hotel projects targeting high-end down to affordable markets, and successfully built a reputation of completing its property projects on time and on budget while keeping high standards of quality.

We will continue to hold true to our company's vision of "Making the Filipino Life Better". We will keep building businesses that will offer value for money products and services benefitting a greater number of the Filipino population without sacrificing the profitability of the company. As we start to reap the fruits gained from the innovations and expansions of our businesses, be assured that we will start to return some of the excess capital to you, our loyal investors.

Lance Y. Gokongwei
President and COO

Management Discussion and Analysis



It is our pleasure to report to you that your company, JG Summit Holdings Inc., delivered another strong and remarkable performance in 2012. Our company's businesses have also greatly benefited from the growth of the Philippine economy. The country is emerging as one of the fastest growing economies in Asia driven by the strong performance of private and public construction, and buoyed by robust private consumption, supported by strong OFW remittances and BPO activities.

Thanks to a strong domestic demand, the Philippines has shown resilience and strength in 2012 amid the economic crisis in Europe and territorial disputes in the region. This can be attributed to the government's fiscal management policies which created higher-than-expected investors' interest in the country.

Amidst this backdrop, JG Summit's consolidated net income (attributable to equity holders of the parent company) from continuing operations surged 59.6% from PhP8.48 billion in 2011 to PhP13.53 billion in 2012. Net income was boosted by the dividends received from our 8% stake in PLDT which amounted to PhP2.95 billion, the strengthening of the peso against the US dollar and the recovery in the market value of our bond and equity investments.

The Group's core earnings before taxes, (income before extraordinary gains from the sale of Digitel in 2011, the effects of foreign exchange currency translations, and mark-to-market valuations of its financial investments), increased by 19.6% to PhP19.47 billion in 2012 from PhP16.28 billion in 2011. Consolidated EBITDA (operating income plus depreciation and amortization) grew 15.0% to PhP29.14 billion in 2012 from the previous year's PhP25.33 billion. If including the extraordinary gains of PhP13.04 billion from the sale of Digitel in 2011is added back to earnings in the same year, the total net income attributable to equity holders of the parent company will however, show a decrease of 37.1%.

Consolidated revenues grew 9.5% from PhP123.50 billion in 2011 to PhP135.25 billion in 2012 as all subsidiaries posted decent revenue growth. Dividend income increased significantly from PhP244.96 million in 2011 to PhP3.20 billion in 2012 mainly due to dividends received from PLDT. However, equity income from associates and joint ventures, declined 9.4% from PhP2.22 billion to PhP2.01 billion due to the lower income of Singapore-based affiliate, United Industrial Corp. Ltd. (UIC).

The Group's net financing costs and other charges (net of interest income) incurred for the year decreased by 23.4% from PhP2.14 billion in 2011 to PhP1.64 billion in 2012 billion as the Group's level of borrowings declined after the full settlement of the following: a) US$300 million term loan in the last quarter of 2011, b) URC's US$200 million guaranteed note in the first quarter of 2012 and c) RLC's PhP3 billion loan in May 2012. Mark-to-market gains recognized from our financial assets amounted to PhP1.87 billion for 2012, a reversal from a net market valuation loss of PhP648.91 million in 2011 mainly due to price recoveries from the Group's bond investments and gains from additional investments acquired. The Group also recognized a foreign exchange gain of PhP1.40 billion, compared to a PhP245.88 million foreign exchange loss reported in 2011 due to the 6.4% appreciation of the Philippine peso against the US dollar in 2012.

As of end December 2012, the Group's balance sheet remains strong, with a current ratio of 1.1x, gearing ratio of 0.4x and net debt to equity ratio of 0.2x. Consolidated assets increased by 8.5% to PhP340.30 billion as of end December 2012 from PhP313.63 billion as of end December 2011. Total equity (including minority interest) grew by 10.3% from PhP180.40 billion at the end of 2011 to PhP198.93 billion in 2012 primarily on the back of higher earnings from continuing operations, while Stockholder's equity increased to PhP155.27 billion versus PhP141.28 billion in 2011. As a result of these, book value per share rose to PhP22.86 in 2012 from PhP20.96 in 2011. JG Summit's return on average equity for 2012 reached 9.1% from only 6.5% (based on recurring income) in 2011.

Food

Universal Robina Corporation generated consolidated sale of goods and services of PhP71.20 billion for the fiscal year ended September 30, 2012, a 6.0% sales growth from FY2011. URC is the biggest revenue contributor of the Group's consolidated revenues accounting for 52.6% of the total in 2012.

Domestic Branded Consumer Foods Group (BCFG) operations posted a remarkable 16.2% increase in sales, from PhP29.57 billion in fiscal 2011 to PhP34.35 billion in fiscal 2012, attributed mostly to its beverage division which grew by 56.0% on the back of the stellar performance of its new coffee mix products. Sales from domestic branded foods accounted for 48.2% of URC's total sales in FY2012, or 4.2 percentage points higher than in FY2011.

BCFG's international sales still increased at a single-digit growth rate of 4.9% to PhP20.16 billion in fiscal 2012 from PhP19.22 billion in fiscal 2011, despite Thailand's weak performance. The 2011 flooding in Thailand continued to affect its main categories, biscuits and wafers, which are not consumer staples but are discretionary products. Vietnam, the biggest contributor, accounted for 42.8% of total international US dollar sales on continued strength of its C2 green tea which is now the largest ready-to-drink (RTD) tea brand in that country. URC international contributed 28.3% of the total food business' revenues in FY2012.

Sugar sales declined by 39.9% due to lower selling prices and sales volume because of lower production yields caused by the excessive rains during the growing season. EBIT margin of the Sugar business of 26.9% in FY2012 was significantly higher than in FY2011 of 20.1% despite lower sales due to the lower subsidy given to the farmers, resulting to flattish operating income level year-on-year.

URC's Flour business grew by 8.4% due to growth in sales volume and better prices.

The Agro-Industrial business, which contributed 10.4% of total URC sales in FY2012, posted 4.1% growth in revenues while EBIT increased by 12.2% year-on-year.

URC's gross profit for fiscal 2012 increased by 11.8% toPhP18.47 billion from PhP16.52 billion reported in fiscal 2011 while gross margin increased by 130 basis points from 24.6% in fiscal 2011 to 25.9% in fiscal 2012 on easing of some cost inputs. URC reported an EBITDA (operating income plus depreciation and amortization) of PhP11.22 billion for fiscal 2012, 10.5% higher than the PhP10.16 billion posted in fiscal 2011. Core earnings before tax (operating profit after equity earnings, net finance costs and other expenses-net) for fiscal 2012 amounted to PhP8.43 billion, an increase of 20.7% from PhP6.98 billion recorded for fiscal 2011. Net income attributable to equity holders of the parent company increased by PhP3.10 billion or 66.9% to PhP7.74 billion in fiscal 2012 from PhP4.64 billion in fiscal 2011 as a result of factors discussed above. On robust earnings, URC's return on average equity in FY2012 stood at 17.7%.

Airline

Cebu Pacific posted gross revenues of PhP37.90 billion for the year ended December 31, 2012, 11.7% higher from the previous year's PhP33.94 billion. This was mainly attributed to the 11.1% growth in passenger volume driven by the increased number of flights and higher seat load factor of 82.7% in 2012. Number of flights was up 12.5% as a result of higher number of operating aircrafts from 37 as of end 2011 to 41 aircrafts as of end December 2012. Moreover, baggage fee and ancillary revenues increased by 30.9% to PhP3.27 billion in 2012 from PhP2.50 billion in 2011. Cebu Pacific is the second biggest contributor to the Group's revenues with 28.0% share.

Cost of services and operating expenses grew 15.2% to PhP35.24 billion in 2012 from PhP30.60 billion last year. A major contributor to the higher expenses in 2012 was the cost of aviation fuel which expanded by 15.4% from PhP15.22 billion in 2011 to PhP17.56 billion in 2012, consequent to the increase in volume of fuel consumed as a result of increased number of flights year-on-year and of higher fuel prices. The airline company also experienced higher crew and training costs, as well as maintenance expenses particularly in the first half of 2012, but as its various cost initiatives began to bear fruit in the second half, Cebu Pacific was able to control the average cost per available seat-kilometer (ASK) ex-fuel to P1.2476, only 0.4% higher than the previous year. Cebu Pacific recognized lower interest income for the period from PhP647.40 million in 2011 to PhP415.77 million in 2012 due to the sale of its bond investments in 2011. Foreign exchange gain increased significantly to PhP1.20 billion from PhP50.15 million in 2011 as a result of peso appreciation during the period. EBITDAR increased 2.0% to PhP8.04 billion, with margin sustained at 21.2%.

As a result, , net income for the year ended December 31, 2012 slightly dropped to PhP3.60 billion from PhP3.62 billion in 2011. Despite the flattish net income, Cebu Pacific's return on average equity was still kept at a high double-digit level of 17.3% in 2012.

Real Estate and Hotel Management

Robinsons Land Corporation (RLC) reported 5.5% increase in total gross revenues amounting to PhP13.52 billion for fiscal year 2012, from PhP12.81 billion for fiscal year 2011. Of RLC's total revenues, the Commercial Centers division accounted for the biggest share at 47.6% with the opening of three new malls – Robinsons Place Pangasinan, Robinsons Place Palawan and Robinsons Magnolia, followed by the Residential division at 31.9% share, Office Buildings division at 10.3% and Hotels division at 10.2%. RLC accounted for 10.0% of the Group's total revenues.

EBIT (Operating income) grew 15.6% to PhP5.23 billion in FY2012 with Hotels registering the biggest increase at 37.5%, followed by Commercial Centers at 21.5%, Residential Division with 6.5% and Office buildings Division with 4.1%. Four new Go Hotels were opened in FY2012 which added a total of 416 hotel rooms, an increase of 38.2% to its hotel portfolio. EBITDA (Operating income plus depreciation) grew by 10.2% to PhP7.32 billion in FY2012. Net income attributable to equity holders of the parent company stood at PhP4.24 billion in FY2012, up by 6.9% compared to the previous year. In FY2012, RLC's return on average equity reached 10.0%.

Petrochem

JG Summit Petrochemicals Corporation's (JGSPC) gross revenues dropped 11.7% from PhP5.78 billion in FY2011 to PhP5.11 billion for the fiscal year ended September 30, 2012 due to lower selling prices of polymer products and lower sales volume. Costs and expenses consequently dropped 7.7%, but the decline was not proportionate to the decline in revenues, resulting to higher gross operating loss of PhP231.61 million in 2012 versus the loss of only PhP12.30 million in FY2011. With these, net loss for fiscal year ended 2012 increased 36.4% to PhP523.73 million compared to only PhP383.97 million in FY2011.

Banking

Robinsons Bank Corporation (RBC) generated net earnings of PhP389.90 million for the year ended December 31, 2012, a 1.4% growth from the previous year's net income of PhP384.38 million. The increase was mainly due to the 7.4% growth in revenues from PhP2.36 billion in 2011 to PhP2.63 billion in 2012. Total resources as of December 31, 2012 reached PhP41.28 billion, an increase of 31.1% from the previous year's PhP31.52 billion.Net loans increased 40.5% to PhP17.67 billion from 2011's PhP12.58 billion, deposit liabilities likewise grew by 34.8% to PhP33.96 billion at end 2012 from PhP25.19 billion in 2011. With the bank's recapitalization in 2011 after getting its commercial license, return on average equity stood at 7.4% in 2012.

OUTLOOK

Coming from the higher-than-expected economic performance in 2012, this year promises to be even better. Benign inflation, high foreign exchange reserves, sustained rising inflows of overseas Filipinos' remittances, strong BPO activities, rising tourist arrivals, election spending, revival in the manufacturing sector activities, and low interest rates are springboard for a rosy outlook for 2013. Moreover, with a renewed confidence in the present administration, the economic growth will now be increasingly driven by private sector activity.

The upgrade of the Philippines to investment grade status by Fitch Ratings, Standard and Poor's Ratings Services and Japan Credit Rating agencies will pave the way for more foreign direct investments into the country and thus boost employment. Because of the favorable political situation, the present administration is able to push for and implement vital reforms for sustainable 6-7% economic growth rate this year and in the coming years.

The attractive macroeconomic environment will benefit our company considering that most of the Group's businesses are consumer-oriented. Rising urbanization and a growing middle class should translate to higher disposable incomes which should bode well for impulse food consumption, air travel, retailing, property development, banking and others.

ACKNOWLEDGEMENTS

We would like to take this opportunity to thank you, our fellow shareholders, for the trust you have bestowed upon us; to our board, executives and employees for the wisdom, guidance and dedication; and to our customers and business partners for the continued confidence in our commitment to make life better for every Filipino. We look forward to making 2013 a most rewarding year for all.

JG SUMMIT BUSINESSES

MAKING LIFE BETTER

JG SUMMIT HOLDINGS, INC.

One of the Philippines' top conglomerates, JG Summit Holdings, Inc. (JG Summit) has diverse business interests spanning branded consumer foods, agro-industrial and commodity food products through Universal Robina Corporation (URC); property development and hotel management through Robinsons Land Corporation and United Industrial Corporation (in Singapore); telecommunications through Philippine Long Distance Telephone Company; air transportation services through Cebu Air, Inc, petrochemicals through JG Summit Petrochemicals Corporation and JG Summit Olefins Corporation and banking and financial services through Robinsons Bank Corporation. From the cornstarch plant of Universal Corn Products, Inc. (now URC) in the 1950's, the business has grown and expanded its reach to the ASEAN region through URC International.

JG Summit has pioneered breakthroughs, broadened its enterprise and stayed at the forefront in every phase of the country's rise to development - the entrepreneur who invested in agribusiness and the manufacture of feeds and prime food commodities; the visionary who channeled resources and expanded into financial services and property, all backbones of a growing economy; the captain of industry who invested in telecommunications, petrochemicals and air transportation, all requisites for industrialization; the innovator, who continually provides value and fun in snacking; and the new regional multinational, who has embraced the challenge of global competitiveness with zeal.

JG Summit's place in Philippine business has for its cornerstone a business portfolio of market leaders, a solid financial position, a formidable management team, and a vision of leading the country to global competitiveness and making life better for every Filipino.

NEWS

JG Summit only Philippine firm in Forbes Asia's Fab 50 companies

JG Summit Holdings is on the 2012 list of Forbes Magazine Asia's Fab 50 companies for two years running, the only Philippine company in the roster of what the magazine described as "the truly great ones" among Asia-Pacific's biggest listed companies.

The Gokongwei-led conglomerate, one of the biggest and most diverse in the country, was chosen for its "solid financial track records coupled with great management and entrepreneurial skill".

Forbes said the 50 were selected from a pool of 1,295 that had at least US$3 billion in annual revenue or market capitalization. The companies, almost half of which are Chinese, were chosen based on revenue, earnings, return on capital, share-price movements and the outlook, the leading business and financial magazine said. "The result is the region's best of the best."

JG Summit's "expected earnings-per-share growth next year is the highest of the 50", according to Forbes. Its market capitalization grew by 38 percent over the past 12 months, it added.

JG Summit is a holding company that owns two-thirds of budget airline Cebu Pacific and has business interests in branded consumer food, agro-industrial and commodity food products, property development and hotel management, petrochemicals, and international capital and financial services.

"A slowing economy weeds out the merely good companies from the truly great ones. So this year's list of the 50 best publicly traded companies in Asia-Pacific is a roll call of outfits that have managed to thrive amid decelerating growth in Asia and all but nonexistent growth in their U.S. and European markets," the magazine said.

The Fab 50 list was dominated by Chinese companies (23), followed by India (11) and South Korea (4). Australia, Hong Kong, Taiwan and Thailand each had 2 companies, while Japan, Malaysia, Philippines and Singapore each had one company on the list, it said.

John Gokongwei Jr (3rd from right), Chairman Emeritus of JG Summit Holdings Inc., and Lance Gokongwei (2nd from right), President and Chief Operating Officer of the conglomerate, received the Fabulous 50 Award from Christopher Forbes, Vice Chairman of Forbes Media (3rd from left) at a ceremony at the Grand Hyatt Hotel in Macau on December 4, 2012. Also in the photo (from left) are Steve Leonard, Office of the Chairman Corporate Senior VP, EMC Corporation, Lawrence Ho, Co-Chairman & CEO, Melco Crown Entertainment, and Jackson Chang, President, Macao Trade & Investment Promotion Institute (IPIM).

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 Company started out as a cornstarch manufacturing business in the 1950's but it eventually branched out into branded consumer foods in the 1960's and commodities in the 1970's and 1980's.

The Branded Consumer Foods Group (BCFG) has its roots in the Philippines but it has built a significant footprint in Southeast Asia as well. At present, the Company maintains operations and manufacturing facilities in five countries in Southeast Asia (namely Philippines, Thailand, Vietnam, Malaysia, and Indonesia,) as well as China and trading offices in HK and Singapore.

Aside from this geographic expansion, the Company has also developed its own brands and product portfolio throughout the years. BCFG is bannered by the Jack 'n Jill megabrand, which houses familiar snackfoods brands like Chippy, Piattos, Magic, Cream-O, Maxx, and Cloud 9. Jack 'n Jill has grown to represent the simple pleasures of life as well as the fun and camaraderie of snacking. It has become one of the most recognizable brands in the Philippines and is now also well-recognized in other Southeast Asian countries. In the Philippines, URC is a dominant player with leading market shares in salty snacks, candies, and chocolates, and is a significant player in biscuits, with leading positions in cookies and pretzels. In Thailand, URC is the market leader for biscuits and wafers.

URC has also successfully entered the beverage market with its C2 RTD tea and Great Taste coffee brands. C2 was the first of its kind in the Philippines and was the cornerstone for the entire RTD tea market. The brand has also made its mark in other countries such as Vietnam. URC is a dominant market leader for RTD tea in the Philippines and C2 is now the #1 brand in Vietnam's 6 key cities. In terms of powdered beverages, the Company has built Great Taste as one of the leading instant coffee and coffee mixes brands in the domestic market.

URC continues to expand in other powdered and ready to drink beverage categories such as coffee mixes, energy drinks, milk, water and juice. The Company is also present in the Grocery categories through its joint ventures with Nissin of Japan (Nissins-URC) for noodles, and Con-Agra (Hunts-URC) for beans and sauces.

URC's Agro-Industrial Group (AIG) is consolidated under the Robina Agri Partners (RAP), which combines the strengths, experience and expertise of Universal Corn Products, 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. RAP 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 sugarcane milling and raw sugar 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.

Branded Consumer Foods Group (BCFG)

SNACKS

Jack 'n Jill Chippy	Jack 'n Jill Go! Scoops	Jack 'n Jill Chumbos	Jack 'n Jill Pic-A
Jack 'n Jill Mr. Chips	Jack 'n Jill Piattos	Jack 'n Jill Mang Juan	Granny Goose Tortillos
Jack 'n Jill Taquitos	Jack 'n Jil Roller Coaster	Jack 'n Jill Puff Corn	Granny Goose Kornets
Jack 'n Jill Tostillas	Jack 'n Jill Chiz Curls	Jack 'n Jill Potato Chips	
Jack 'n Jill Nova	Jack 'n Jill Kichi	Jack 'n Jill V-Cut	

CANDIES

Jack 'n Jill Maxx,	Jack 'n Jill Star Jells	Jack 'n Jill Wiggles	Jack 'n Jill Star Fruits
Jack 'n Jill XO	Jack 'n Jill Star Pops	Jack 'n Jill Lus	Jack 'n Jill Dynamite Chews
Jack 'n Jill Dynamite			

CHOCOLATES

Jack 'n Jill Cloud 9	Jack 'n Jill Chooey	Jack 'n Jill Cream-O Chocolate Balls	Jack 'n Jill Cream-O Wafer Bar
Jack 'n Jill Big Bang	Jack 'n Jill Nips		Jack 'n Jill Hello Wafer

BISCUITS

Jack 'n Jill Magic Flakes	Jack 'n Jill Magic Coated	Jack 'n Jill Presto	Jack 'n Jill Animal Bites
Jack 'n Jill MagicCreams	Jack 'n Jill Cream-O	Jack 'n Jill Choco Pretzels	Jack 'n Jill Choco Wafrets
Jack 'n Jill Magic Flavors	Jack 'n Jill Dewberry	Jack 'n Jill Knots	Jack 'n Jill Cream-O Wafer Bar

BAKERY

Jack 'n Jill Quake Bars	Jack 'n Jill Cream-O Cakes
Jack 'n Jill Quake Overload	Jack 'n Jill Espesyal

BEVERAGE

C2 Green Tea	OMJ! Oh My Juice	Cream-All
Great Taste	Hidden Spring	Coffee Twist
Blend 45	Refresh Mineral Water	Vitalac
Refresh Flavored Drinks	Refresh Purified Water	Red Dragon

NOODLES	**JOINT VENTURES**
Payless	Nissin
Pancit ni Mang Juan	Hunts

URC PACKAGING manufactures and sells bi-axially oriented polypropylene (BOPP) films primarily used in the packaging industry

Agro-Industrial – 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 sugarcane milling and raw sugar refining services, trades raw sugar, and sells raw and refined sugar and molasses

FAST FACTS

URC started out as a cornstarch manufacturing company in 1954. 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 in the Philippines and becoming URC's #1 selling brand within 5 years of launch even in the face of stiff competition from multinational brands.

URC has also built C2 as the #1 RTD tea brand in Vietnam's 6 key cities. Vietnam presents a significant market for URC as it is a natural tea drinking country. 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 expanded in the Asean market in 2000 after the international investments of the Gokongwei family in food manufacturing was folded-in into the Company. From initial operations in Thailand, China, and Malaysia, two more were added since then – Indonesia in 2001 and Vietnam in 2005.

URC continuously innovates and introduces new products both locally and in the region to constantly excite the market. The company realizes that innovation is one of the key factors for the success and sustainability of the business. In 2011, URC successfully launched extruded and palletized snacks called Chicharron ni Mang Juan as well as Great Taste White Coffee mixes, a first in the domestic market.

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. In October 2012, URC expanded its sugar operations and acquired its fifth mill, Tolong. With the new sugar mill, URC now has a combined capacity of 29,500 tons of sugar cane per day and 33,000 bags of refined sugar per day. This also ensures consistent supply of these raw materials for URC's branded consumer foods group. URC supplies approximately a tenth of the country's total demand for flour and sugar.

NEWS

Innovation Driving Growth: The White Coffee Experience

Back in May 2011, URC BCFG Philippines launched Great Taste White Coffee, marking URC's entry into the rapidly expanding coffee mixes category.

This category, which, as of December 2012, accounts for 65% of the P32 Billion total coffee market, has overtaken the instant category in just over 3 years, with growth rates in excess of 50% year-on-year. This unprecedented growth was due to the introduction of new coffee variants which have captured the imagination of consumers.

URC's challenge was to enlarge its market share footprint in coffee mixes, and to make it a formidable challenger to the two other leading brands. URC responded through marketing excellence and product innovation.

URC worked on an unconventional "white" concept that would offer consumers a totally new coffee experience hinged on an extra creamy taste dimension. By masking coffee's normally bitter taste with a smooth and creamy profile, attention was focused on enlisting new users from young non-coffee drinkers, thereby changing the rules of the game from simple share-grab to market expansion.

The communication of this smooth and creamy idea to consumers was a challenge that the marketing and advertising teams addressed unconventionally---via the intriguing question posed by celebrity endorser Sid Lucero—"What is the taste of White?"

Three months after the product was launched, URC had full-blast advertising support by airing the new TV commercial, installing billboards, conducting in-store sampling among consumers and strengthening point-of-sale merchandising.

As of December 2012, URC had market share exit readings of 15.2% for total coffee market and 12.5% for coffee mixes, coming from 8.1% and 1.0% market share for total coffee and coffee mixes, respectively, before the launch of the product. The increasing demand for Great Taste White has ensured the rapid expansion of URC's footprint in the high-growth mixes category, transforming the Company's market position from mere participant to challenger, and sustaining the turnaround of its Powdered Beverage business.

ROBINSONS LAND CORPORATION

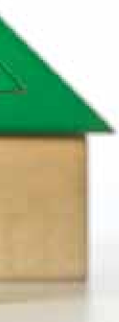
YOUR DREAMS, OUR FOUNDATION.

Robinsons Land Corporation (RLC) is one of the Philippines' leading real estate developers in terms of revenues, number of projects and total project size. It is engaged in the development and operation of shopping malls, office buildings, hotels, residential mid and high-rise structure and mixed use developments, as well as land and residential housing developments located in key cities and urban areas nationwide.

RLC adopts a diversified business model, with both an "investment" component, in which RLC develops, owns and operates commercial real estate projects (principally shopping malls, office buildings and hotels) and a "development" component, in which RLC develops residential real estate projects for sale (principally residential condominiums, upper-middle to high-end residential developments and low and middle-cost lots and houses in its subdivision developments).

RLC is one of the country's largest mixed-use property developers. Developments like Robinsons Galleria complex has two office towers, two deluxe hotels, an upscale residential condominium anchored by a flagship shopping mall while Robinsons Place Manila complex has five residential towers fully integrated by another flagship shopping mall. The Robinsons Cybergate Complex houses the Forum Robinsons mall, the flagship Go Hotel, four office buildings, three residential towers. The Robinsons Magnolia mall is part of the Robinsons Magnolia Town Center complex in Quezon City, the sixth mixed-use development in Metro Manila that includes The Magnolia Residences.

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.



RLC's operations are divided into its four business divisions:

COMMERCIAL CENTERS DIVISION

Develops, leases and manages shopping malls throughout the Philippines. As of September 30, 2012, RLC operated 32 shopping malls, comprising seven malls in Metro Manila and 25 malls in other urban areas throughout the Philippines.

OFFICE BUILDINGS DIVISION

Develops office buildings for lease. As of September 30, 2012, this division has 8 office buildings, seven of which are located in Metro Manila and one in Cebu. These office projects are primarily developed as investment properties and leased out to tenants by the company.

HOTELS DIVISION

Owns and operates hotels within Metro Manila, Cebu City, Tagaytay City and Mandaluyong City. RLC's Hotels Division currently has a portfolio of nine hotel properties, under the three brand segments, namely, International brand (Crowne Plaza Manila Galleria and Holiday Inn Manila Galleria), Summit brand (Summit Circle Cebu and Tagaytay Summit Ridge Hotel) and Go Hotels (5 Go Hotels in Cybergate Plaza, Palawan, Dumaguete, Tacloban and Bacolod).

RESIDENTIAL DIVISION

Develops and sells residential developments for sale/pre-sale. As of September 30, 2012, RLC's Residential Division had completed 34 residential projects and 53 ongoing projects. It currently has several projects in various stages for future development that are scheduled for completion in the next one to five years.. RLC's residential division is categorized into four brands – Robinsons Luxuria, Robinsons Residences, Robinsons Communities, and Robinsons Homes.

FAST FACTS

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 buildings, 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, 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 to list in the Philippine Stock Exchange in 1989 and a successful follow-on offering in 2006. It was also the first to list in Philippine Dealing and Exchange Corp. (PDEX) in 2010. RLC carried out three successful stock rights offerings, a first for any JG Summit company.

RLC is one of the leading office space providers to BPO companies in the country with 193,000 sqm of leasable space from its eight office buildings. In addition, 58,000 sqm of commercial center space are being leased out to BPO companies.

RLC is a leading owner and operator of hotels in the Philippines with a total of 1,505 guestrooms. The company successfully opened its first essential services/value hotel chain in the country in 2010, Go Hotels, viewed as a complement to its other property developments and also as a good strategic fit to an affiliate company, Cebu Pacific. Three more Go Hotels will open in 2013.

In 2012, RLC was awarded as the Best Managed Company in the Philippines - Small Cap Category by Asia Money, a leading financial publication in Hong Kong.

In 2012, RLC is the top gainer in the Philippine Stock Exchange Index with an 83.63% increase in its stock price from January 2 to December 28, 2012.

In 2013, RLC was named as the winner of the overall best managed Company in the Philippines by Euromoney, a leading international magazine, in their annual poll.

In 2013, Philippine Retailers Association awarded Robinsons Dumaguete as the Shopping Center of the Year (Small Malls Category).

NEWS

Robinsons Land Wins Four Prestigious Awards

Robinsons Land Corporation (RLC), the real estate arm of JG Summit Holdings, Inc., continues to strengthen its reputation as the leading real estate developer in the country as it bagged 4 prestigious awards.

In January 2013, Robinsons Land Corporation was named the Overall Best Managed Company in the Philippines by the leading international magazine, Euromoney. RLC was selected over 207 nominated companies in Asia Pacific, and emerged as the top choice of money managers from major investment houses for the Philippines in a Euromoney magazine poll of the best-managed companies in Asia.

Shortly after, the Philippine Retailers Association (PRA) conferred the 2012 Shopping Center of the Year (Small Category) award to Robinsons Place Dumaguete. It was recognized for its pioneering effort to bring to the province the well-known brands and retail outlets from Manila, and for providing local shoppers the opportunity to experience levels of customer service and shopping facilities previously only seen in larger cities in the country. The only mall in Negros Oriental and the city to have 3 world class cinemas, Robinsons Place Dumaguete introduced to Dumagueños the modern malling lifestyle.

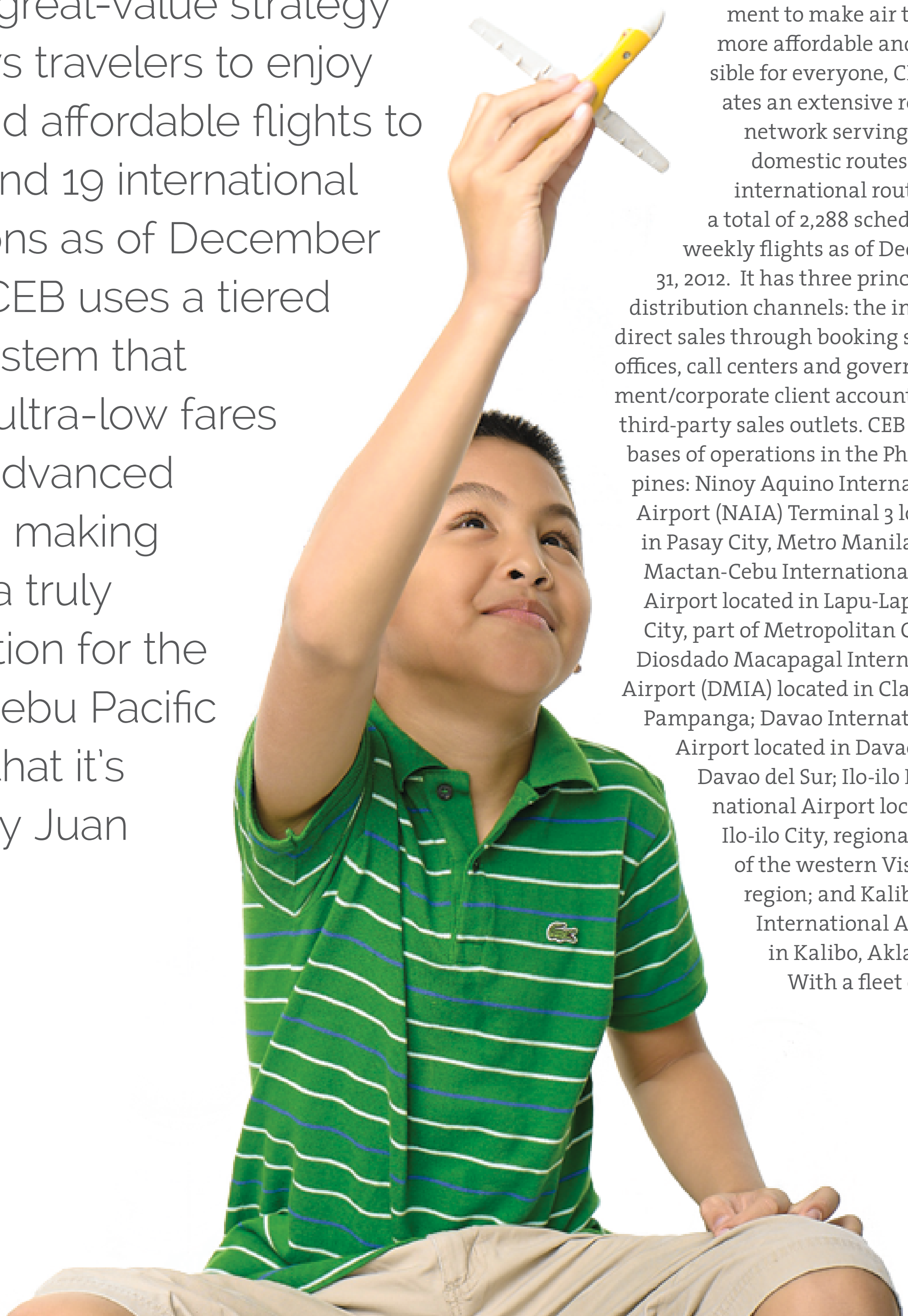
Robinsons Land Corporation was also honored with 2 five star commendations at the 2013 International Property Awards (IPA)-Asia Pacific for its 2 projects, The Magnolia Town Center, and Signa Designer Residences. The Magnolia Town Center was cited as the Best Mixed-Use Development in the Philippines while Signa Designer Residences was recognized as the Best Residential High-Rise Development in the country.

The upscale Magnolia Town Center has become a much commended and popular family destination with its landscaped al fresco area, lifestyle shops, dining outlets, and popular retail brands. This mall is part of a mixed-use development which includes The Magnolia Residences with its 4 residential towers. Robinsons Magnolia was certified in 2012 by Quezon City as the first Green Mall Building in the city.

RLC currently has 32 shopping malls, 8 office buildings, 9 hotel properties, 59 residential condominiums, and 32 housing subdivisions strategically located across the country.

CEBU PACIFIC AIR.COM

Cebu Pacific (CEB) is the largest 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 year-round affordable flights to 32 local and 19 international destinations as of December 31, 2012. CEB uses a tiered pricing system that provides ultra-low fares through advanced bookings, making air travel a truly viable option for the Filipino. Cebu Pacific believes that it's time every Juan flies.



More than this, CEB allows everyone to enjoy many firsts in the Philippine aviation industry--innovations such as e-ticketing, web check-in, self check-in, seat selection, prepaid baggage allowance and internet booking through www.cebupacificair.com.

In line with its commitment to make air travel more affordable and accessible for everyone, CEB operates an extensive route network serving 60 domestic routes and 31 international routes with a total of 2,288 scheduled weekly flights as of December 31, 2012. It has three principal distribution channels: the internet; direct sales through booking sales offices, call centers and government/corporate client accounts; and third-party sales outlets. CEB has six bases of operations in the Philippines: Ninoy Aquino International Airport (NAIA) Terminal 3 located in Pasay City, Metro Manila; Mactan-Cebu International Airport located in Lapu-Lapu City, part of Metropolitan Cebu; Diosdado Macapagal International Airport (DMIA) located in Clark, Pampanga; Davao International Airport located in Davao City, Davao del Sur; Ilo-ilo International Airport located in Ilo-ilo City, regional center of the western Visayas region; and Kalibo International Airport in Kalibo, Aklan.

With a fleet of 43

aircraft with an average age of 3.9 years as of March 31, 2013, CEB operates the largest and youngest fleet in the Philippines. To support its growth requirements, CEB will take delivery of 17 more Airbus A320 aircraft between 2013 to 2017. In addition, CEB also expects delivery of at least six Airbus A330 wide-body jets from 2013 to 2015, and 30 Airbus A321NEO aircraft between 2017 to 2021. These new aircraft will add more range, flexibility and efficiency to CEB's fleet.

CEB continues to dominate the domestic market on all important metrics – most passengers, most seats, highest seat load factor, most destinations, routes, and daily flights. Based on CAB data, the airline's domestic market share is 46.1% and its competitive performance index (CPI) for the year posted at 1.06, which means our share of market remains higher than our capacity share. Our CPI remains the highest among the domestic players. We also dominate the Philippine cargo market with a market share of 48.6% in 2012.

CEB have been gaining momentum in the regional market since 2007 proving that it is steadily developing its international network matching rival LCC and full service carriers (FSC) alike. Based on CAB data, from 8.9% market share in 2007, CEB have captured 16.3% market share in 2012, the highest among LCC based on the international routes we operate.

CEB continues to work at making more dreams of flight a reality for every Juan, true to JG Summit's vision to make a better life available to the Filipino.

FAST FACTS

CEB was established in 1988 and was granted a 40-year congressional franchise to operate regional and domestic air transport services in 1991. In March 1996, the company launched its domestic operations.

In November 2001, CEB inaugurated its first international flight from Manila to Hong Kong.

CEB pioneered the no-frills approach in 2005 with the vision of providing great value fares that re-invented the industry and made traveling affordable to everyone.

In January 2006, the CEB introduced its internet booking system. Through www.cebupacificair.com, passengers can book flights and purchase services online. The system also provides passengers with real time access to CEB's flight schedules and fare options. As of December 31, 2012, CEB has a network of eight booking offices located throughout the Philippines and one booking office located in Hong Kong.

In 2008, CEB was ranked among the top 3 LCCs in Asia by number of passengers carried.

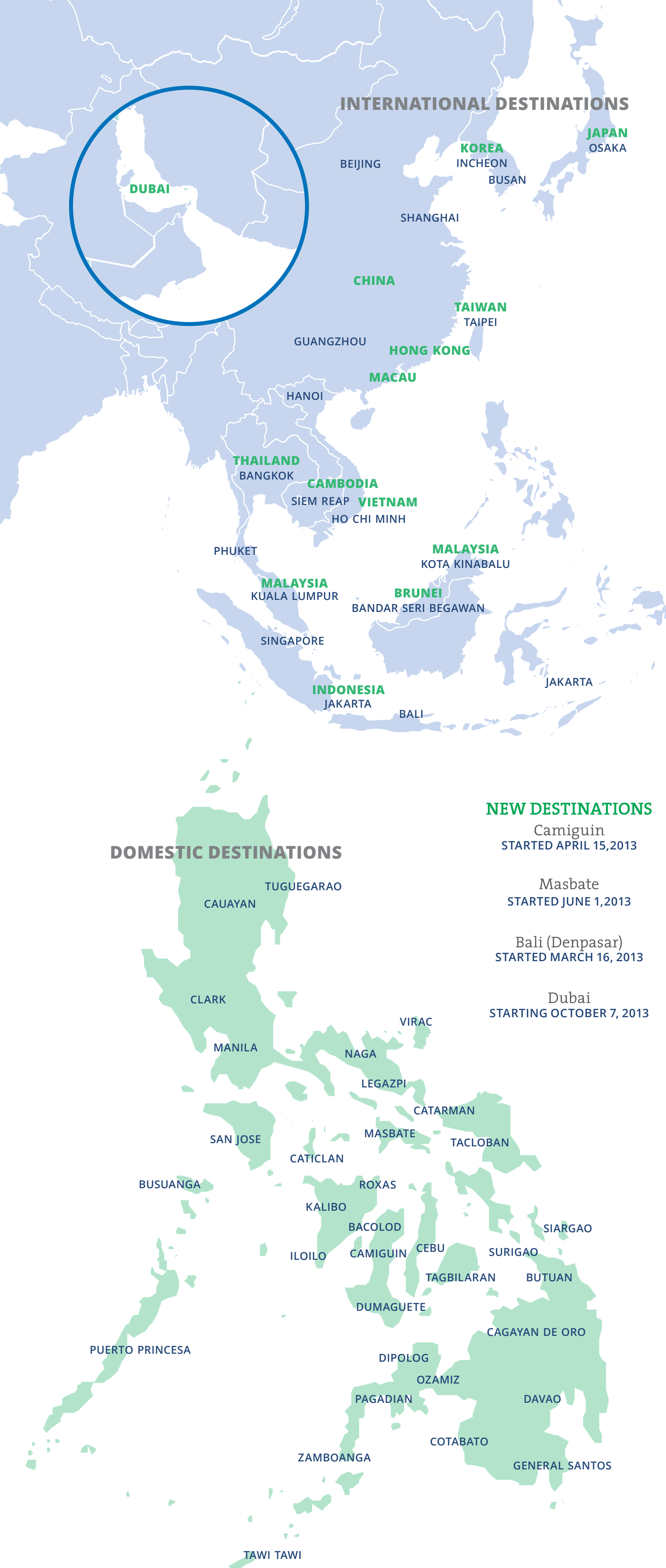
In 2009, CEB was awarded as the most recognized airline brand in the Philippines according to brand equity survey conducted by Nielsen.

On October 26, 2010, the Company's common stock was listed with the Philippine Stock Exchange (PSE), the Company's initial public offering.

CEB is the Philippines' largest turbo-prop operator, operating the most inter-island flights to the top tourist destinations in the country. The airline opened Siargao, Pagadian and Cauayan (Isabela) to air travel, and helped lower fares to Coron (Busuanga) and Boracay (Caticlan).

Among CEB's famous flight and cabin crew are Capt. Brooke Castillo, the first female commercial jet captain in the Philippines, and its Safety Demo dancers who garnered more than 11 million views on YouTube for their fun and innovative dance.

In 2011, CEB broke aviation records again when it flew more than 1 million passengers per month, for five months (April, May, October, November and December).



By the end of 2011, CEB had the largest fleet in the Philippines with 37 aircraft. Also, CEB was ranked 5th most profitable airline in the world based on Net Profit and 8th in terms of Operating Profit.

On January 24, 2012, CEB, in partnership with Canada-based CAE, broke ground for the Philippine Academy for Aviation Training (PAAT), its US$50 million aviation training joint investment in Clark, Pampanga. The new training center will be a world-class, one-stop training center for the Company and a hub for training services for other airlines. The facility was formally inaugurated on December 3, 2012.

On November 15, 2012, CEB flew its 70 millionth passenger.

CEB was named LCC of the Year, and its President and CEO, Mr Lance, was named LCC CEO of the Year in the Budgies and Travel Awards 2012, covering the entire Asia-Pacific region. It also won the Budgies Friendliest LCC in 2011.

It was also named the most sociable airline in the world last May 2011 by Planely.com, an air travel-focused social networking site that saw 142 airlines joining its contest. CEB was also named 15th Largest LCC in the world in the Airline Business Magazine's List of World's Top 75 LCC based on 2011 passenger numbers. It also ranked 3rd Best Asian Budget Airline in 2012 Best in Travel Poll. It is worthy to note that for both awards, CEB is the only Philippine LCC in the list. In the recent Budgie$ and Travel Awards, one of the highlights of the 2013 Low-Cost Airlines World Asia Pacific Conference, held last January 2013, CEB bagged the Best Social Media Campaign and Best Print Ad Awards. As of March 14, CEB has over 870,000 fans and over 456,700 followers on its official facebook and twitter pages respectively. CEB's official channel (Youtube.com/CebuPacificAir) also has over 1 million views. CEB is also in Instagram and Foursquare. CEB's innovative marketing and distribution strategies have resonated loudly with its customers.

On January 17, 2013, CEB formally announced that its first long-haul destination is Dubai in the United Arab Emirates. It will launch daily flights on October 7, 2013.

NEWS

Cebu Pacific announces direct daily flights to Dubai

The Philippines' largest national flag carrier, Cebu Pacific (PSE:CEB) announced it will operate direct daily flights between Manila and Dubai, beginning October 7, 2013. CEB will be the only Filipino carrier to fly direct to Dubai.

Daily flights from Manila to Dubai are scheduled to depart at 4:40PM (Manila time), while flights from Dubai to Manila depart at 11:10PM (Dubai time). It will be the budget airline's first long haul destination.

"CEB is proud to be the only Filipino carrier to fly direct to Dubai. We are glad to be of service to over 700,000 Global Filipinos who are in UAE. Now, Filipinos in Dubai can enjoy fares that are up to 40% lower than current offerings and fly direct to Manila, a mere 9 hours away from their loved ones, via a CEB flight," said Alex Reyes Cebu Pacific General Manager, Long Haul Division.

"With CEB's direct service to Dubai, Filipinos overseas can look forward to going home more often. Their relatives and friends can also visit them in Dubai more often," added Reyes.

Data from the Philippine Overseas Employment Administration (POEA) shows that UAE ranks second to Saudi Arabia in terms of number of land-based new hires and rehires. In 2010, there were 201,214 land-based workers deployed to UAE.

"Dubai is the largest long-haul market to and from the Philippines. IATA PaxIS data indicate more than 70% of passengers in this route take multiple stops, and connecting flights because no home carrier offers a non-stop service," said Reyes.

CEB's Manila-Dubai flights will be operated on the Airbus A330-300 aircraft with a configuration of more than 400 all-economy class seats. Guests can also enjoy WiFi connectivity inflight.

CEB previously announced that it will lease up to 8 Airbus A330-300 aircraft for its long haul operations. The airline will take delivery of 2 Airbus A330 aircraft this year, and an additional 2 in 2014. The Airbus A330 has a range of up to 11 hours which means CEB could serve markets such as Australia, Middle East, parts of Europe and the US.

CEB currently operates 10 Airbus A319, 25 Airbus A320 and 8 ATR 72-500 aircraft. Its fleet of 43 aircraft is the one of the most modern aircraft fleets in the world. Between 2013 and 2021, Cebu Pacific will take delivery of 17 more Airbus A320 and 30 Airbus A321neo aircraft orders.

CEB operates the most extensive network in the Philippines with 34 domestic destinations and hubs in Manila, Cebu, Clark, Iloilo, Kalibo and Davao. It offers 21 international destinations, namely Bangkok, Bali, Beijing, Brunei, Busan, Dubai, Guangzhou, Hanoi, Ho Chi Minh, Hong Kong, Incheon (Seoul), Jakarta, Kota Kinabalu, Kuala Lumpur, Macau, Osaka, Shanghai, Siem Reap, Singapore, Taipei and Xiamen.

JG SUMMIT PETROCHEMICAL CORPORATION

JG Summit is a pioneer in the petrochemical industry in the Philippines, and now has two wholly-owned subsidiaries in its 250-hectare fully integrated, world-class, PEZA-accredited petrochemical manufacturing complex in Brgy. Simlong, Batangas City, 120 km. south of Manila. These are JG Summit Petrochemical Corporation (JGSPC) and JG Summit Olefins Corporation (JGSOC).

JG Summit Petrochemical Corporation: JGSPC is the largest manufacturer of polyolefins in the country. It is the first and only integrated polyethylene (PE) and polypropylene (PP) resin manufacturer in the Philippines. It produces EVALENE® branded PE and PP resins using UNIPOL™ technology.

JG Summit Olefins Corporation: JGSOC is the country's first naphtha cracker facility. The plant, which is scheduled for commissioning by third quarter of 2013, is being constructed at a cost of US$800 million. It is designed to primarily produce polymer-grade ethylene and propylene, which will be the feedstock for the existing JGSPC polyolefin plant.

By 2013, JG Summit's petrochemical complex is expected to have the following annual production capacities:

Olefins: 320,000 metric tons of ethylene, 190,000 metric tons of propylene, 216,000 metric tons of pyrolysis gas, 110,000 metric tons of crude C4, and other by-products such as methane, pyrolysis fuel oil and acid gases

EVALENE® resins: 320,000 metric tons of combined high density polyethylene (HDPE) and linear low density polyethylene (LLDPE), and 190,000 metric tons of homopolymer polypropylene (HomoPP) and random copolymer polypropylene (RacoPP)

EVALENE® HDPE, LLDPE and PP are used as raw materials for a broad range of consumer and industrial products:

FOR PACKAGING

EVALENE® PE & PP are widely used for packaging films for fresh produce, frozen food and snack food as well as for carrier and wet market bags.

Container bottles and caps for home maintenance, personal care, pet care, pesticides and garden products are formed using EVALENE®.

Crates and cases are made with EVALENE® HDPE.

Logistics and warehousing companies use pallets, ropes, tapes, labels and heavy duty sacks that are made with EVALENE® HDPE and PP resins.

FOR CONSUMER AND INDUSTRIAL GOODS

Household items like tables, chairs and drawers, housewares and utensils, pails, and appliance parts can be molded from EVALENE® HDPE, LLDPE and PP.

EVALENE® is used for consumer goods like microwavable food containers, tumblers and drinking cups, and baby feeding bottles.
Thin-walled fast food containers, trays, clear plates, tubs and food keepers are produced using EVALENE®.

FOR AGRICULTURE

Mulch, greenhouse, silage, agricultural and banana films can be made using EVALENE® LLDPE.

Fishing nets, fruit and vegetable nets, woven sacks for rice and other agricultural produce, and sack liners are made using EVALENE® PE and PP.
For Infrastructure:

EVALENE® HDPE is extruded into pipes for potable water, electrical conduits, telecommunications, irrigation and sewage applications.
EVALENE® HDPE can be used to produce sheets such as geomembranes for landfills and dams, and geotextiles for reservoirs and canals.

EVALENE® HDPE is rotomolded into water tanks.

FAST FACTS

JG Summit is the largest integrated olefins and polyolefins manufacturer in the Philippines. Its integrated petrochemical complex located in the port city of Batangas has one naphtha cracker, two polyethylene plants and one polypropylene plant.

JGSPC, the PE & PP company, was established, incorporated and registered with the Securities and Exchange Commission on February 24, 1994 as a joint venture between JG Summit Holdings, Inc. (83%) and Marubeni Corporation of Japan (17%). It was registered with the Board of Investments in May of the same year.

Construction of the JGSPC plant began in December 1995 and PE-PP operations commenced in March 1998.

In October 2006, JGSPC became wholly owned by JG Summit Holdings, Inc.

JGSOC, the naphtha cracker company, was incorporated on July 31, 2008. Actual engineering works for the naphtha cracker project as well as PE-PP plant expansion started in Q4 2009. Commissioning is set for Q3 2013 and commercial operations for Q1 2014.

JGSPC reached the '13 Million Safe Man-Hours Without Lost Time Accident' milestone on November 20, 2012.

NEWS

JG Summit's petrochemical business to play a central role in the growth of the country's chemical industry

JG Summit's naphtha cracker plant, the first in the country, to be operated by JG Summit Olefins Corporation (JGSOC), is set for commissioning in the third quarter of 2013. It is expected to start commercial operations in the first quarter of 2014.

This naphtha cracker project will allow back integration with JG Summit's existing PE and PP polymerization facilities, which have so far used imported ethylene and propylene products.

The local plastics industry will tremendously benefit from this pioneering project. The 320,000 MT of ethylene and 190,000 MT of propylene that will be produced by the naphtha cracker plant will be used as feedstock by JG Summit Petrochemical Corporation's (JGSPC) polyolefin plants to produce **EVALENE®** PE and PP.

With the planned increase in the supply of EVALENE® PE and PP in the local market, prices of these basic raw materials for a wide-ranging array of plastic products are expected to stabilize, and shortage problems faced by local plastic manufacturers in the past will be adequately addressed.

Excess capacity will be offered to international markets, with China and Vietnam as main export destinations.

Once the naphtha cracker is fully operational, JGSOC and JGSPC will generate between US$800 million and US$1 billion in turnover for the JG Summit group, and will strengthen JG Summit's position as a major player in the Philippine petrochemical industry.

Likewise, the Philippine chemical industry landscape stands to dramatically change when this naphtha cracker commences full production.

From its 2009 performance of Php336 billion, the industry is projected to grow by at least 12% to Php377 billion in 2014, with the Php41 billion expected contribution from JGSOC and JGSPC.

The plastic subsector, which contributed Php84 billion in 2009 to the chemical industry, is forecasted to grow by at least 49% to Php125 billion in 2014.

With the integration of JGSPC and JGSOC, JG Summit's petrochemical business will play a central role in the success of the Philippine chemical industry master plan submitted by the Samahan sa Pilipinas ng mga Industriyang Kimika (SPIK) to the Department of Trade and Industry (DTI) in September 2012.

The master plan has three strategic implementing phases. The initial phase, '2016 Strong Philippines', seeks to expand the chemical industry through product diversification to meet the demands of the domestic market.

The second phase, '2022 Enter the ASEAN + 4 Door', aims to advance chemical production through the full integration of the petrochemicals sector and through product innovation, which shall address the needs of both the country and of the ASEAN +4 markets.

The third phase, '2030 Global Market Capture', envisions that chemical products from the Philippines shall become products of choice in the global market, and that the chemical industry shall climb as the third largest contributor to the country's exports.

All three phases work towards the core vision of achieving sustainable and inclusive growth for the industry and ultimately contributing to the country's socio-economic development.

The operation of a naphtha cracker facility will open many opportunities for other downstream sectors to flourish. The cracker's two other main products, pygas and crude C4, aside from ethylene and propylene, when further processed, are also important feedstock sources for the intermediate chemicals benzene, toluene, xylene and butadiene, which are used in a myriad of applications such as for solvents, dyes, paints, foams and rubber, to name a few.

JG Summit's foray into back integration by operating the first naphtha cracker in the country is a crucial step to achieving the chemical industry's goal to diversify the breadth of petrochemical products manufactured locally.

ROBINSONSBANK

Robinsons Bank Corporation is the newest and one of the fastest growing commercial banks in the Philippines in terms of capitalization and asset size. The Bank has always been the prime choice in the banking industry due to its stability and affiliation with one of the country's leading conglomerates, JG Summit Holdings Inc.

Poised for Growth. RobinsonsBank continues to look for attractive M&As to fast track its goal to become a significant player in the banking industry in the next five years. Last December 2012, the Bank acquired Legazpi Savings Bank (LSB), making it a wholly owned subsidiary of the Robinsons Bank Corporation. With this venture, Robinsons Bank intends to utilize the capacity and branch network of LSB as its vehicle to engage in countryside banking and microfinance lending.

In terms of geographic reach, Robinsons Bank has continuously expanded its branch network nationwide with 65 branches, 4 micro-banking offices (MBOs), and 130 strategically located on-site and off-site ATMs under the Bancnet consortium. In addition, 11 LSB branches complement Robinsons Bank's network. The Bank is now set to open more branches in restricted areas in Metro Manila and further extend its reach to different provinces in the country.

Making Life Better for Filipinos. Robinsons Bank is one with JG Summit's business philosophy to "make life better" for all Filipinos by delivering hallmark value and convenience to its customers. The Bank currently embarks on system enhancements to continuously provide innovative products and services, ranging from deposit and loan products, trust investments, foreign exchange and securities – all aiming to secure and promote our customers' financial growth.

FAST FACTS

Robinsons Bank Corporation became the newest commercial Bank in 2010. It was the surviving entity from the merger of Robinsons Savings Bank and the Commercial Bank – formerly known as The Royal Bank of Scotland (Phils.); wherein 99.9% of its shares were bought by JG Capital Services and Robinsons Holdings Inc.

Just recently in December 2012, Robinsons Bank obtained the approval by the Bangko Sentral ng Pilipinas to acquire Legazpi Savings Bank (LSB). The Bank will own a substantial controlling interest in the said entity and will retain LSB as its thrift bank subsidiary. Through LSB, Robinsons Bank aims to support countryside banking and microfinance lending.

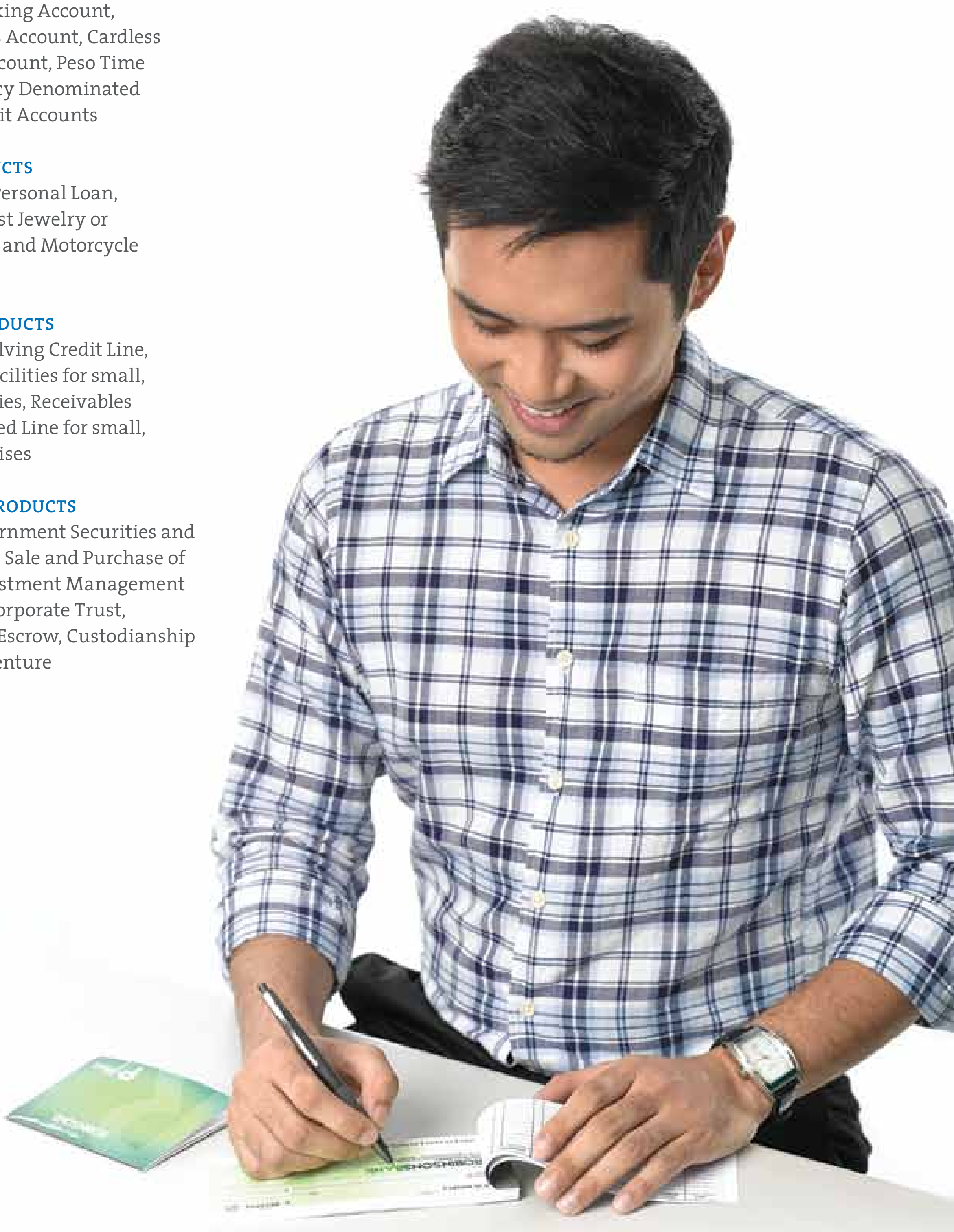
Robinsons Bank Corporation is the 8th largest commercial bank in the Philippines, and 26th among all commercial and universal banks combined as of end December 2012.

DEPOSIT PRODUCTS
Regular Savings & Checking Account, Tykecoon Kiddie Savings Account, Cardless ATM, Special Savings Account, Peso Time Deposit, Foreign-Currency Denominated Savings and Time Deposit Accounts

CONSUMER LOAN PRODUCTS
Home Loan, Auto Loan, Personal Loan, PLP-Secured Loan (against Jewelry or Diamond), 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, Investment Management Account, Personal and Corporate Trust, Employee Benefit Trust, Escrow, Custodianship and Mortgage Trust Indenture



OTHER SERVICES
Branch Banking products/ services:
- ATM services
- Safety Deposit Box
- Bank Settlement Services
- Remote Statement Services

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

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

Remittance Services via
- Western Union remittance
- Trade Financing Services

NEWS

Robinsons Bank Buys Legazpi-based Thrift Bank

The Monetary Board approved the acquisition of Legazpi Savings Bank (LSB) by Robinsons Bank Corp. last December 26, 2012. Robinsons Bank will own a substantial controlling interest in the said entity and will retain LSB as its thrift bank subsidiary.

The acquisition falls under the Strengthening Program for Rural Banks Plus (SPRB+) of the Banko Sentral ng Pilipinas (BSP). Parent Robinsons Bank apparently got branch licenses in restricted areas as part of the deal, but cannot disclose how many.

Robinsons Bank Corp. plans to utilize the capacity and branch network of Legazpi Savings Bank as its vehicle to engage in countryside banking and microfinance lending. Robinsons Bank Corp. President, Reynold Y. Gerongay, stated that "We are very pleased to be given this opportunity to strengthen and expand our banking activities in Bicol and are committed to the continued growth of Legazpi Savings Bank."

For his part, the former owners of Legaspi Savings Bank represented by Congressman Al Francis C. Bichara said "We highly welcome this investment by Robinsons Bank. It is good to know that Legaspi Savings Bank will now be part of a big conglomerate to the benefit of businesses and people in Albay as well as neighboring provinces in the Bicol region."

JG Summit Holdings, Inc. President and Chief Operating Officer Lance Y. Gokongwei said that "Robinsons Bank's investment in Legazpi Savings Bank is part of our plans to reach out to a wider market. Robinsons Bank Corp. and JG Summit Holdings are always on the look out for viable opportunities for growth, and this investment shows our commitment to being a strategic player in the industry."

LSB has 11 branches in Bicol, way up from Daet, Camarines Norte down to Sorsogon. It also has branches in Virac, Catanduanes and Masbate. LSB has more than P2 billion of assets and has a good portfolio of high yielding consumer/microfinance loans.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY (PLDT)

PLDT offers a wide range of telecommunications services across the country through its most extensive fiber optic backbone, wireless, fixed line, broadband and satellite networks. PLDT is the country's leading fixed line service provider with approximately 68% share of the fixed line market as of December 31, 2012. Smart Communications Inc, the leading cellular service provider in the country, together with Digitel Mobile Phils. Inc.'s Sun Cellular and Red Mobile, accounted for approximately 68% of the country's total reported cellular subscribers in 2012. PLDT currently provide wireless broadband, satellite and other services through Smart Broadband Inc.'s Smart Bro, Digitel Mobile Philippines Inc's Sun Broadband Wireless, and Primeworld Digital Systems Inc, its wireless service providers, Wolfpac and Chikka group, its wireless content operator and ACeS Philippines, its satellite operator. The broadband service is currently the fastest growing business segment of the company. PLDT also has interests in Manila Electric Company through Beacon ElectricAsset Holdings Inc, which is 50% owned by PLDT Communications and Energy Ventures, a 99.8%-owned subsidiary of SmartCommunications Inc.

JG Summit currently holds 8.0% stake in PLDT.

UNITED INDUSTRIAL CORPORATION LIMITED (UIC)

United Industrial Corporation Limited (UIC) is a Singapore-listed company whose principal activities consist of development of properties for investment and trading, property management, investment in hotels and retail centers, trading in computers and related products, and provision of information technology services.

UIC's properties include some of Singapore's best known commercial and retail landmarks as well as residential projects in prime and suburban areas: V on Shenton (UIC Building Redevelopment), Singapore Land Tower, SGX CENTRE, The Gateway, Stamford Court, Marina Square, a massive shopping and hotel complex in the Marina Bay, and West Mall, a suburban shopping complex. Some of its fully sold residential projects include One Amber and Grand Duchess at St. Patrick's in the popular East coast area, Park Natura between Bukit Batok and Bukit Timah Nature Reserves and The Regency at Tiong Bahru. New residential project developments include Farrer Drive Project, Bright Hill Drive Project and · Alexandra View Project. Overseas developments include properties in Tianjin, Chengdu and Beijing, China.

JG Summit is one of the largest individual shareholders in UIC at 36.1% stake.

CORPORATE SOCIAL RESPONSIBILITY

GOKONGWEI BROTHERS FOUNDATION

Built on the conviction that education is one of the keys to a better future for the country, the Gokongwei Brothers Foundation (GBF) was set up in 1992.

GBF, JG Summit Holdings, Inc's corporate social responsibility arm, has donated facilities and scholarships to various schools, and supported educational programs of different institutions such as: Immaculate Concepcion Academy, Xavier School, De La Salle University, the University of Asia and the Pacific and the University of San Carlos. A significant endowment by the foundation to the Ateneo de Manila University led to the John Gokongwei School of Management (JGSOM), a regional center for management education.

To further strengthen the field of engineering in our country, GBF gave a significant endowment to the De La Salle University (DLSU), which led to the establishment of the DLSU Gokongwei College of Engineering.

In addition, GBF partnered with the Aklat, Gabay, Aruga tungo sa Pag-Angat at Pag-Asa (AGAPP) Foundation, to build schoolhouses in underprivileged public school compounds. The foundation also donated its prime lot in Ortigas for the EDSA Shrine.

GBF's other endeavors include: a Technical Training Center for skilled graduates in various engineering fields; the Scholarship for Excellence program that grants scholarships to Engineering students; and a scholarship program for the dependents of JG Summit employees for any college degree in their chosen college or university.

In 2007 and 2009, GBF granted more than 70 young Filipinos with 10-month scholarships to study the language, dynamics and booming economy of China. These scholars spent several months studying in prestigious universities in China, in the hopes of strengthening the Philippines' global competitiveness in the context of the world's fastest growing economy.

GBF Offers More Scholarship Programs in 2012

To help mold young Filipinos, GBF continuously spearheads projects that can contribute to educational advancement. Among such projects are scholarship programs for different year levels.

In 2010, GBF started its Scholarship for University Students, specifically for children of employees of the Gokongwei Group of Companies taking up any college course. GBF's Scholarship for Excellence, which started in 2011, focuses on college students taking up Civil, ECE, Electrical, Mechanical, and Chemical Engineering courses.

GBF launched two more scholarship programs in 2012.

JG Summit Petrochemical Corporation (JGSPC) Scholarship Program

JG Summit Petrochemical Corporation (JGSPC), together with GBF, granted 24 scholarships to deserving 4th and 5th year college Engineering students (Mechanical, Chemical, Electrical, and ECE) across the country. These scholars are students from Batangas State University, Central Philippines University, Mindanao State University – Iligan Institute of Technology, University of the Philippines-Diliman and University of San Carlos. In addition, an Engineering Management Trainee position will be given to the scholars once they render service for JGSPC.

St. Stephen's High School Scholarship Program

GBF created a new scholarship program offering 10 full scholarships to the best and the brightest students of St. Stephen's High School, who are in dire financial need. The scholarship covers a maximum of six (6) School Years from Grade 7 to Grade 12 (based on the new Dep-Ed curriculum). To date, the 10 scholars have consistently rated Top 10 in their respective batches.

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James L. Go

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Lance Y. Gokongwei

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Johnson Robert G. Go, Jr.

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JG Summit Petrochemical Corporation

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SENIOR VICE PRESIDENT

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VICE PRESIDENT AND TREASURER

Rosalinda F. Rivera
CORPORATE SECRETARY

Chona R. Ferrer
DEPUTY TREASURER

FINANCIAL STATEMENTS

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-2 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinson's 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, 2012 and 2011, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2012, 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, 2012 and 2011, and their financial performance and cash flows for each of the three years in the period ended December 31, 2012 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 (Group A)
February 14, 2013, valid until February 13, 2016
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669690, January 2, 2013, Makati City

March 14, 2013

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱19,698,072,507**	₱33,895,343,005
Derivative assets (Note 8)	**302,748,695**	110,790,850
Financial assets at fair value through profit or loss (Note 9)	**15,230,438,363**	10,957,955,084
Available-for-sale investments (Note 10)	**12,604,430,408**	12,271,628,856
Receivables (Note 11)	**16,320,725,310**	13,422,264,265
Inventories (Note 12)	**23,010,504,841**	20,443,884,662
Biological assets (Note 17)	**1,057,007,658**	911,265,129
Other current assets (Note 13)	**5,875,282,425**	7,518,161,626
Total Current Assets	**94,099,210,207**	99,531,293,477
Noncurrent Assets		
Available-for-sale investments (Note 10)	**43,757,557,795**	43,475,735,940
Receivables (Note 11)	**14,362,509,117**	11,413,317,152
Investments in associates and joint ventures (Note 14)	**33,497,292,680**	32,055,963,868
Property, plant and equipment (Note 16)	**101,134,655,563**	81,221,037,701
Investment properties (Note 15)	**45,423,932,675**	41,883,671,246
Goodwill (Note 19)	**1,042,954,782**	798,627,776
Biological assets (Note 17)	**428,961,591**	459,053,688
Intangible assets (Note 18)	**1,341,022,581**	905,540,502
Other noncurrent assets (Note 20)	**5,210,269,215**	1,889,827,592
Total Noncurrent Assets	**246,199,155,999**	214,102,775,465
	₱340,298,366,206	₱313,634,068,942

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 21)	**₱37,619,383,555**	₱24,978,223,074
Short-term debts (Note 23)	**19,397,079,998**	19,092,634,264
Derivative liabilities (Note 8)	**41,178,211**	85,244,646
Income tax payable	**630,203,421**	524,843,024
Current portion of long-term debts (Note 23)	**19,553,919,868**	13,622,011,230
Redeemable preferred shares (Note 46)	**30,700,000**	–
Other current liabilities (Note 22)	**8,458,375,643**	6,711,208,267
Total Current Liabilities	**85,730,840,696**	65,014,164,505
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 23)	**42,129,366,111**	57,895,483,064
Deferred tax liabilities (Note 38)	**2,002,179,727**	1,069,913,490
Other noncurrent liabilities (Note 24)	**11,509,065,034**	9,255,687,905
Total Noncurrent Liabilities	**55,640,610,872**	68,221,084,459
Total Liabilities	**141,371,451,568**	133,235,248,964

(Forward)

	December 31	
	2012	2011
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 25)	**₱14,085,731,314**	₱12,896,988,094
Retained earnings (Note 25)	**122,375,153,466**	109,936,209,748
Equity reserve (Note 25)	**17,619,600,043**	17,845,476,796
Other comprehensive income	**1,906,842,524**	1,579,331,055
Treasury shares (Note 25)	**(721,848,289)**	(974,690,819)
	155,265,479,058	141,283,314,874
Non-controlling interests (Note 25)	**43,661,435,580**	39,115,505,104
Total Equity	**198,926,914,638**	180,398,819,978
	₱340,298,366,206	₱313,634,068,942

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2012	2011 (As Restated - Notes 2 and 28)	2010 (As Restated - Notes 2 and 28)
REVENUE			
Sale of goods and services:			
Foods	**₱71,201,677,779**	₱67,167,630,481	₱57,719,996,079
Air transportation	**37,904,453,623**	33,935,402,775	29,088,798,959
Real estate and hotels	**13,496,159,940**	12,789,785,121	10,807,257,196
Petrochemicals	**4,912,723,947**	4,781,883,298	3,306,184,683
Banking (Note 26)	**2,533,727,931**	2,359,933,505	1,734,465,754
Dividend income (Notes 2 and 28)	**3,196,108,759**	244,958,962	192,886,520
Equity in net earnings of associates and joint ventures (Note 14)	**2,008,411,939**	2,217,599,783	2,768,724,722
	135,253,263,918	123,497,193,925	105,618,313,913
COST OF SALES AND SERVICES (Note 30)	**92,679,172,259**	86,711,248,012	67,113,284,697
GROSS INCOME	**42,574,091,659**	36,785,945,913	38,505,029,216
OTHER OPERATING EXPENSES			
General and administrative expenses (Note 31)	**21,734,816,649**	19,105,642,981	17,297,360,553
Impairment losses and others (Note 34)	**271,254,229**	329,638,645	345,983,265
	22,006,070,878	19,435,281,626	17,643,343,818
OPERATING INCOME	**20,568,020,781**	17,350,664,287	20,861,685,398
OTHER INCOME (LOSSES)			
Financing costs and other charges (Note 35)	**(4,120,299,659)**	(5,358,526,349)	(5,527,356,812)
Market valuation gains (losses) on financial assets at fair value through profit or loss (Note 9)	**1,504,427,749**	(1,147,579,612)	1,203,477,432
Finance income (Note 27)	**2,479,635,046**	3,215,590,280	1,939,824,597
Market valuation gains on derivative financial instruments (Note 8)	**361,470,480**	498,667,680	509,066,462
Foreign exchange gains (losses)	**1,399,125,794**	(245,881,638)	1,938,838,537
Others (Note 29)	**545,470,985**	1,074,512,120	636,480,948
INCOME BEFORE INCOME TAX	**22,737,851,176**	15,387,446,768	21,562,016,562
PROVISION FOR INCOME TAX (Note 38)	**2,833,691,846**	1,962,532,759	1,610,249,143
INCOME FROM CONTINUING OPERATIONS	**19,904,159,330**	13,424,914,009	19,951,767,419
DISCONTINUED OPERATIONS (Note 44)			
Income after tax from discontinued operations	–	1,541,710,759	962,795,913
Gain from sale of a subsidiary, net of tax	–	11,570,087,639	–
	–	13,111,798,398	962,795,913
NET INCOME	**19,904,159,330**	26,536,712,407	20,914,563,332

(Forward)

	Years Ended December 31		
	2012	2011 (As Restated - Notes 2 and 28)	2010 (As Restated - Notes 2 and 28)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 36)			
Net gains on available-for-sale investments (Note 10)	**₱619,164,921**	₱3,032,890,203	₱271,796,893
Cumulative translation adjustments	**(222,092,683)**	(136,058,643)	(91,091,377)
Net unrealized gains on available-for-sale investments of an associate (Notes 10 and 14)	**10,100,452**	4,508,521	175,748
Net gains from cash flow hedges (Note 8)	–	364,294,311	52,296,125
OTHER COMPREHENSIVE INCOME, NET OF TAX	**407,172,690**	3,265,634,392	233,177,389
TOTAL COMPREHENSIVE INCOME	**₱20,311,332,020**	₱29,802,346,799	₱21,147,740,721
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Income from continuing operations	**₱13,532,894,383**	₱8,477,359,822	₱15,575,451,617
Income from discontinued operations (Note 44)	–	13,035,501,339	746,148,184
	13,532,894,383	21,512,861,161	16,321,599,801
Non-controlling interests (Note 25)			
Income from continuing operations	**6,371,264,947**	4,947,554,187	4,376,315,802
Income from discontinued operations	–	76,297,059	216,647,729
	6,371,264,947	5,023,851,246	4,592,963,531
	₱19,904,159,330	₱26,536,712,407	₱20,914,563,332
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Comprehensive income from continuing operations	**₱13,860,405,852**	₱11,903,169,607	₱15,694,957,765
Comprehensive income from discontinued operations (Note 44)	–	13,035,501,339	746,148,184
	13,860,405,852	24,938,670,946	16,441,105,949
Non-controlling interests (Note 25)			
Comprehensive income from continuing operations	**6,450,926,168**	4,787,378,794	4,489,987,043
Comprehensive income from discontinued operations	–	76,297,059	216,647,729
	6,450,926,168	4,863,675,853	4,706,634,772
	₱20,311,332,020	₱29,802,346,799	₱21,147,740,721
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 39)			
Basic/diluted earnings per share	**₱1.99**	₱3.19	₱2.42
Earnings Per Share Attributable to Equity Holders of the Parent Company from continuing operations (Note 39)			
Basic/diluted earnings per share	**₱1.99**	₱1.26	₱2.31

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, 2012, 2011 and 2010

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY														
	Paid-up Capital			Retained Earnings (Note 25)				Other Comprehensive Income (Loss)							
	Capital Stock (Note 25)	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 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 25)	TOTAL EQUITY
Balance at January 1, 2012	**₱6,935,273,657**	**₱5,961,714,437**	**₱12,896,988,094**	**₱51,359,142,349**	**₱58,577,067,399**	**₱109,936,209,748**	**₱17,845,476,796**	**(₱1,885,140,097)**	**₱3,464,471,152**	**₱–**	**₱1,579,331,055**	**(₱974,690,819)**	**₱141,283,314,874**	**₱39,115,505,104**	**₱180,398,819,978**
Total comprehensive income (loss)	–	–	–	**13,532,894,383**	–	**13,532,894,383**	–	**(148,761,389)**	**476,272,858**	–	**327,511,469**	–	**13,860,405,852**	**6,450,926,168**	**20,311,332,020**
Appropriation of retained earnings (Note 25)	–	–	–	**(483,262,000)**	**483,262,000**	–	–	–	–	–	–	–	–	–	–
Cash dividends (Note 25)	–	–	–	**(1,093,950,665)**	–	**(1,093,950,665)**	–	–	–	–	–	–	**(1,093,950,665)**	–	**(1,093,950,665)**
Cash dividends paid to non-controlling interests (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	–	**(2,268,172,563)**	**(2,268,172,563)**
Decrease in subsidiaries' treasury shares (Note 25)	–	–	–	–	–	–	**3,143,549,427**	–	–	–	–	–	**3,143,549,427**	**4,201,218,573**	**7,344,768,000**
Acquisition of non-controlling interest by a subsidiary (Note 25)	–	–	–	–	–	–	**(3,369,426,180)**	–	–	–	–	–	**(3,369,426,180)**	**(3,838,041,702)**	**(7,207,467,882)**
Disposal of Parent Company shares by a subsidiary (Note 25)	–	**1,188,743,220**	**1,188,743,220**	–	–	–	–	–	–	–	–	**252,842,530**	**1,441,585,750**	–	**1,441,585,750**
Balance at December 31, 2012	**₱6,935,273,657**	**₱7,150,457,657**	**₱14,085,731,314**	**₱63,314,824,067**	**₱59,060,329,399**	**₱122,375,153,466**	**₱17,619,600,043**	**(₱2,033,901,486)**	**₱3,940,744,010**	**₱–**	**₱1,906,842,524**	**(₱721,848,289)**	**₱155,265,479,058**	**₱43,661,435,580**	**₱198,926,914,638**
Balance at January 1, 2011	₱6,895,273,657	₱5,961,714,437	₱12,856,988,094	₱33,331,438,656	₱55,638,885,264	₱88,970,323,920	₱18,563,003,092	(₱1,798,631,669)	₱316,447,250	(₱364,294,311)	(₱1,846,478,730)	(₱974,690,819)	₱117,569,145,557	₱31,891,251,796	₱149,460,397,353
Total comprehensive income (loss)	–	–	–	21,512,861,161	–	21,512,861,161	–	(86,508,428)	3,148,023,902	364,294,311	3,425,809,785	–	24,938,670,946	4,863,675,853	29,802,346,799
Unappropriation of retained earnings	–	–	–	3,035,000,000	(3,035,000,000)	–	–	–	–	–	–	–	–	–	–
Appropriation of retained earnings (Note 25)	–	–	–	(5,973,182,135)	5,973,182,135	–	–	–	–	–	–	–	–	–	–
Issuance of preferred voting shares	40,000,000	–	40,000,000	–	–	–	–	–	–	–	–	–	40,000,000	–	40,000,000
Cash dividends (Note 25)	–	–	–	(546,975,333)	–	(546,975,333)	–	–	–	–	–	–	(546,975,333)	–	(546,975,333)
Cash dividends paid to non-controlling interests (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,579,518,135)	(2,579,518,135)
Increase in subsidiaries' treasury shares (Note 25)	–	–	–	–	–	–	(717,526,296)	–	–	–	–	–	(717,526,296)	(288,849,407)	(1,006,375,703)
Additional non-controlling interests in subsidiaries (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	–	952,889,242	952,889,242
Issuance of capital stock of a subsidiary (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	–	5,298,191,460	5,298,191,460
Effect of disposal of a subsidiary (Note 44)	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,022,135,705)	(1,022,135,705)
Balance at December 31, 2011	₱6,935,273,657	₱5,961,714,437	₱12,896,988,094	₱51,359,142,349	₱58,577,067,399	₱109,936,209,748	₱17,845,476,796	(₱1,885,140,097)	₱3,464,471,152	₱–	₱1,579,331,055	(₱974,690,819)	₱141,283,314,874	₱39,115,505,104	₱180,398,819,978

(Forward)

For the Years Ended December 31, 2012, 2011 and 2010

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY														
	Paid-up Capital			Retained Earnings (Note 25)				Other Comprehensive Income (Loss)							
	Capital Stock (Note 25)	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 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 25)	TOTAL EQUITY
Balance at January 1, 2010	₱6,895,273,657	₱5,961,714,437	₱12,856,988,094	₱36,353,298,438	₱36,635,285,264	₱72,988,583,702	₱–	(₱1,746,826,705)	₱197,432,263	(₱416,590,436)	(₱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)	119,014,987	52,296,125	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 25)	–	–	–	–	–	–	18,563,003,092	–	–	–	–	–	18,563,003,092	–	18,563,003,092
Appropriation of retained earnings (Note 25)	–	–	–	(19,003,600,000)	19,003,600,000	–	–	–	–	–	–	–	–	–	–
Cash dividends (Note 25)	–	–	–	(339,859,583)	–	(339,859,583)	–	–	–	–	–	–	(339,859,583)	–	(339,859,583)
Cash dividends paid to non-controlling interests (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,217,749,826)	(1,217,749,826)
Increase in subsidiaries' treasury shares (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	–	(718,184,546)	(718,184,546)
Additional non-controlling interests in subsidiaries (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	–	7,383,795,370	7,383,795,370
Acquisition of Parent Company shares by a subsidiary (Note 25)	–	–	–	–	–	–	–	–	–	–	–	(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	₱33,331,438,656	₱55,638,885,264	₱88,970,323,920	₱18,563,003,092	(₱1,798,631,669)	₱316,447,250	(₱364,294,311)	(₱1,846,478,730)	(₱974,690,819)	₱117,569,145,557	₱31,891,251,796	₱149,460,397,353

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax from continuing operations	**₱22,737,851,176**	₱15,387,446,768	₱21,562,016,562
Income before tax from discontinued operations (Note 44)	–	13,124,496,302	1,618,385,427
Income before tax	**22,737,851,176**	28,511,943,070	23,180,401,989
Adjustments for:			
Depreciation and amortization of:			
Property, plant and equipment (Note 16)	**6,692,688,674**	6,195,057,338	10,056,087,248
Investment properties (Note 15)	**1,875,597,172**	1,777,866,356	1,604,096,198
Deferred subscriber acquisition and retention costs	–	–	1,505,116,389
Biological assets (Note 17)	**176,526,566**	26,163,535	139,105,194
Intangible assets (Note 18)	**3,548,311**	5,176,189	7,035,669
Market valuation losses (gains) on:			
Financial assets at fair value through profit or loss (Note 9)	**(1,504,427,749)**	1,147,579,612	(1,203,477,432)
Derivative instruments (Note 8)	**(361,470,480)**	(498,667,680)	(432,751,286)
Interest expense (Note 35)	**3,893,517,825**	5,017,894,903	5,662,393,407
Dividend income (Note 28)	**(3,196,108,759)**	(244,958,962)	(192,886,520)
Interest income (Notes 27 and 44)	**(2,479,635,046)**	(3,215,590,280)	(1,981,887,268)
Equity in net earnings of associates and joint ventures (Note 14)	**(2,008,411,939)**	(2,217,599,783)	(2,768,724,722)
Foreign exchange losses (gains)	**(1,399,125,794)**	245,881,638	(2,846,297,517)
Inventory obsolescence and market decline (Note 12)	**1,408,536**	63,784,807	17,580,211
Provision for impairment losses on (Note 34):			
Intangible assets	**190,223,400**	84,014,765	–
Receivables (Note 11)	**63,864,521**	102,517,878	688,286,605
Other noncurrent assets	**8,106,596**	5,136,823	–
Property, plant and equipment	**7,651,176**	10,065,297	–
Goodwill	–	63,500,000	–
Investment properties	–	619,075	–
Losses arising from changes in fair value less estimated costs to sell of swine stocks (Note 17)	**15,524,660**	128,310,166	44,745,566
Gains on sale of:			
Available-for-sale investments (Note 29)	**(54,592,830)**	(69,390,963)	(72,954,396)
Property, plant and equipment	**(30,157,395)**	(20,421,141)	(14,597,827)
Investment properties	**(110,039)**	(26,115,273)	(5,190,424)
Subsidiary, net of tax (Note 44)	–	(11,570,087,639)	–
Net assets of disposal group classified as held-for-sale (Note 45)	–	177,789,396	31,708,814
Amortization of debt issuance costs	**54,278,655**	125,659,382	104,045,665
Gain on initial recognition of investment properties	–	–	(2,531,342)
Operating income before changes in working capital accounts	**24,686,747,237**	25,826,128,509	33,519,304,221

(Forward)

	Years Ended December 31		
	2012	2011	2010
Changes in operating assets and liabilities:			
Decrease (increase) in the amounts of:			
Derivative assets	**₱125,446,200**	₱1,303,994,907	₱173,722,661
Financial assets at fair value through profit or loss	**(3,402,410,052)**	(1,839,785,644)	(2,056,607,310)
Receivables	**(6,076,952,899)**	(2,773,503,329)	(1,824,255,758)
Inventories	**(1,866,234,354)**	(4,343,996,577)	(3,254,831,582)
Biological assets	**(307,701,658)**	(229,215,482)	86,451,589
Other current assets	**1,642,879,201**	(452,742,999)	4,591,740
Increase (decrease) in the amounts of:			
Accounts payable and accrued expenses	**11,152,347,643**	(2,740,763,852)	(4,587,209,987)
Unearned revenue	**727,762,570**	(42,317,411)	1,240,492,798
Other current liabilities	**1,019,404,806**	530,013,458	22,383,134
Net cash generated from operations	**27,701,288,694**	15,237,811,580	23,324,041,506
Interest paid	**(4,139,438,621)**	(4,997,557,469)	(5,460,402,127)
Interest received	**2,584,349,096**	3,211,659,280	1,709,400,201
Income taxes paid	**(1,911,347,895)**	(1,838,068,705)	(1,673,749,172)
Net cash provided by operating activities	**24,234,851,274**	11,613,844,686	17,899,290,408
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Available-for-sale investments	**(21,887,407,653)**	(27,629,769,590)	(14,157,195,773)
Property, plant and equipment (Notes 16 and 49)	**(20,901,070,620)**	(17,719,764,211)	(15,912,854,294)
Investment properties (Note 15)	**(5,932,228,635)**	(11,658,048,371)	(4,216,551,087)
Investments in associates and joint ventures (Note 14)	**(105,283,416)**	(172,144,748)	(594,409,921)
Intangible assets (Note 18)	**(8,939,647)**	(900,000)	(800,000)
Held-to-maturity investments	**–**	–	(207,553,359)
Cash acquired from business combination, net of cash paid (Note 46)	**249,157,091**	–	1,657,507,883
Proceeds from sale of:			
Available-for-sale investments	**21,708,247,000**	24,957,489,920	15,937,923,027
Property, plant and equipment	**70,873,393**	76,338,289	228,007,033
Investment properties	**7,785,165**	124,178,837	28,386,973
Net assets of disposal group classified as held for sale (Note 45)	**–**	107,920,453	255,954,535
Increase in the amounts of other noncurrent assets	**(3,316,914,316)**	(149,919,315)	(1,166,755,628)
Return of investment from an associate (Note 14)	**–**	20,522,040	179,812,500
Dividends received (Note 28)	**3,196,108,759**	244,958,962	192,886,520
Dividends received on investments in associates and joint ventures (Note 14)	**647,461,127**	575,078,473	697,648,858
Proceeds from disposal of a subsidiary, net of cash disposed of (Note 44)	**–**	21,094,437,319	–
Net cash used in investing activities	**(26,272,211,752)**	(10,129,621,942)	(17,077,992,733)

(Forward)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of:			
Short-term debt	**₱19,376,024,107**	₱21,733,209,557	₱18,691,647,718
Long-term debt	**–**	–	5,161,318,927
Settlements of:			
Short-term debt	**(18,651,456,380)**	(17,588,328,230)	(17,299,675,315)
Long-term debt (Note 23)	**(13,357,232,304)**	(15,650,333,104)	(5,807,962,530)
Acquisition of non-controlling interest by a subsidiary (Note 25)	**(7,200,000,000)**	–	–
Proceeds from:			
Sale of Parent Company shares by a subsidiary (Note 25)	**1,441,585,750**	–	–
Sale of a subsidiary's treasury shares, net of transaction costs (Note 25)	**7,344,768,000**	–	–
Issuance of common shares (inclusive of additional paid-in capital) of a subsidiary (Note 25)	**–**	5,298,191,460	–
Issuance of preferred shares (Note 25)	**–**	40,000,000	–
Sale of interest in Cebu Air, Inc. (Note 25)	**–**	–	24,527,649,549
Increase (decrease) in other noncurrent liabilities	**2,248,524,035**	(116,280,069)	(292,171,251)
Purchase of subsidiaries' treasury shares and others (Note 25)	**–**	(288,849,407)	(608,184,546)
Dividends paid to non-controlling interests (Note 25)	**(2,268,172,563)**	(2,579,518,135)	(1,217,749,826)
Dividends paid on:			
Common shares (Note 25)	**(1,087,550,665)**	(543,775,333)	(339,859,583)
Preferred shares (Note 25)	**(6,400,000)**	(3,200,000)	–
Net cash provided by (used in) financing activities	**(12,159,910,020)**	(9,698,883,261)	22,815,013,143
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(14,197,270,498)**	(8,214,660,517)	23,636,310,818
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**33,895,343,005**	42,110,003,522	18,473,692,704
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱19,698,072,507**	₱33,895,343,005	₱42,110,003,522

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
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, a holding company, is the ultimate parent of the JG Summit Group (the Group). The Group has 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. In 2011, the Group disposed its Telecommunications segment (Note 44).

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 certain biological assets and agricultural produce that are measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine peso (Php), 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 (USD).

A summary of the functional currencies of certain foreign subsidiaries within the Group are as follows:

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.	-do-	-do-
JGSH Philippines, Limited	British Virgin Islands	-do-
Multinational Finance Group, Ltd.	-do-	-do-
Telegraph Development, Ltd.	Singapore	-do-
Summit Top Investment, Ltd.	-do-	-do-
URC Group		
Universal Robina (Cayman), Limited	Cayman Islands	-do-
URC Philippines, Limited	British Virgin Islands	-do-
URC Asean Brands Co. Ltd.	-do-	-do-
Hong Kong China Foods Co. Ltd.	-do-	-do-
URC Internation Co., Ltd.	-do-	-do-
URC China Commercial Co. Ltd.	China	Chinese Renminbi
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-
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-
Guangzhou Peggy Foods Co., Ltd.	-do-	-do-
Advanson International Pte. Ltd. (Advanson) and Subsidiary	Singapore	Singapore Dollar
Jiangsu Acesfood Industrial Co.	China	Chinese Renminbi
Acesfood Network Pte. Ltd. (Acesfood) and Subsidiaries	Singapore	Singapore Dollar
Shantou SEZ Shanfu Foods Co., Ltd.	China	Chinese Renminbi
Acesfood Holdings Pte. Ltd. and Subsidiary	Singapore	Singapore Dollar
Acesfood Distributors Pte. Ltd.	-do-	-do-

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:

Subsidiaries	Country of Incorporation	Effective Percentage of Ownership December 31 2012	2011	2010
Food				
URC and Subsidiaries	Philippines*	**60.64**	64.17	64.14
Air Transportation				
CP Air Holdings, Inc. (CPAHI) and Subsidiaries	-do-	**100.00**	100.00	100.00
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	**67.23**	67.23	65.53
Pacific Virgin Islands Holdings, Co., Ltd.	British Virgin Islands	**100.00**	100.00	100.00
Telecommunications				
Digital Telecommunications Phils., Inc. (Digitel) and Subsidiaries**	Philippines	**–**	–	49.57
Real Estate and Hotels				
Robinsons Land Corporation (RLC) and Subsidiaries	-do-	**60.97**	60.97	60.40
Petrochemicals				
JG Summit Petrochemical Corporation (JGSPC)	-do-	**100.00**	100.00	100.00
JG Summit Olefins Corporation (JGSOC)	-do-	**100.00**	100.00	100.00
Banking				
Robinsons Savings Bank Corporation (RSBC)***	-do-	**–**	–	100.00
Robinsons Bank Corporation (RBC) and Subsidiary	-do-	**60.00**	60.00	60.00
Legazpi Savings Bank, Inc. (LSB)****	-do-	**60.00**	–	–
Supplementary Businesses				
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	-do-	**100.00**	100.00	100.00
JG Summit Capital Markets Corporation (JGSMC)	-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	-do-	**100.00**	100.00	100.00
JGSH Philippines, Limited	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
Unicon Insurance Brokers Corporation	Philippines	**100.00**	100.00	100.00
Batangas Agro-Industrial Development Corporation (BAID) and Subsidiaries	-do-	**100.00**	100.00	–
Fruits of the East, Inc.	-do-	**100.00**	100.00	–
Hometel Integrated Management Corporation	-do-	**100.00**	100.00	–
King Leader Philippines, Inc.	-do-	**100.00**	100.00	–
Samar Commodities Trading and Industrial Corporation	-do-	**100.00**	100.00	–
Tropical Aqua Resources	-do-	**100.00**	100.00	–
United Philippines Oil Trading, Inc.	-do-	**100.00**	100.00	–

(Forward)

Subsidiaries	Country of Incorporation	Effective Percentage of Ownership December 31 **2012**	2011	2010
JG Cement Corporation (JGCC)*****	Philippines	–	–	100.00
Premiere Printing Company, Inc.(PPCI) *****	-do-	–	–	100.00
Litton Mills, Inc. (LMI) *****	-do-	–	–	100.00

* *Certain subsidiaries are located in other countries, such as China, Malaysia, Singapore, Thailand, Vietnam, 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 Philippines, Inc., and its wholly owned subsidiaries (the Digitel Group) up to October 26, 2011. As disclosed above, the Digitel Group is a 49.57% owned subsidiary as of December 31, 2010. In 2011, the Group sold all of its investments in the shares of stock of Digitel to Philippine Long Distance Telephone Company (PLDT). Beginning March 29,2011, the date that the Group is committed to sell Digitel, the Group classified all the assets and liabilities of Digitel as held for sale. Accordingly, Digitel is also a discontinued operation on March 29, 2011.*

*** *On May 20, 2010, the Board of Directors (BOD) and the stockholders of RBC approved the Plan of Merger and the Articles of Merger of RBC and RSBC. The Bangko Sentral ng Pilipinas and the SEC approved the merger of the two banks on December 9, 2010 and May 25, 2011, respectively. RBC, having a commercial banking license, is the surviving entity.*

**** *In December 2012, RBC acquired 100.0% controlling interest in LSB.*

***** *Effective 2011, the net assets of LMI, PPCI and JGCC were merged with the Parent Company.*

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), Sharp Aircraft Leasing Limited (SALL), Vector Aircraft Leasing Limited (VALL) and Panatag One Aircraft Leasing Limited (POALL). SLL, CALL, ILL, BLL, SALL, VALL and POALL are SPEs in which the Group does not have equity interest. SLL, CALL, ILL, BLL, SALL, VALL and POALL acquired the passenger aircrafts for lease to CAI under finance lease arrangements and funded the acquisitions through long-term debt.

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 in line with those used by the Group.

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

Non-controlling interests 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 directly in equity and attributed to the Group.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling 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 in the consolidated statement of comprehensive income.

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-
JGSOC	-do-
Textiles	
LMI*	-do-
Supplementary Business	
JGCC*	-do-

* *Effective 2011, the net assets of LMI and JGCC were merged with the Parent Company*

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

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 in the consolidated statement of comprehensive income 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. 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 in the consolidated statement of comprehensive income. 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 in the consolidated statement of comprehensive income, 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 the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling 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 in the consolidated statement of comprehensive income 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.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the changes in the presentation of dividend income as part of operating income in the consolidated statements of comprehensive income.

Change in the presentation of dividend income in the statement of comprehensive income
The consolidated statements of comprehensive income in 2011 and 2010 have been restated following the presentational changes adopted in 2012. The Group voluntarily changed its presentation of dividend income under 'Revenue' given the nature of such dividend income and the amount involved. Previously, dividend income is presented under 'Other Income'. The Group has made these presentational changes to more accurately reflect the underlying business, to further improve comparability of its results to those of other holding companies, and to allow readers to make a more accurate assessment of the sustainable earnings capacity of the Group. The following are the effect of presentational changes in the comparative periods.

Consolidated Statements of Comprehensive Income

	2011	
	Previously Reported	As Restated
Revenue	₱123,056,737,965	₱123,497,193,925
Operating income	17,044,264,786	17,350,664,287
Non-operating loss	1,656,818,018	1,963,217,159

	2010	
	Previously Reported	As Restated
Revenue	₱105,199,312,802	₱105,618,313,913
Operating income	20,608,311,640	20,861,685,398
Non-operating income	953,704,922	700,331,164

Total net income and earnings per share are unchanged.

Consolidated Statements of Cash Flows

	2011	
	Previously Reported	As Restated
Net cash flows provided by operating activities	₱12,176,260,444	₱11,613,844,686
Net cash used in investing activities	10,374,580,904	10,129,621,942

	2010	
	Previously Reported	As Restated
Net cash flows provided by operating activities	₱18,326,980,467	₱17,899,290,408
Net cash used in investing activities	17,270,879,253	17,077,992,733

The following amendments to PFRS did not have any impact on the accounting policies, financial position or performance of the Group.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments)

Significant Accounting Policies

Foreign Currency Translation

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 profit or loss in the consolidated statement of comprehensive income.

Cash and Cash Equivalents

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.

Recognition of Financial Instruments

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 a 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 asking price for short positions), without any deduction for transaction costs. When current bid and asking 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 swaps and 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 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, the Group applied cash flow hedge accounting treatment on interest rate swap transactions.

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 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 profit or loss in the consolidated statement of comprehensive income.

Hedge effectiveness testing
To qualify for hedge accounting, the Group is required 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 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.

Current versus noncurrent classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or noncurrent or separated into a current and noncurrent 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 noncurrent (or separated into current and noncurrent 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 noncurrent 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 before their maturity, the entire category would be tainted and reclassified as AFS investments. Once tainted, the Group is not permitted to classify any of its financial assets as HTM investments for two years.

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 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 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 profit or loss in the consolidated statement of comprehensive income. Gains and losses are recognized in 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 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' under other comprehensive income in 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 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 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 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 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 with 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 profit or loss in the consolidated statement of comprehensive income.

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).

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 in the consolidated statement of comprehensive income.

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 current or 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 current or 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 evaluates 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 intention 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 in the consolidated statement of comprehensive income over the remaining life of the investment using the effective interest method. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest method. 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 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 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 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 profit and loss in the consolidated statement comprehensive income, is removed from other comprehensive income and recognized in profit or loss in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through 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 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 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.

<u>Derecognition of Financial Instruments</u>
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 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 100.0% 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 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 profit or loss in the consolidated statement of comprehensive income in the period the write-down or loss was incurred. The amount of 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.

<u>Noncurrent Assets (Disposal Group) Held for Sale</u>
The Group classifies noncurrent assets (disposal group) as held for sale 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 re-presented. Results of operations and cash flows of the disposal group that qualify as discontinued operations are presented in 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
Immediately before the initial classification of the noncurrent asset (or disposal group) as held for sale, the carrying amount of the asset (or all the assets and liabilities of the disposal group) shall be measured in accordance with applicable standards.

Noncurrent assets (disposal group) 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 noncurrent assets (disposal group) 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 noncurrent assets (disposal group) 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 noncurrent assets held for sale are measured at their expected settlement amounts.

Investment 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 in 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 in the consolidated statement of comprehensive income.

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 the 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 improvements	10 to 30 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 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 'Property, plant and equipment' 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.

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 in the consolidated statement of comprehensive income 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 and improvements	10 to 40 years
Buildings 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
Investment in cable systems	15 years
Leasehold improvements	15 years
Passenger aircraft*	15 years
Other flight equipment	5 years
Transportation, furnishing and other equipment	3 to 5 years

** With 15.0% 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 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 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 and ARO liability. The Group depreciates ARO asset on a straight-line 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 'Cost of sales and services' in profit or loss in the consolidated statement of comprehensive income) over the lease term. The ARO liability is included under 'Other noncurrent liabilities'.

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 biological asset's life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in 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 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 livestock 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 and 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 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.

Bank Licenses
Bank licenses arise from the acquisition of branches of a local bank by the Group and commercial bank license. The Group’s bank licenses have indefinite useful lives and are subject to annual individual impairment testing.

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 reporting date. 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 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 (which are not an integral part of its related hardware) and costs to 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 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

<u>Deferred Subscriber Acquisition and Retention Costs</u>

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' under discontinued operations in profit or loss in the consolidated statement of comprehensive income), and the price offered to the subscribers (included under 'Sale of telecommunications services' under discontinued operations in 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' in the consolidated statement of financial position. The related amortization of subscriber acquisition costs is included under 'Cost of sales and services' in 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.

This accounting policy applies to the Telecommunication Segment of the Group which was disposed in 2011.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's 'Investments in associates and joint ventures', 'Investment properties', 'Property, plant and equipment', 'Biological assets at cost', 'Intangible assets', 'Goodwill' and 'Deferred subscriber acquisition and retention costs'.

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 recoverable amount, 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 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 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. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group performs its impairment test of goodwill every reporting date.

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 the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount under 'Impairment losses and others' in 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 changes in equity. 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 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 profit or loss in the consolidated statement of comprehensive income, when the transportation service is rendered by the Group (i.e., 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 outright expense upon the receipt of payment from customers, and is included under 'Cost of sales and services' in profit or loss in the consolidated statement of comprehensive income.

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

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' which is shown as part of the 'Other current or noncurrent liabilities' in 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. Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, portfolio fees, credit-related fees and other service and management fees. Fees on deposit-related accounts are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collection.

Trading and securities gain (loss)
Represent results arising from disposal of AFS investments and trading activities including all gains and losses from changes in fair value of financial assets at FVPL of the Group's Banking segment.

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.

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

Gain from sale of properties, investments and other assets
Gain from sale of properties, investments and other assets is recognized upon completion of the earning process and the collectibility of the sales price is reasonably assured.

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 by 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 connecting carriers/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 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 prepaid 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 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.

Revenues from telecommunication services are presented under discontinued operations in the consolidated statement of comprehensive income. This accounting policy pertains to the Telecommunication segment of the Group that was disposed in 2011 (Note 44).

Provisions

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 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.

Contingencies
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 10.0% 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 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 substantively enacted as of 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.

Deferred tax assets are recognized for all deductible temporary differences, carryforward 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 carryforward 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 reporting 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 reporting date.

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

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, 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’ with the corresponding liability to the lessor included under ‘Long-term debt’. 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 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’ in 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 Per Share (EPS)

Basic EPS is computed by dividing net income for the period attributable to the ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the net income 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 common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common 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 and Philippine Interpretations to have significant impact on the consolidated financial statements.

Effective 2013

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c. The net amounts presented in the statement of financial position;

d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

  The management assessed that the impact of the new standard is not significant to the Group's financial position or performance.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests with Other Entities*
  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required but have no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after January 1, 2013. The new standard affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  The standard establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013. The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result in the modification of the presentation of items of OCI.

- PAS 19, *Employee Benefits* (Revised)
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

  The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	As at 31 December 2012	As at 1 January 2012
Increase (decrease) in:		
Consolidated statements of financial position		
Pension liabilities	₱632,059,643	₱252,349,358
Deferred tax assets	189,617,893	75,704,807
Retained earnings	31,561,673	(43,398,323)
Other comprehensive income	(613,627,307)	(255,634,398)

	2012	2011
Consolidated statements of comprehensive income		
Pension expense	(₱47,652,480)	(₱57,052,370)
Provision for income tax	14,295,744	17,115,711
Net income		
Attributable to equity holders of the Parent Company	(20,454,347)	(25,256,122)
Attributable to non-controlling interests	(12,902,389)	(14,680,537)
Other comprehensive income		
Attributable to equity holders of the Parent Company	(188,416,620)	(93,802,390)
Attributable to non-controlling interests	(110,747,422)	(43,488,546)

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013.

- *Annual Improvements to PFRSs* (2009-2011 cycle)
  The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

  - PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
    The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

  - PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
    The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

  - PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
    The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Effective 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective 2015

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The 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 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. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

  The adoption of this Philippine Interpretation will be accounted for retrospectively and will result in the restatement of prior period consolidated financial statements. The adoption of this Philippine Interpretation may significantly affect the determination of the net income and the related statement of financial position accounts as follows: 'Installment contract receivables', 'Subdivision land, condominium and residential units for sale', 'Deposit from real estate buyers', 'Deferred tax liabilities' and 'Retained earnings'.

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.

<u>Judgments</u>
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 on the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue their 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.

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.

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:

	2012	2011	2010
Revenue	**₱4,105,106,260**	₱4,307,396,547	₱2,954,258,256
Cost and expenses	**2,360,585,729**	2,664,371,840	1,745,032,612

e. *Classification of leases*
Operating lease commitments - Group as lessee
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 the ownership of the leased items, are capitalized. Otherwise, they are considered as operating leases.

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. Based on the evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all significant risks and rewards of ownership of these properties. In determining significant risks and benefits of ownership, the Group considered, among others, the following: the 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. Accordingly, the Group accounted for the lease agreements as 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 is not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. 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. *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.

h. *Determination of functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, 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, each entity in 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 Company and performing the functions of the Parent Company - 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 Company; while in the latter case, the functional currency of the entity would be assessed separately.

i. Significant subsequent events of fiscal year end subsidiaries

The Group consolidates the balances of its fiscal year end 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.

j. Significant influence over an associate with less than 20.0% ownership

In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence.

There are instances that an investor exercises significant influence even if its ownership is less than 20.0%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following: (a) representation on the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investee; (d) interchange of managerial personnel; or (e) provision of essential technical information.

k. Noncurrent assets (disposal group) held for sale

The Group classifies a subsidiary as a disposal group held for sale if it meets the following conditions at the reporting date:

- The entity is available for immediate sale and can be sold in its current condition;
- An active program to locate a buyer and complete the plan sale has been initiated; and
- The entity is to be genuinely sold, not abandoned.

l. 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).

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.

- 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.

  The related balances from real estate transactions follow:

	2012	2011	2010
Revenue	**₱4,105,106,260**	₱4,307,396,547	₱2,954,258,256
Cost and expenses	**2,360,585,729**	2,664,371,840	1,745,032,612

- Rendering of transportation services

  Passenger sales are recognized as revenue when the obligation of the Group to provide transportation service ceases, either: (a) when transportation services are already rendered; or (b) when the Group estimates that unused tickets are already expired. The value of unused tickets is included as 'Unearned transportation revenue' in the consolidated statements of financial position and recognized as 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 the estimates were made.

  The balances of the Group's 'Unearned transportation revenue' are disclosed in Note 22 to the consolidated 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.

- Rendering of telecommunications services

  The Telecommunication Segment'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 Telecommunication Segment'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 above estimate was used in the balances of the Telecommunication Segment of the Group that was disposed in 2011 (Note 44).

b. *Impairment of AFS investments*

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

In 2012, 2011 and 2010, the Group did not recognize impairment losses on its AFS debt investments.

The carrying value of the Group's AFS debt investments is disclosed in Note 10 to the consolidated 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 20.0% 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 2012, 2011 and 2010, the Group did not recognize impairment losses on its AFS equity investments.

The carrying value of the Group's AFS equity investments is disclosed in Note 10 to the consolidated 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 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 profit or loss in the consolidated statements of comprehensive income, are disclosed in Notes 11 and 34 to the consolidated financial statements.

The carrying value of the Group's total receivables, net of allowance for impairment losses, is disclosed in Note 11 to the consolidated 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 100.0% 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 profit or loss in the consolidated statements of comprehensive income are disclosed in Notes 12 and 34 to the consolidated financial statements.

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

e. *Estimation of ARO*
The Group is legally required under various contracts to restore certain 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.

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.

In 2012, 2011 and 2010, the Group recognized the amortization of ARO asset amounting to ₱369.1 million, ₱317.5 million and ₱234.8 million, respectively.

The carrying values of the Group's ARO (included under 'Other noncurrent liabilities' in the consolidated statements of financial position) is disclosed in Note 24 to the consolidated 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, 2012 and 2011, the balance of the Group's depreciable assets are disclosed in the respective notes to the consolidated financial statements.

g. *Determination of fair values less estimated costs to sell of biological assets*
The fair values of swine 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 transportation 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 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 losses arising from changes in the fair market value of biological assets (included in 'Cost of sales and services' in profit or loss in the consolidated statements of comprehensive income) amounting to ₱15.5 million, ₱128.3 million and ₱44.7 million in 2012, 2011 and 2010, respectively (Note 17).

The carrying value of the Group's biological assets carried at fair values less estimated costs to sell is disclosed in Note 17 to the consolidated 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.

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

As of December 31, 2012 and 2011, 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 assets carried at cost, goodwill and other intangible assets*
The Group assesses impairment on its property, plant and equipment, investment properties, investments in associates and joint ventures, biological assets carried 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 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.

Provision for impairment losses on nonfinancial assets recognized in 2012, 2011 and 2010 is disclosed in Note 34 to the consolidated financial statements.

As of December 31, 2012 and 2011, the balance of the Group's nonfinancial assets, net of accumulated depreciation, amortization and impairment loss follow:

	2012	2011
Property, plant and equipment (Note 16)	**₱101,134,655,563**	₱81,221,037,701
Investment properties (Note 15)	**45,423,932,675**	41,883,671,246
Investments in associates and joint ventures (Note 14)	**33,497,292,680**	32,055,963,868
Goodwill (Note 19)	**1,042,954,782**	798,627,776
Intangible assets (Note 18)	**1,341,022,581**	905,540,502

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, 2012 and 2011, 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 (Note 38).

As of December 31, 2012 and 2011, the total amounts of temporary differences, for 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 swaps and options. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures.

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 over-all 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 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 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 Group's maximum exposure to on-balance sheet credit risk is equal to the carrying value of its financial assets except for the following accounts:

	2012			
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Exposure**	**Financial Effect of Collateral or Credit Enhancement**
Loans and receivables				
Trade receivables	**₱10,081,857,609**	**₱177,100,000**	**₱9,904,757,609**	**₱177,100,000**
Finance receivables:				
Commercial	**11,322,202,999**	**2,414,483,131**	**8,907,719,868**	**2,414,483,131**
Real estate	**1,994,937,426**	**3,128,551,351**	**–**	**1,994,937,426**
Consumption	**3,396,799,943**	**1,760,042,919**	**1,636,757,024**	**1,760,042,919**
Other receivables	**1,462,893,256**	**60,762,484**	**1,402,130,772**	**60,762,484**
Total credit risk exposure	**₱28,258,691,233**	**₱7,540,939,885**	**₱21,851,365,273**	**₱6,407,325,960**

	2011			
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Loans and receivables				
Trade receivables	₱8,696,770,491	₱161,411,682	₱8,535,358,809	₱161,411,682
Finance receivables:				
Commercial	7,763,177,168	741,366,636	7,021,810,532	741,366,636
Real estate	2,614,517,808	4,725,689,282	–	2,614,517,808
Consumption	2,064,871,818	2,103,241,674	–	2,064,871,818
Other receivables	1,906,510,189	16,098,704	1,890,411,485	16,098,704
Total credit risk exposure	₱23,045,847,474	₱7,747,807,978	₱17,447,580,826	₱5,598,266,648

Collateral and other credit enhancements

The Group holds collateral in the form of cash bonds, real estate and chattel mortgages and government securities. The amount and type of collateral required depends on an assessment of credit risk. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. It is the Group'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.

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, 2012 and 2011, before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

	December 31, 2012					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents**	₱15,555,588,761	₱3,032,510,477	₱–	₱–	₱–	₱18,588,099,238
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	2,303,338,452	2,082,637,515	791,774,427	3,674,743,714	638,146,606	9,490,640,714
Government	3,182,835,307	364,310,895	–	–	54,787,629	3,601,933,831
	5,486,173,759	2,446,948,410	791,774,427	3,674,743,714	692,934,235	13,092,574,545
Equity securities:						
Quoted	309,145,085	425,188,345	386,255,710	1,017,271,599	–	2,137,860,739
Unquoted	–	3,079	–	–	–	3,079
	309,145,085	425,191,424	386,255,710	1,017,271,599	–	2,137,863,818
	5,795,318,844	2,872,139,834	1,178,030,137	4,692,015,313	692,934,235	15,230,438,363
Derivative assets:						
Not designated as accounting hedges	199,231,766	–	–	103,516,929	–	302,748,695
	5,994,550,610	2,872,139,834	1,178,030,137	4,795,532,242	692,934,235	15,533,187,058
AFS investments:						
Debt securities:						
Government	7,635,707,383	32,492,119	–	–	370,774,090	8,038,973,592
Private	1,102,645,686	897,137,215	300,358,872	787,354,107	–	3,087,495,880
	8,738,353,069	929,629,334	300,358,872	787,354,107	370,774,090	11,126,469,472
Equity securities:						
Quoted	43,918,889,535	–	370,435,200	929,128,125	–	45,218,452,860
Unquoted	17,065,871	–	–	–	–	17,065,871
	43,935,955,406	–	370,435,200	929,128,125	–	45,235,518,731
	52,674,308,475	929,629,334	670,794,072	1,716,482,232	370,774,090	56,361,988,203

(Forward)

	December 31, 2012					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Receivables:						
Trade receivables	₱8,019,236,787	₱2,025,557,950	₱22,611,964	₱4,085,966	₱10,364,942	₱10,081,857,609
Finance receivables	17,199,408,241	–	–	–	–	17,199,408,241
Due from related parties	1,304,241,205	24,213,507	–	–	–	1,328,454,712
Interest receivable	400,580,629	95,789,568	67,225,078	45,220,844	1,804,490	610,620,609
Other receivables	1,448,299,306	14,593,950	–	–	–	1,462,893,256
	28,371,766,168	2,160,154,975	89,837,042	49,306,810	12,169,432	30,683,234,427
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	820,512,914	–	–	33,438,542	–	853,951,456
Other financial assets (included under 'Other current assets' in the consolidated statements of financial position)	1,639,198,798	–	56,521	–	–	1,639,255,319
	₱105,055,925,726	₱8,994,434,620	₱1,938,717,772	₱6,594,759,826	₱1,075,877,757	₱123,659,715,701

* *Others include South American countries (i.e., Argentina and Mexico)*
** *Excludes cash on hand amounting to ₱1,109,973,269.*

	December 31, 2011					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents**	₱31,125,259,019	₱1,989,034,859	₱–	₱–	₱–	₱33,114,293,878
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	2,060,545,559	1,244,218,970	361,697,309	2,724,956,460	1,061,363,155	7,452,781,453
Government	966,672,000	179,391,071	–	–	127,419,349	1,273,482,420
	3,027,217,559	1,423,610,041	361,697,309	2,724,956,460	1,188,782,504	8,726,263,873
Equity securities:						
Quoted	405,400,107	349,382,300	361,109,440	1,115,794,848	–	2,231,686,695
Unquoted	–	4,516	–	–	–	4,516
	405,400,107	349,386,816	361,109,440	1,115,794,848	–	2,231,691,211
	3,432,617,666	1,772,996,857	722,806,749	3,840,751,308	1,188,782,504	10,957,955,084
Derivative assets:						
Not designated as accounting hedges	251,777,742	5,467,549	–	26,042,434	–	283,287,725
	3,684,395,408	1,778,464,406	722,806,749	3,866,793,742	1,188,782,504	11,241,242,809
AFS investments:						
Debt securities:						
Government	6,907,345,449	147,680,695	–	–	558,143,833	7,613,169,977
Private	988,115,716	889,537,156	725,620,840	756,304,325	80,526,856	3,440,104,893
	7,895,461,165	1,037,217,851	725,620,840	756,304,325	638,670,689	11,053,274,870
Equity securities:						
Quoted	43,694,169,605	110,367,200	–	–	872,487,250	44,677,024,055
Unquoted	17,065,871	–	–	–	–	17,065,871
	43,711,235,476	110,367,200	–	–	872,487,250	44,694,089,926
	51,606,696,641	1,147,585,051	725,620,840	756,304,325	1,511,157,939	55,747,364,796
Receivables:						
Trade receivables	6,880,614,623	1,797,924,233	10,946,298	6,198,094	1,087,243	8,696,770,491
Finance receivables	12,160,584,030	–	–	–	–	12,160,584,030
Due from related parties	1,126,990,686	229,391,362	–	–	–	1,356,382,048
Interest receivable	539,174,134	44,507,345	25,687,935	56,245,627	49,719,618	715,334,659
Other receivables	1,458,535,568	361,585,694	86,388,927	–	–	1,906,510,189
	22,165,899,041	2,433,408,634	123,023,160	62,443,721	50,806,861	24,835,581,417
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	247,022,482	–	–	166,175,680	–	413,198,162
Other financial assets (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	4,340,500,000	–	61,251	–	–	4,340,561,251
	₱113,169,772,591	₱7,348,492,950	₱1,571,512,000	₱4,851,717,468	₱2,750,747,304	₱129,692,242,313

* *Others include South American countries (i.e., Argentina and Mexico)*
** *Excludes cash on hand amounting to ₱781,049,127*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2012 and 2011, before taking into account any collateral held or other credit enhancements.

	2012											
	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**	₱–	₱–	₱–	₱–	₱18,587,817,008	₱–	₱–	₱282,230	₱–	₱–	₱–	₱18,588,099,238
Financial assets at FVPL:												
Held-for-trading:												
Debt securities:												
Private	64,368,241	241,294,893	–	–	4,560,825,381	621,201,804	–	–	396,481,324	–	3,606,469,071	9,490,640,714
Government	–	–	–	–	1,208,066,197	–	–	–	–	–	2,393,867,634	3,601,933,831
	64,368,241	241,294,893	–	–	5,768,891,578	621,201,804	–	–	396,481,324	–	6,000,336,705	13,092,574,545
Equity securities:												
Quoted	–	93,600	–	–	1,745,702,335	83,013,310	–	–	–	–	309,051,494	2,137,860,739
Unquoted	–	–	–	–	3,079	–	–	–	–	–	–	3,079
	–	93,600	–	–	1,745,705,414	83,013,310	–	–	–	–	309,051,494	2,137,863,818
	64,368,241	241,388,493	–	–	7,514,596,992	704,215,114	–	–	396,481,324	–	6,309,388,199	15,230,438,363
Derivative financial assets:												
Not designated as accounting hedges	–	–	–	–	200,065,933	–	–	–	102,682,762	–	–	302,748,695
	64,368,241	241,388,493	–	–	7,714,662,925	704,215,114	–	–	499,164,086	–	6,309,388,199	15,533,187,058
AFS investments:												
Debt securities:												
Government	–	–	–	–	–	–	–	–	–	–	8,038,973,592	8,038,973,592
Private	–	–	–	–	2,223,496,049	91,537,672	–	–	355,580,097	–	416,882,062	3,087,495,880
	–	–	–	–	2,223,496,049	91,537,672	–	–	355,580,097	–	8,455,855,654	11,126,469,472
Equity securities:												
Quoted	–	–	–	–	490,694,977	43,757,557,795	–	–	–	–	970,200,088	45,218,452,860
Unquoted	–	–	–	–	16,378,200	–	–	–	–	–	687,671	17,065,871
	–	–	–	–	507,073,177	43,757,557,795	–	–	–	–	970,887,759	45,235,518,731
	–	–	–	–	2,730,569,226	43,849,095,467	–	–	355,580,097	–	9,426,743,413	56,361,988,203
Receivables:												
Trade receivables	4,903,198,312	4,264,824,183	–	–	30,670,388	746,708,239	–	115,335,811	–	–	21,120,676	10,081,857,609
Finance receivables	601,452,548	4,598,852,121	3,039,784,212	–	–	562,789,456	844,948,612	2,256,205,839	2,004,040,890	–	3,291,334,563	17,199,408,241
Due from related parties	397,534,347	46,164,678	435,343,845	–	197,841,208	244,445,670	–	–	1,296,154	–	5,828,810	1,328,454,712
Interest receivable	3,912,346	1,865,245	–	–	206,246,991	10,107,612	–	–	22,204,386	–	366,284,029	610,620,609
Other receivables	343,122,971	175,985,706	–	–	555,000,000	54,456,753	–	–	–	–	334,327,826	1,462,893,256
	6,249,220,524	9,087,691,933	3,475,128,057	–	989,758,587	1,618,507,730	844,948,612	2,371,541,650	2,027,541,430	–	4,018,895,904	30,683,234,427

(Forward)

2012	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
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	₱1,371,964	₱788,857,881	₱–	₱–	₱–	₱33,438,542	₱–	₱–	₱–	₱–	₱30,283,069	₱853,951,456
Other financial assets (included under 'Other noncurrent assets' in the consolidated statements of financial position)	–	–	–	–	1,639,255,319	–	–	–	–	–	–	1,639,255,319
	₱6,314,960,729	₱10,117,938,307	₱3,475,128,057	₱–	₱31,662,063,065	₱46,205,256,853	₱844,948,612	₱2,371,823,880	₱2,882,285,613	₱–	₱19,785,310,585	₱123,659,715,701

* *Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.*
** *Excludes cash on hand amounting to ₱1,109,973,269.*

2011	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**	₱–	₱–	₱–	₱–	₱33,114,293,878	₱–	₱–	₱–	₱–	₱–	₱–	₱33,114,293,878
Financial assets at FVPL:												
Held-for-trading:												
Debt securities:												
Private	–	–	–	–	3,828,855,069	228,951,008	46,221,322	–	144,373,507	–	3,204,380,547	7,452,781,453
Government	–	–	–	–	1,137,848,787	–	–	–	–	–	135,633,633	1,273,482,420
	–	–	–	–	4,966,703,856	228,951,008	46,221,322	–	144,373,507	–	3,340,014,180	8,726,263,873
Equity securities:												
Quoted	–	–	–	–	1,939,999,926	147,000	15,569,742	–	–	–	275,970,027	2,231,686,695
Unquoted	–	–	–	–	–	–	–	–	–	–	4,516	4,516
	–	–	–	–	1,939,999,926	147,000	15,569,742	–	–	–	275,974,543	2,231,691,211
	–	–	–	–	6,906,703,782	229,098,008	61,791,064	–	144,373,507	–	3,615,988,723	10,957,955,084
Derivative financial assets:												
Not designated as accounting hedges	–	–	–	–	266,407,517	–	–	–	16,880,208	–	–	283,287,725
	–	–	–	–	7,173,111,299	229,098,008	61,791,064	–	161,253,715	–	3,615,988,723	11,241,242,809
AFS investments:												
Debt securities:												
Government	–	–	–	–	–	–	–	–	–	–	7,613,169,977	7,613,169,977
Private	–	–	–	–	2,413,527,913	84,737,667	135,094,800	–	–	–	806,744,513	3,440,104,893
	–	–	–	–	2,413,527,913	84,737,667	135,094,800	–	–	–	8,419,914,490	11,053,274,870
Equity securities:												
Quoted	–	–	–	–	1,162,628,655	28,674,553,192	–	–	–	–	14,839,842,208	44,677,024,055
Unquoted	–	–	–	–	16,378,200	–	–	–	–	–	687,671	17,065,871
	–	–	–	–	1,179,006,855	28,674,553,192	–	–	–	–	14,840,529,879	44,694,089,926
	–	–	–	–	3,592,534,768	28,759,290,859	135,094,800	–	–	–	23,260,444,369	55,747,364,796

(Forward)

	2011											
	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	₱4,516,052,575	₱3,161,581,894	₱–	₱–	₱–	₱647,199,979	₱–	₱–	₱–	₱–	₱371,936,043	₱8,696,770,491
Finance receivables	721,468,409	4,244,154,274	2,264,664,821	–	188,038,748	791,013,401	130,280,290	420,300,694	1,325,910,696	–	2,074,752,697	12,160,584,030
Due from related parties	219,691,387	276,268,559	–	–	354,665,325	58,851,694	–	–	410,436,221	–	36,468,862	1,356,382,048
Interest receivable	–	–	–	–	308,655,420	7,646,172	9,139,693	–	3,084,373	–	386,809,001	715,334,659
Other receivables	362,870,044	185,402,345	–	–	–	8,167,635	–	–	–	–	1,350,070,165	1,906,510,189
	5,820,082,415	7,867,407,072	2,264,664,821	–	851,359,493	1,512,878,881	139,419,983	420,300,694	1,739,431,290	–	4,220,036,768	24,835,581,417
Refundable security deposits (included under ‘Other current’ and ‘Other noncurrent assets’ in the consolidated statements of financial position)	1,106,342	225,596,431	–	–	–	166,175,680	–	–	–	–	20,319,709	413,198,162
Other financial assets (included under ‘Other noncurrent assets’ in the consolidated statements of financial position)	–	–	–	–	4,340,561,251	–	–	–	–	–	–	4,340,561,251
	₱5,821,188,757	₱8,093,003,503	₱2,264,664,821	₱–	₱49,071,860,689	₱30,667,443,428	₱336,305,847	₱420,300,694	₱1,900,685,005	₱–	₱31,116,789,569	₱129,692,242,313

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

** *Excludes cash on hand amounting to ₱781,049,127*

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:

	2012					
	Neither Past Due Nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due or Individually Impaired	Total
Cash and cash equivalents*	₱9,202,711,928	₱9,385,387,310	₱–	₱–	₱–	₱18,588,099,238
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	1,684,773,674	6,677,086,079	1,128,780,961	–	–	9,490,640,714
Government	1,153,278,568	2,448,655,263	–	–	–	3,601,933,831
	2,838,052,242	9,125,741,342	1,128,780,961	–	–	13,092,574,545
Equity securities:						
Quoted	1,793,488,509	344,372,230	–	–	–	2,137,860,739
Unquoted	3,079	–	–	–	–	3,079
	1,793,491,588	344,372,230	–	–	–	2,137,863,818
	4,631,543,830	9,470,113,572	1,128,780,961	–	–	15,230,438,363
Derivative financial assets:						
Not designated as accounting hedges	193,660,081	109,088,614	–	–	–	302,748,695
	4,825,203,911	9,579,202,186	1,128,780,961	–	–	15,533,187,058
AFS investments:						
Debt securities:						
Government	–	8,038,973,592	–	–	–	8,038,973,592
Private	–	3,087,495,880	–	–	–	3,087,495,880
	–	11,126,469,472	–	–	–	11,126,469,472
Equity securities:						
Quoted	44,287,010,722	931,442,138	–	–	–	45,218,452,860
Unquoted	687,671	–	–	16,378,200	–	17,065,871
	44,287,698,393	931,442,138	–	16,378,200	–	45,235,518,731
	44,287,698,393	12,057,911,610	–	16,378,200	–	56,361,988,203
Receivables:						
Trade receivables	6,263,469,650	2,250,623,299	94,653,505	–	1,978,419,681	10,587,166,135
Finance receivables	6,362,600,773	8,744,020,368	653,871,036	548,063,175	1,361,433,373	17,669,988,725
Due from related parties	1,328,454,712	–	–	–	–	1,328,454,712
Interest receivable	94,559,732	472,826,887	35,279,158	–	7,954,832	610,620,609
Other receivables	586,596,284	709,918,676	7,228,003	–	347,879,751	1,651,622,714
	14,635,681,151	12,177,389,230	791,031,702	548,063,175	3,695,687,637	31,847,852,895
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	822,296,423	1,371,964	–	30,283,069	–	853,951,456
Other financial assets (included under 'Other noncurrent assets' in the consolidated statements of financial position)	1,639,255,319	–	–	–	–	1,639,255,319
	₱75,412,847,125	₱43,201,262,300	₱1,919,812,663	₱594,724,444	₱3,695,687,637	₱124,824,334,169

* *Excludes cash on hand amounting to₱1,109,973,269 .*

	2011					
	Neither Past Due Nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due or Individually Impaired	Total
Cash and cash equivalents*	₱28,676,251,707	₱4,438,042,171	₱–	₱–	₱–	₱33,114,293,878
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	1,137,046,140	2,130,038,158	1,617,915,823	2,567,781,332	–	7,452,781,453
Government	–	1,273,482,420	–	–	–	1,273,482,420
	1,137,046,140	3,403,520,578	1,617,915,823	2,567,781,332	–	8,726,263,873
Equity securities:						
Quoted	1,540,009,757	544,239,970	147,436,968	–	–	2,231,686,695
Unquoted	–	–	–	4,516	–	4,516
	1,540,009,757	544,239,970	147,436,968	4,516	–	2,231,691,211
	2,677,055,897	3,947,760,548	1,765,352,791	2,567,785,848	–	10,957,955,084
Derivative financial assets:						
Not designated as accounting hedges	204,006,858	79,280,867	–	–	–	283,287,725
	2,881,062,755	4,027,041,415	1,765,352,791	2,567,785,848	–	11,241,242,809

(Forward)

	2011					
	Neither Past Due Nor Impaired				Past Due	
	High Grade	Standard Grade	Substandard Grade	Unrated	or Individually Impaired	Total
AFS investments:						
Debt securities:						
Government	₱–	₱7,424,793,488	₱–	₱188,376,489	₱–	₱7,613,169,977
Private	102,000,000	3,119,395,606	–	218,709,287	–	3,440,104,893
	102,000,000	10,544,189,094	–	407,085,776	–	11,053,274,870
Equity securities:						
Quoted	43,694,169,605	982,854,450	–	–	–	44,677,024,055
Unquoted	–	–	–	17,065,871	–	17,065,871
	43,694,169,605	982,854,450	–	17,065,871	–	44,694,089,926
	43,796,169,605	11,527,043,544	–	424,151,647	–	55,747,364,796
Receivables:						
Trade receivables	6,551,578,659	525,095,325	7,587,894	–	2,132,617,861	9,216,879,739
Finance receivables	1,697,671,361	7,921,916,854	1,243,077,530	953,094,598	762,143,427	12,577,903,770
Due from related parties	1,335,200,943	21,181,105	–	–	–	1,356,382,048
Interest receivable	440,765,445	259,143,085	–	–	15,426,129	715,334,659
Other receivables	828,236,330	982,343,233	353,233	–	291,006,598	2,101,939,394
	10,853,452,738	9,709,679,602	1,251,018,657	953,094,598	3,201,194,015	25,968,439,610
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	391,772,111	1,106,342	–	20,319,709	–	413,198,162
Other financial assets (included under 'Other noncurrent assets' in the consolidated statements of financial position)	4,340,561,251	–	–	–	–	4,340,561,251
	₱90,939,270,167	₱29,702,913,074	₱3,016,371,448	₱3,965,351,802	₱3,201,194,015	₱130,825,100,506

* *Excludes cash on hand amounting to ₱781,049,127*

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 follow-up actions and extended payment terms.

Classification of Financial Assets by Class used by the Banking Segment
For loans and receivables from customers, the Banking Segment's internal credit rating system was approved in 2007 and improved in 2011 in accordance with the Bangko Sentral ng Pilipinas (BSP) requirement, to cover corporate credit exposures, which is defined by the BSP as exposures to companies with assets of more than ₱15.0 million. Approximately ₱5.0 billion of loans and receivables from customers do not have available credit ratings, including microfinance, automobile and real estate loans.

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

Grades	Categories	Description
High grade		
Risk rating 1	Excellent	Lowest probability of default; exceptionally strong capacity for financial commitments; highly unlikely to be adversely affected by foreseeable events.
Risk rating 2	Super Prime	Very low probability of default; very strong capacity for payment of financial commitments; less vulnerable to foreseeable events.
Risk rating 3	Prime	Low probability of default; strong capacity for payment of financial commitments; may be more vulnerable to adverse business/economic conditions.
Risk rating 4	Very Good	Moderately low probability of default; more than adequate capacity for payment of financial commitments; but adverse business/economic conditions are more likely to impair this capacity
Risk rating 5	Good	More pronounced probability of default; business or financial flexibility exists which supports the servicing of financial commitments; vulnerable to adverse business/economic changes
Standard		
Risk rating 6	Satisfactory	Material probability of default is present, but a margin of safety remains; financial commitments are currently being met although the capacity for continued payment is vulnerable to deterioration in the business/economic condition.
Risk rating 7	Average	Greater probability of default which is reflected in the volatility of earnings and overall performance; repayment source is presently adequate; however, prolonged unfavorable economic period would create deterioration beyond acceptable levels.
Standard		
Risk rating 8	Fair	Sufficiently pronounced probability of default, although borrowers should still be able to withstand normal business cycles; any prolonged unfavorable economic/market conditions would create an immediate deterioration of cash flow beyond acceptable levels.

(Forward)

Grades	Categories	Description
Sub-standard grade		
Risk rating 9	Marginal	Elevated level of probability of default, with limited margin; repayment source is adequate to marginal.
Risk rating 10	Watchlist	Unfavorable industry or company specific risk factors represent a concern, financial strength may be marginal; will find it difficult to cope with significant downturn.
Risk rating 11	Special mention	Loans have potential weaknesses that deserve close attention; borrower has reached a point where there is a real risk that the borrower's ability to pay the interest and repay the principal timely could be jeopardized due to evidence of weakness in the borrower's financial condition.
Risk rating 12	Substandard	Substantial and unreasonable degree of risk to the institution because of unfavorable record or unsatisfactory characteristics; with well-defined weaknesses that jeopardize their liquidation. e.g. negative cash flow, case of fraud.
Impaired		
Risk rating 13	Doubtful	Weaknesses similar to "Substandard", but with added characteristics that make liquidation highly improbable.
Risk rating 14	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.

d. Aging analysis of receivables by class

The aging analysis of the Group's receivables as of December 31, 2012 and 2011 follow:

	2012						
		Past Due But Not Impaired					
	Neither Past Due Nor Impaired	**Less than 30 Days**	**30 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Past Due and Impaired**	**Total**
Trade receivables	**₱8,608,746,454**	**₱549,563,425**	**₱225,992,682**	**₱124,973,266**	**₱572,581,782**	**₱505,308,526**	**₱10,587,166,135**
Finance receivables	**16,308,555,352**	**33,490,251**	**21,240,741**	**43,096,449**	**793,025,448**	**470,580,484**	**17,669,988,725**
Due from related parties	**1,328,454,712**	**–**	**–**	**–**	**–**	**–**	**1,328,454,712**
Interest receivable	**602,665,777**	**190,590**	**220,897**	**1,058,394**	**6,484,951**	**–**	**610,620,609**
Others	**1,303,742,963**	**28,439,019**	**8,026,208**	**6,023,648**	**116,661,418**	**188,729,458**	**1,651,622,714**
	₱28,152,165,258	**₱611,683,285**	**₱255,480,528**	**₱175,151,757**	**₱1,488,753,599**	**₱1,164,618,468**	**₱31,847,852,895**

	2011						
		Past Due But Not Impaired					
	Neither Past Due Nor Impaired	Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days	Past Due and Impaired	Total
Trade receivables	₱7,084,261,878	₱535,719,875	₱108,705,075	₱53,526,462	₱933,557,202	₱501,109,247	₱9,216,879,739
Finance receivables	11,815,760,343	32,316,013	17,469,094	38,042,495	175,243,733	499,072,092	12,577,903,770
Due from related parties	1,356,382,048	–	–	–	–	–	1,356,382,048
Interest receivable	699,908,530	–	–	–	–	15,426,129	715,334,659
Others	1,810,932,796	47,572,239	25,691,062	3,491,416	38,469,358	175,782,523	2,101,939,394
	₱22,767,245,595	₱615,608,127	₱151,865,231	₱95,060,373	₱1,147,270,293	₱1,191,389,991	₱25,968,439,610

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, 2012 and 2011:

	2012					
	On Demand	**Up to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More Than 5 Years**	**Total**
Financial Assets						
Cash and cash equivalents	**₱13,576,969,575**	**₱6,039,504,236**	**₱–**	**₱130,470,278**	**₱–**	**₱19,746,944,089**
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	**–**	**185,431,509**	**10,130,163,123**	**–**	**–**	**10,315,594,632**
Government	**2,185,673,337**	**2,907,715**	**1,540,035,807**	**–**	**–**	**3,728,616,859**
	2,185,673,337	**188,339,224**	**11,670,198,930**	**–**	**–**	**14,044,211,491**
Equity securities:						
Quoted	**309,145,085**	**82,515,837**	**1,746,199,817**	**–**	**–**	**2,137,860,739**
Unquoted	**–**	**–**	**3,079**	**–**	**–**	**3,079**
	309,145,085	**82,515,837**	**1,746,202,896**	**–**	**–**	**2,137,863,818**
	2,494,818,422	**270,855,061**	**13,416,401,826**	**–**	**–**	**16,182,075,309**
Derivative financial assets:						
Not designated as accounting hedges	**–**	**109,922,781**	**192,825,914**	**–**	**–**	**302,748,695**
	2,494,818,422	**380,777,842**	**13,609,227,740**	**–**	**–**	**16,484,824,004**
AFS investments:						
Debt securities:						
Government	**–**	**30,495,857**	**1,958,358,335**	**12,722,732,802**	**–**	**14,711,586,994**
Private	**474,700,315**	**48,843,607**	**2,608,147,945**	**100,393,523**	**–**	**3,232,085,390**
	474,700,315	**79,339,464**	**4,566,506,280**	**12,823,126,325**	**–**	**17,943,672,384**
Equity securities:						
Quoted	**21,720,000**	**2,314,013**	**1,436,861,052**	**43,757,557,795**	**–**	**45,218,452,860**
Unquoted	**–**	**16,378,200**	**687,671**	**–**	**–**	**17,065,871**
	21,720,000	**18,692,213**	**1,437,548,723**	**43,757,557,795**	**–**	**45,235,518,731**
	496,420,315	**98,031,677**	**6,004,055,003**	**56,580,684,120**	**–**	**63,179,191,115**
Receivables:						
Trade receivables	**3,442,209,484**	**4,076,726,502**	**1,437,050,779**	**1,057,063,629**	**68,807,215**	**10,081,857,609**
Finance receivables	**3,663,711,745**	**560,594,743**	**686,921,963**	**9,170,200,816**	**10,402,209,787**	**24,483,639,054**
Due from related parties	**1,328,454,712**	**–**	**–**	**–**	**–**	**1,328,454,712**
Interest receivable	**20,178,120**	**590,442,489**	**–**	**–**	**–**	**610,620,609**
Other receivables	**147,747,209**	**388,473,778**	**926,672,269**	**–**	**–**	**1,462,893,256**
	8,602,301,270	**5,616,237,512**	**3,050,645,011**	**10,227,264,445**	**10,471,017,002**	**37,967,465,240**
Refundable security deposits	**4,787,236**	**1,625,597**	**528,203,914**	**34,114,111**	**285,220,598**	**853,951,456**
Other financial assets (included under 'Other current assets' in the consolidated statement of financial position)	**–**	**56,521**	**1,641,060,488**	**–**	**–**	**1,641,117,009**
	₱25,175,296,818	**₱12,136,233,385**	**₱24,833,192,156**	**₱66,972,532,954**	**₱10,756,237,600**	**₱139,873,492,913**

(Forward)

	2012					
	On Demand	**Up 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 'Deposit liabilities' and 'Due to related parties')	**₱10,111,311,674**	**₱5,561,495,466**	**₱4,316,514,036**	**₱512,891,678**	**₱921,029,912**	**₱21,423,242,766**
Short-term debt	**–**	**16,488,782,045**	**2,959,235,653**	**–**	**–**	**19,448,017,698**
Redeemable preferred shares	**–**	**–**	**30,700,000**	**–**	**–**	**30,700,000**
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	**14,121,663,007**	**2,346,889,592**	**908,562,827**	**2,310,168,542**	**–**	**19,687,283,968**
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	**691,151,836**	**–**	**–**	**1,039,489,605**	**–**	**1,730,641,441**
Deposits from lessees (included under 'Other current liabilities'and 'Other noncurrent liabilities' in the consolidated statement of financial position)	**1,314,563**	**108,719,669**	**203,365,228**	**1,944,913,423**	**84,760,446**	**2,343,073,329**
Accrued maintenance cost (included under 'Other noncurrent liabilities' in the consolidated statement of financial position)	**–**	**–**	**–**	**424,276,778**	**–**	**424,276,778**
Derivative financial liability (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position)	**–**	**4,680,533**	**36,497,678**	**–**	**–**	**41,178,211**
Long-term debt (including current portion)	**–**	**10,668,280,921**	**10,836,842,355**	**37,354,427,603**	**6,380,489,253**	**65,240,040,132**
	₱24,925,441,080	**₱35,178,848,226**	**₱19,291,717,777**	**₱43,586,167,629**	**₱7,386,279,611**	**₱130,368,454,323**
Off-balance sheet						
Commitments*	**₱1,625,932,731**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,625,932,731**

* *Pertains to committed credit lines and letters of credit of RBC and capital expenditure commitments of CAI.*

	2011					
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Financial Assets						
Cash and cash equivalents	₱6,652,626,278	₱27,281,203,308	₱–	₱–	₱–	₱33,933,829,586
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	–	109,041,032	5,714,983,628	1,726,543,574	295,367,616	7,845,935,850
Government	–	2,255,542	237,707,724	–	1,039,254,600	1,279,217,866
	–	111,296,574	5,952,691,352	1,726,543,574	1,334,622,216	9,125,153,716
Equity securities:						
Quoted	1,464,599,372	47,983,275	536,072,048	–	183,032,000	2,231,686,695
Unquoted	–	–	4,516	–	–	4,516
	1,464,599,372	47,983,275	536,076,564	–	183,032,000	2,231,691,211
	1,464,599,372	159,279,849	6,488,767,916	1,726,543,574	1,517,654,216	11,356,844,927
Derivative financial assets:						
Not designated as accounting hedges	–	13,374,755	18,135,228	251,777,742	–	283,287,725
	1,464,599,372	172,654,604	6,506,903,144	1,978,321,316	1,517,654,216	11,640,132,652
AFS investments:						
Debt securities:						
Government	–	88,268,320	2,287,296,942	835,054,238	9,018,261,050	12,228,880,550
Private	–	43,883,351	2,596,797,323	107,941,289	1,449,625,090	4,198,247,053
	–	132,151,671	4,884,094,265	942,995,527	10,467,886,140	16,427,127,603

(Forward)

	2011					
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Equity securities:						
Quoted	21,720,000	–	966,485,427	102,698,179	43,586,120,449	44,677,024,055
Unquoted	16,378,200	–	687,671	–	–	17,065,871
	38,098,200	–	967,173,098	102,698,179	43,586,120,449	44,694,089,926
	38,098,200	132,151,671	5,851,267,363	1,045,693,706	54,054,006,589	61,121,217,529
Receivables:						
Trade receivables	₱2,612,833,627	₱3,230,512,991	₱1,664,005,784	₱949,512,472	₱239,905,617	₱8,696,770,491
Finance receivables	416,839,431	833,150,105	1,257,095,628	7,259,042,779	8,666,308,650	18,432,436,593
Due from related parties	1,356,382,048	–	–	–	–	1,356,382,048
Interest receivable	649,825,372	65,509,287	–	–	–	715,334,659
Other receivables	1,030,802,434	178,040,282	162,369,841	615,194,330	19,589,427	2,005,996,314
	6,066,682,912	4,307,212,665	3,083,471,253	8,823,749,581	8,925,803,694	31,206,920,105
Refundable security deposits	166,175,680	1,106,342	–	20,319,709	225,596,431	413,198,162
Other financial assets (included under 'Other current assets' in the consolidated statement of financial position)	61,251	–	4,363,715,571	–	–	4,363,776,822
	₱14,388,243,693	₱31,894,328,590	₱19,805,357,331	₱11,868,084,312	₱64,723,060,930	₱142,679,074,856
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')	₱4,760,253,259	₱7,515,880,786	₱4,682,205,610	₱401,616,668	₱1,105,057,028	₱18,465,013,351
Short-term debt	–	19,091,151,558	32,730,137	–	–	19,123,881,695
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	2,522,134,130	2,687,341,145	1,152,412,209	1,684,020,827	–	8,045,908,311
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	631,338,794	–	168,346	994,856,747	–	1,626,363,887
Deposits from lessees and accrued maintenance cost(included under 'Other current liabilities'and 'Other noncurrent liabilities' in the consolidated statement of financial position)	–	90,061,557	84,483,584	1,799,300,032	21,084,551	1,994,929,724
Accrued maintenance cost (included under 'Other noncurrent liabilities' in the consolidated statement of financial position)	–	–	–	670,810,817	–	670,810,817
Derivative financial liability (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position)	–	–	85,244,646	218,686,239	–	303,930,885
Long-term debt (including current portion)	–	1,258,471,761	16,330,352,698	53,640,643,054	5,273,175,920	76,502,643,433
	₱7,913,726,183	₱30,642,906,807	₱22,367,597,230	₱59,409,934,384	₱6,399,317,499	₱126,733,482,103
Off-balance sheet						
Commitments*	₱870,512,753	₱–	₱9,737,276,141	₱56,840,205,217	₱–	₱67,447,994,111

* *Pertains to committed credit lines and letters of credit of RBC and capital expenditure commitments of CAI.*

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, 2012, 2011 and 2010, approximately 31.8%, 32.2% and 30.3%, respectively, of the Group's total sales are denominated in currencies other than the functional currency. In addition, approximately 35.6% and 48.6% of total debt are denominated in US Dollar as of December 31, 2012 and 2011, 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, 2012 and 2011:

	2012		
	US Dollar	**Other Currencies***	**Total**
Assets			
Cash and cash equivalents	**₱9,067,275,307**	**₱1,447,775,844**	**₱10,515,051,151**
Financial assets at FVPL	**12,212,817,299**	**472,406,181**	**12,685,223,480**
AFS investments	**4,852,111,768**	**294,480,053**	**5,146,591,821**
Receivables	**1,323,190,602**	**2,017,609,027**	**3,340,799,629**
Derivative assets	**102,682,762**	**834,167**	**103,516,929**
Other noncurrent assets	**33,495,063**	**–**	**33,495,063**
	27,591,572,801	**4,233,105,272**	**31,824,678,073**
Liabilities			
Accounts payable and accrued expenses	**5,055,514,584**	**3,119,884,640**	**8,175,399,224**
Short-term debt	**11,091,837,396**	**5,898,233,228**	**16,990,070,624**
Derivative liability	**36,497,678**	**–**	**36,497,678**
Long-term debt (including current portion)	**33,435,014,165**	**–**	**33,435,014,165**
Other noncurrent liabilities	**670,810,775**	**–**	**670,810,775**
	50,289,674,598	**9,018,117,868**	**59,307,792,466**
Net Foreign Currency-Denominated Liabilities	**(₱22,698,101,797)**	**(₱4,785,012,596)**	**(₱27,483,114,393)**

**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*

	2011		
	US Dollar	Other Currencies*	Total
Assets			
Cash and cash equivalents	₱5,182,469,250	₱1,741,632,529	₱6,924,101,779
Financial assets at FVPL	10,179,569,559	507,350,957	10,686,920,516
AFS investments	1,600,307,829	4,061,201,074	5,661,508,903
Receivables	883,319,038	2,410,904,334	3,294,223,372
Derivative assets	23,839,918	7,670,065	31,509,983
Other noncurrent assets	244,495,030	–	244,495,030
	18,114,000,624	8,728,758,959	26,842,759,583
Liabilities			
Accounts payable and accrued expenses	4,515,200,520	3,155,562,770	7,670,763,290
Short-term debt	11,385,073,044	6,204,293,017	17,589,366,061
Derivative liability	218,686,239	–	218,686,239
Long-term debt (including current portion)	40,279,468,271	–	40,279,468,271
Other noncurrent liabilities	670,810,817	–	670,810,817
	57,069,238,891	9,359,855,787	66,429,094,678
Net Foreign Currency-Denominated Liabilities	(₱38,955,238,267)	(₱631,096,828)	(₱39,586,335,095)

**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, 2012 and 2011 follow:

	2012	2011
US dollar-Philippine peso exchange rate	₱41.05 to US$1.00	₱43.84 to US$1.00

Foreign currency borrowings of certain subsidiaries with fiscal year ending September 30 were converted at ₱41.70 and ₱43.72 to US$1.00 as of September 30, 2012 and 2011, 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 years ended December 31, 2012, 2011 and 2010.

	2012	
Reasonably Possible Changes in US Dollar-Philippine Peso Exchange Rates	**Change in Income Before Income Tax**	**Change in Equity**
12.2%	**(₱3,816,888,572)**	**(₱111,406,250)**
(12.2)	**3,816,888,572**	**111,406,250**

	2011	
Reasonably Possible Changes in US Dollar-Philippine Peso Exchange Rates	Change in Income Before Income Tax	Change in Equity
11.4%	(₱4,562,857,801)	₱119,361,289
(11.4)	4,562,857,801	(119,361,289)

	2010	
Reasonably Possible Changes in US Dollar-Philippine Peso Exchange Rates	Change in Income Before Income Tax	Change in Equity
11.4%	(₱6,299,276,645)	₱120,581,843
(11.4)	6,299,276,645	(120,581,843)

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 2012, 2011 and 2010, 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 ₱29.1 million, ₱16.1 million and ₱28.6 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 ₱569.6 million, ₱793.1 million and ₱20.6 million as of December 31, 2012, 2011 and 2010, 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.

The following tables show information about the Group's long-term debt presented by maturity profile:

	2012										
	<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$16,950,465**	**US$16,778,245**	**US$15,618,710**	**US$15,821,397**	**US$16,038,362**	**US$102,552,396**	**US$183,759,575**	**₱7,543,330,554**	**₱–**	**₱7,543,330,554**	**₱7,472,062,236**
Interest rate (London Interbank Offered Rate (LIBOR) plus margin)											
Fixed rate											
US Dollar loans	**306,577,635**	**50,662,976**	**51,778,056**	**53,186,262**	**66,641,743**	**14,522,931**	**543,369,603**	**25,892,414,795**	**731,196**	**25,891,683,599**	**25,891,683,599**
Interest rate (3.4% to 8.3%)											
Local currencies:											
Floating rate											
Philippine Peso loans	**2,000,000,000**	–	–	–	–	–	–	**2,000,000,000**	–	**2,000,000,000**	**2,000,000,000**
Interest rate (3M MART 1 + 1.0-2.0%)											
Fixed rate											
Philippine Peso loans	**4,310,000,000**	**22,000,000,000**	–	–	–	–	–	**26,310,000,000**	**61,728,174**	**26,248,271,826**	**27,558,380,614**
Interest rate (6.4% to 8.8%											
							US$727,129,178	**₱61,745,745,349**	**₱62,459,370**	**₱61,683,285,979**	**₱62,922,126,449**

	2011										
	<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$15,624,071	US$15,963,283	US$16,063,580	US$15,095,474	US$15,493,179	US$101,870,331	US$180,109,918	₱7,896,018,805	₱–	₱7,896,018,805	₱8,647,608,777
Interest rate (London Interbank Offered Rate (LIBOR) plus margin)											
Fixed rate											
US Dollar loans	228,251,030	296,407,154	40,168,294	40,941,637	42,005,356	91,864,071	739,637,542	32,403,198,788	19,749,322	32,383,449,466	32,154,916,111
Interest rate (3.4% to 8.3%)											
Local currencies:											
Floating rate											
Philippine Peso loans	₱–	₱2,000,000,000	₱–	₱–	₱–	₱–	–	2,000,000,000	–	2,000,000,000	2,000,000,000
Interest rate (3M MART 1 + 1.0-2.0%)											
Fixed rate											
Philippine Peso loans	3,007,956,489	4,318,553,226	22,009,194,718	–	–	–	–	29,335,704,433	97,678,410	29,238,026,023	31,837,629,706
Interest rate (6.4% to 8.8%											
							US$919,747,460	₱71,634,922,026	₱117,427,732	₱71,517,494,294	₱74,640,154,594

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:

Reasonably Possible Changes in Interest Rates	Change in Income Before Income Tax	
	2012	2011
+150 basis points (bps)	**(₱143,149,958)**	(₱148,440,282)
-150 bps	**143,149,958**	148,440,282

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.

Except for RBC, which uses Earnings-at -Risk (EaR) as a tool for measuring and managing interest rate risk in the banking book, 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 Group's FVPL and AFS investments using a sensitivity approach.

		2012	
	Reasonably Possible Changes in Market Prices	**Change in Income Before Income Tax**	**Change in Equity**
FVPL	**1.5%**	**(₱1,951,696,554)**	**₱–**
	(1.5)	**981,858,439**	**–**
AFS	**1.5**	**–**	**(457,410,580)**
	(1.5)	**–**	**85,282,608**

		2011	
	Reasonably Possible Changes in Market Prices	Change in Income Before Income Tax	Change in Equity
FVPL	1.5%	(₱1,744,287,162)	₱–
	(1.5)	2,875,831,719	–
AFS	1.5	–	(11,644,476)
	(1.5)	–	2,171,072

		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

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 ₱1.3 billion in 2012, ₱1.1 billion in 2011 and ₱1.0 billion in 2010, 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 is 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 quoted debt securities and foreign exchange.

VaR objectives and methodology
VaR is used by RBC to measure market risk exposure from its trading and investment activities. 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.

RBC uses the historical simulation method in estimating VaR. The historical simulation method is a non-parametric approach to VaR calculation, in which asset returns are not subject to any functional distribution assumption. VaR is estimated directly from historical date without deriving parameters or making assumptions about the entire data distribution.

The historical data used by RBC covers the most recent 260 business days (approximately one year). RBC updates its dataset on a daily basis. Per RBC policy, VaR is based on a one day holding period and a confidence level of 99.5%.

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

a. VaR is a statistical estimate and thus, does not give the precise amount of loss RBC may incur in the future;
b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from RBC's exposure to market risk;
c. Since VaR is computed from end-of-day positions and market factors, VaR does not capture intraday market risk.
d. VaR systems depend on historical data. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Therefore, market shifts (i.e. an unexpected collapse of the market) will not be captured and may inflict losses larger than anything the VaR model may have calculated; and
e. The limitation relating to the pattern of historical returns being indicative of future returns is

addressed by supplementing VaR with daily stress testing reported to RBC's Risk Management Committee, Asset-Liability Committee (ALCO) and the concerned risk-takers.

VaR backtesting is the process by which financial institutions periodically compare ex-post profit or loss with the ex-ante VaR figures to gauge the robustness of the VaR model. RBC performs quarterly backtesting.

On June 1, 2011, RBC began implementing an enhanced VaR model which calculates VaR on a daily rather than weekly basis. Additionally, the enhanced VaR includes foreign exchange risk VaR. However, the VaR methodology, assumptions and parameters did not change. The enhanced VaR model was approved by the BOD on May 31, 2011.

RBC's VaR figures are as follows (in millions):

	2012			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	**₱25.32**	**₱82.89**	**₱0.00**	**₱31.15**
Instruments sensitive to foreign interest rates	**3.51**	**16.40**	**0.00**	**1.59**
Instruments sensitive to foreign exchange rates	**5.89**	**19.88**	**1.16**	**4.09**

	June 1, 2011 to December 31, 2011			
	Average	High	Low	December 31
Instruments sensitive to local interest rates	₱0.30	₱29.38	₱0.00	₱0.00
Instruments sensitive to foreign interest rates	0.11	2.82	0.00	0.00
Instruments sensitive to foreign exchange rates	1.38	7.50	0.01	5.84

	January 1, 2011 to May 31, 2011			
	Average	High	Low	May 31
Instruments sensitive to local interest rates	₱37.58	₱53.31	₱21.63	₱52.90
Instruments sensitive to foreign interest rates	42.13	45.92	34.34	43.53

Daily VaR figures are based on positions of the previous day. In addition, the VaR figures from June 1 to December 31, 2011 were derived from the enhanced VaR model. Prior to this period, VaR figures are based on the previous model, which are based on weekly calculations and do not include a foreign exchange risk VaR.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

RBC's ALCO surveys the interest rate environment, adjusts the interest rates for the Parent Company's loans and deposits, assesses investment opportunities and reviews the structure of assets and liabilities. RBC uses Earnings-at-Risk as a tool for measuring and managing interest rate risk in the banking book.

Earnings-at-Risk objectives and methodology
Earnings-at-Risk is a statistical measure of the likely impact of changes in interest rates to the RBC's net interest income (NII). To do this, repricing gaps (difference between interest rate-sensitive assets and liabilities) are classified according to time to repricing and multiplied with applicable historical interest rate volatility, 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 RBC's net interest income could decline if interest rates decrease upon repricing. A negative repricing gap implies that RBC'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 and EaR/NII targets are set for time bands up to one year. EaR is prepared and reported to the Risk Management Committee quarterly.

RBC's EaR figures are as follows (in PHP millions):

	2012			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	**₱53.95**	**₱75.98**	**₱37.42**	**₱37.42**
Instruments sensitive to foreign interest rates	**0.13**	**0.15**	**0.11**	**0.11**

	2011			
	Average	High	Low	December 31
Instruments sensitive to local interest rates	₱85.59	₱127.85	₱47.41	₱110.71
Instruments sensitive to foreign interest rates	1.67	2.19	1.07	1.07

Foreign currency risk
RBC seeks to maintain a square or minimal position on its foreign currency exposure. Foreign currency liabilities generally consist of foreign currency deposits in RBC's Foreign Currency Deposit Unit (FCDU). Foreign currency deposits are generally used to fund RBC'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. RBC uses VaR methodology for measuring foreign currency risk.

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 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 5.5% to 7.0% in 2012 and 6.1% to 7.1% in 2011.

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.

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

Deposit liabilities
Fair values are estimated using the discounted cash flow methodology using RBC's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liabilities 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.

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows (interests and principal) using the applicable rates for similar types of loans. The discount rates used range from 0.6% to 4.4% in 2012 and 0.2% to 7.1% in 2011.

Derivative financial instruments
The fair values of the interest rate swaps and commodity swaps and 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 cross currency swaps are based on the discounted cash flow swap valuation model of a third party provider.

As of December 31, 2012 and 2011, except for the following financial instruments, the carrying values of the Group's financial assets and liabilities as reflected in the consolidated statements of financial position and related notes approximate their respective fair values.

	2012		2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Finance receivables	**₱17,199,408,241**	**₱18,194,425,860**	₱12,160,584,030	₱12,466,282,512
Trade receivables	**10,081,857,609**	**9,937,549,146**	8,696,770,491	8,370,810,859
Other receivables	**1,462,893,256**	**1,472,826,975**	1,906,510,189	1,890,398,754
	28,744,159,106	**29,604,801,981**	22,763,864,710	22,727,492,125
Refundable security deposits (included under 'Other current assets' and 'Other noncurrent assets' in the consolidated statements of financial position)	**853,951,456**	**853,951,456**	413,198,162	373,731,733
	₱29,598,110,562	**₱30,458,753,437**	₱23,177,062,872	₱23,101,223,858
Financial Liabilities				
Financial liabilities at amortized cost:				
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	**₱19,461,932,760**	**₱19,507,017,212**	₱7,702,783,632	₱7,743,748,398
Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	**2,343,073,329**	**2,151,225,512**	1,994,929,724	1,899,672,575
Long-term debt (including current portion)	**61,683,285,979**	**62,922,126,449**	71,517,494,294	74,640,154,594
	₱83,488,292,068	**₱84,580,369,173**	₱81,215,207,650	₱84,283,575,567

Fair Value Hierarchy of Financial Instruments
All financial instruments carried at fair value are classified in three categories, defined as follows:

(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.

The following table shows the Group's financial instruments carried at fair value:

	December 31, 2012		
	Level 1	**Level 2**	**Total**
Financial Assets			
Financial assets at FVPL:			
Held-for-trading:			
Debt securities:			
Private	**₱9,490,640,714**	**₱–**	**₱9,490,640,714**
Government	**3,601,933,831**	**–**	**3,601,933,831**
	13,092,574,545	**–**	**13,092,574,545**
Equity securities:			
Quoted	**2,137,860,739**	**–**	**2,137,860,739**
	15,230,435,284	**–**	**15,230,435,284**
Derivative financial assets:			
Not designated as accounting hedges	**–**	**302,748,695**	**302,748,695**
	15,230,435,284	**302,748,695**	**15,533,183,979**
AFS investments:			
Debt securities:			
Government	**8,038,973,592**	**–**	**8,038,973,592**
Private	**3,087,495,880**	**–**	**3,087,495,880**
	11,126,469,472	**–**	**11,126,469,472**
Equity securities:			
Quoted	**45,218,452,860**	**–**	**45,218,452,860**
	56,344,922,332	**–**	**56,344,922,332**
	₱71,575,357,616	**₱302,748,695**	**₱71,878,106,311**
Financial Liabilities			
Financial liabilities at FVPL:			
Derivative financial liabilities:			
Not designated as accounting hedges	**₱–**	**₱41,178,211**	**₱41,178,211**

	December 31, 2011		
	Level 1	Level 2	Total
Financial Assets			
Financial assets at FVPL:			
Held-for-trading:			
Debt securities:			
Private	₱7,412,283,736	₱40,497,717	₱7,452,781,453
Government	1,273,482,420	–	1,273,482,420
	8,685,766,156	40,497,717	8,726,263,873
Equity securities:			
Quoted	2,231,686,695	–	2,231,686,695
	10,917,452,851	40,497,717	10,957,950,568
Derivative financial assets:			
Not designated as accounting hedges	–	283,287,725	283,287,725
	10,917,452,851	323,785,442	11,241,238,293

(Forward)

	December 31, 2011		
	Level 1	Level 2	Total
AFS investments:			
Debt securities:			
Government	₱7,613,169,977	₱–	₱7,613,169,977
Private	3,440,104,893	–	3,440,104,893
	11,053,274,870	–	11,053,274,870
Equity securities:			
Quoted	44,677,024,055	–	44,677,024,055
	55,730,298,925	–	55,730,298,925
	₱66,647,751,776	₱323,785,442	₱66,971,537,218
Financial Liabilities			
Financial liabilities at FVPL:			
Derivative financial liabilities:			
Not designated as accounting hedges	₱–	₱303,930,885	₱303,930,885

In 2012 and 2011, there were no transfers between Level 1 and Level 2 fair value measurements. The Group has no Level 3 financial instruments. No transfers between any level of the fair value hierarchy took place in the equivalent comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

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:

- Foods, 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, both domestic and international, for passengers and cargoes.
- 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), polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.
- Banking - commercial banking operations, including deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing.

- 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). This segment is presented under discontinued operations in 2011 and 2010.
- Other supplementary businesses - asset management, insurance brokering, foreign exchange and securities dealing. Beginning 2012, other supplementary businesses include dividend income from PLDT.

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 the consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance cost and other charges), finance income, market valuation gains (losses) on financial assets at FVPL and derivatives, foreign exchange gains (losses), other operating income, 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 Executive Committee (Excom) is actively involved in planning, approving, reviewing, and assessing the performance of each of the Group's segments. The Excom oversees Group's decision making process. The Excom's functions are supported by the heads of each of the operating segments, which provide essential input and advice in the decision-making process.

The following tables present the financial information of each of the operating segments in accordance with PFRS except for 'Core earnings', EBIT' and EBITDA' as of and for the years ended December 31, 2012, 2011 and 2010. Core earnings pertain to income before income tax excluding market valuation gains (losses) on financial assets at FVPL, market valuation gains on derivative financial instruments and foreign exchange gains (losses).

The Group's operating segment information follows:

	December 31, 2012							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱71,201,677,779	₱37,904,453,623	₱13,496,159,940	₱4,912,723,947	₱2,533,727,931	₱–	₱–	₱130,048,743,220
Intersegment revenue	–	–	–	186,113,022	–	–	(186,113,022)	–
	71,201,677,779	37,904,453,623	13,496,159,940	5,098,836,969	2,533,727,931	–	(186,113,022)	130,048,743,220
Dividend income (Note 28)	204,844,077	4,356,090	–	–	–	2,986,908,592	–	3,196,108,759
Equity in net earnings of associates and joint ventures (Note 14)	31,172,102	54,384,007	1,796,079,451	–	–	132,758,014	(5,981,635)	2,008,411,939
Total revenue	71,437,693,958	37,963,193,720	15,292,239,391	5,098,836,969	2,533,727,931	3,119,666,606	(192,094,657)	135,253,263,918
Cost of sales and services (Note 30)	52,730,554,394	27,739,594,145	6,373,057,083	5,339,913,965	779,311,082	–	(283,258,410)	92,679,172,259
Gross income (loss)	₱18,707,139,564	₱10,223,599,575	₱8,919,182,308	(₱241,076,996)	₱1,754,416,849	₱3,119,666,606	91,163,753	42,574,091,659
General and administrative expenses (Note 31)								21,734,816,649
Impairment losses and others (Note 34)								271,254,229
Operating income								20,568,020,781
Financing cost and other charges (Note 35)								(4,120,299,659)
Finance income (Note 27)								2,479,635,046
Other operating income (Note 29)								545,470,985
Core earnings								19,472,827,153
Market valuation gain on financial assets at FVPL and derivative financial instruments								1,865,898,229
Foreign exchange gains								1,399,125,794
Income before income tax								22,737,851,176
Provision for income tax (Note 38)								2,833,691,846
Net income								₱19,904,159,330
Net income (loss) attributable to equity holders of the Parent Company	₱4,690,870,141	₱2,400,013,513	₱4,380,410,829	(₱523,734,964)	₱233,939,942	₱2,490,563,052	(₱139,168,130)	₱13,532,894,383
EBIT	₱8,036,540,837	₱2,718,718,333	₱5,214,880,264	(₱533,488,314)	₱528,254,390	₱4,603,115,271	₱–	₱20,568,020,781
Depreciation and amortization (Notes 15, 16, 18 and 33)	3,419,027,676	2,767,863,860	2,083,885,060	157,146,499	103,918,231	39,992,831	–	8,571,834,157
EBITDA	₱11,455,568,513	₱5,486,582,193	₱7,298,765,324	(₱376,341,815)	₱632,172,621	₱4,643,108,102	₱–	₱29,139,854,938

(Forward)

	December 31, 2012							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on:								
Intangible assets (Note 18)	**₱190,223,400**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱190,223,400**
Receivables (Note 11)	–	**2,697,464**	**731,444**	–	**60,435,613**	–	–	**63,864,521**
Other noncurrent assets (Note 20)	–	–	–	–	**8,106,596**	–	–	**8,106,596**
Property, plant and equipment (Note 16)	**7,651,176**	–	–	–	–	–	–	**7,651,176**
Inventory obsolescence and market decline (Note 12)	–	–	–	**1,408,536**	–	–	–	**1,408,536**
	₱197,874,576	**₱2,697,464**	**₱731,444**	**₱1,408,536**	**₱68,542,209**	**₱–**	**₱–**	**₱271,254,229**

December 31, 2011
(As Restated - Notes 2 and 28)

	CONTINUING OPERATIONS								DISCONTINUED OPERATIONS	
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL	Tele-communications	TOTAL OPERATIONS
Revenue										
Sale of goods and services:										
External customers	₱67,167,630,481	₱33,935,402,775	₱12,789,785,121	₱4,781,883,298	₱2,359,933,505	₱–	₱–	₱121,034,635,180	₱4,524,649,269	₱125,559,284,449
Intersegment revenue	–	–	–	990,764,289	–	–	(990,764,289)	–	–	–
	67,167,630,481	33,935,402,775	12,789,785,121	5,772,647,587	2,359,933,505	–	(990,764,289)	121,034,635,180	4,524,649,269	125,559,284,449
Dividend income (Note 28)	211,016,855	30,550,894	–	–	–	3,391,213	–	244,958,962	–	244,958,962
Equity in net earnings of associates and joint ventures (Note 14)	25,469,633	42,318,202	2,037,713,779	–	–	118,079,804	(5,981,635)	2,217,599,783	–	2,217,599,783
Total revenue	67,404,116,969	34,008,271,871	14,827,498,900	5,772,647,587	2,359,933,505	121,471,017	(996,745,924)	123,497,193,925	4,524,649,269	128,021,843,194
Cost of sales and services (Note 30)	50,645,273,658	24,071,054,839	6,509,426,344	5,792,194,377	684,063,083	–	(990,764,289)	86,711,248,012	496,535,978	87,207,783,990
Gross income (loss)	₱16,758,843,311	₱9,937,217,032	₱8,318,072,556	(₱19,546,790)	₱1,675,870,422	₱121,471,017	(₱5,981,635)	36,785,945,913	4,028,113,291	40,814,059,204
General and administrative expenses (Note 31)								19,105,642,981	3,625,943,506	22,731,586,487
Impairment losses and others (Note 34)								329,638,645	59,401,794	389,040,439
Operating income								17,350,664,287	342,767,991	17,693,432,278
Financing cost and other charges (Note 35)								(5,358,526,349)	(116,858,869)	(5,475,385,218)
Finance income (Note 27)								3,215,590,280	1,398,694,829	4,614,285,109
Other operating income (Note 29)								1,074,512,120	7,713,286	1,082,225,406
Core earnings								16,282,240,338	1,632,317,237	17,914,557,575
Market valuation loss on financial assets at FVPL and derivative financial instruments								(648,911,932)	(43,945,006)	(692,856,938)
Foreign exchange loss								(245,881,638)	(33,963,568)	(279,845,206)
Income before income tax								15,387,446,768	1,554,408,663	16,941,855,431
Provision for income tax (Note 38)								1,962,532,759	12,697,904	1,975,230,663
Income after income tax								13,424,914,009	1,541,710,759	14,966,624,768
Gain on sale of subsidiary								–	11,570,087,639	11,570,087,639
Net income								₱13,424,914,009	₱13,111,798,398	₱26,536,712,407
Net income (loss) attributable to equity holders of the Parent Company	₱2,975,039,881	₱2,436,369,647	₱4,460,830,244	(₱383,972,661)	₱271,582,246	₱722,596,022	(₱2,005,085,557)	₱8,477,359,822	₱13,035,501,339	₱21,512,861,161
EBIT	₱7,125,234,109	₱3,409,224,173	₱4,508,841,960	(₱327,797,733)	₱579,539,354	₱2,055,622,424	₱–	₱17,350,664,287	₱342,767,991	₱17,693,432,278
Depreciation and amortization (Notes 15, 16, 18, 20 and 33)	3,266,144,468	2,314,954,127	2,113,120,088	146,162,144	83,639,461	54,079,595	–	7,978,099,883	1,546,551,044	9,524,650,927
EBITDA	₱10,391,378,577	₱5,724,178,300	₱6,621,962,048	(₱181,635,589)	₱663,178,815	₱2,109,702,019	₱–	₱25,328,764,170	₱1,889,319,035	₱27,218,083,205

(Forward)

December 31, 2011

	CONTINUING OPERATIONS								DISCONTINUED OPERATIONS	
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL	Tele-communications	TOTAL OPERATIONS
Other information										
Non-cash expenses other than depreciation and amortization (Note 34):										
Impairment losses:										
Receivables (Notes 11 and 44)	₱5,625,813	₱611,385	₱770,804	₱6,911,560	₱88,598,316	₱–	₱–	₱102,517,878	₱59,401,794	₱161,919,672
Intangible assets (Note 18)	84,014,765	–	–	–	–	–	–	84,014,765	–	84,014,765
Goodwill (Note 19)	63,500,000	–	–	–	–	–	–	63,500,000	–	63,500,000
Property, plant and equipment (Note 16)	10,065,297	–	–	–	–	–	–	10,065,297	–	10,065,297
Noncurrent assets (Note 20)	–	–	–	–	5,136,823	–	–	5,136,823	–	5,136,823
Investment properties (Note 15)	–	–	–	–	619,075	–	–	619,075	–	619,075
Inventory obsolescence and market decline (Note 12)	4,005,060	–	–	59,779,747	–	–	–	63,784,807	–	63,784,807
	₱167,210,935	₱611,385	₱770,804	₱66,691,307	₱94,354,214	₱–	₱–	₱329,638,645	₱59,401,794	₱389,040,439

December 31, 2010
(As Restated - Notes 2 and 28)

	CONTINUING OPERATIONS								DISCONTINUED OPERATIONS	
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL	Tele-communications	TOTAL OPERATIONS
Revenue										
Sale of goods and services:										
External customers	₱57,719,996,079	₱29,088,798,959	₱10,807,257,196	₱3,306,184,683	₱1,734,465,754	₱–	₱–	₱102,656,702,671	₱16,543,916,906	₱119,200,619,577
Intersegment revenue	–	–	–	566,078,600	–	–	(566,078,600)	–	–	–
	57,719,996,079	29,088,798,959	10,807,257,196	3,872,263,283	1,734,465,754	–	(566,078,600)	102,656,702,671	16,543,916,906	119,200,619,577
Dividend income (Note 28)	189,654,704	–	–	–	–	3,231,816	–	192,886,520	–	192,886,520
Equity in net earnings of associates and joint ventures (Note 14)	26,194,500	25,248,534	2,648,908,487	–	–	68,373,201	–	2,768,724,722	–	2,768,724,722
Total revenue	57,935,845,283	29,114,047,493	13,456,165,683	3,872,263,283	1,734,465,754	71,605,017	(566,078,600)	105,618,313,913	16,543,916,906	122,162,230,819
Cost of sales and services (Note 30)	41,113,405,237	17,198,113,111	5,203,032,434	3,745,456,507	419,356,008	–	(566,078,600)	67,113,284,697	2,074,712,276	69,187,996,973
Gross income (loss)	₱16,822,440,046	₱11,915,934,382	₱8,253,133,249	₱126,806,776	₱1,315,109,746	₱71,605,017	₱–	38,505,029,216	14,469,204,630	52,974,233,846
General and administrative expenses (Note 31)								17,297,360,553	13,017,906,040	30,315,266,593
Impairment losses and others (Note 34)								345,983,265	359,883,551	705,866,816
Operating income								20,861,685,398	1,091,415,039	21,953,100,437
Financing cost and other charges (Note 35)								(5,527,356,812)	(394,490,003)	(5,921,846,815)
Finance income (Note 27)								1,939,824,597	32,872,466	1,972,697,063
Other operating income (Note 29)								636,480,948	49,363,271	685,844,219
Core earnings								17,910,634,131	779,160,773	18,689,794,904
Market valuation gain (loss) on financial assets at FVPL and derivative financial instruments								1,712,543,894	(68,234,326)	1,644,309,568
Foreign exchange loss								1,938,838,537	907,458,980	2,846,297,517
Income before income tax								21,562,016,562	1,618,385,427	23,180,401,989
Provision for income tax (Note 38)								1,610,249,143	655,589,514	2,265,838,657
Net income								₱19,951,767,419	₱962,795,913	₱20,914,563,332
Net income (loss) attributable to equity holders of the Parent Company	₱5,014,063,930	₱6,555,670,912	₱4,818,939,274	(₱102,146,004)	₱298,339,070	(₱89,038,495)	(₱920,377,070)	₱15,575,451,617	₱746,148,184	₱16,321,599,801
EBIT	₱7,894,057,589	₱6,304,971,378	₱4,008,941,347	(₱96,285,690)	₱342,860,225	₱2,407,140,549	₱–	₱20,861,685,398	₱1,091,415,039	₱21,953,100,437
Depreciation and amortization (Notes 15, 16, 18 and 33)	3,280,800,173	1,866,126,225	1,912,198,868	131,665,885	65,085,613	39,407,744	–	7,295,284,508	5,877,050,996	13,172,335,504
EBITDA	₱11,174,857,762	₱8,171,097,603	₱5,921,140,215	₱35,380,195	₱407,945,838	₱2,446,548,293	₱–	₱28,156,969,906	₱6,968,466,035	₱35,125,435,941

(Forward)

	December 31, 2010									
	CONTINUING OPERATIONS								DISCONTINUED OPERATIONS	
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL	Tele-communications	TOTAL OPERATIONS
Other information										
Non-cash expenses other than depreciation and amortization (Note 34):										
Impairment losses on receivables (Notes 11 and 44)	₱163,552,126	₱2,127,309	₱–	₱1,248,635	₱151,285,298	₱12,670,357	₱–	₱330,883,725	₱357,402,880	₱688,286,605
Inventory obsolescence and market decline (Notes 12 and 44)	248,805	–	–	14,850,735	–	–	–	15,099,540	2,480,671	17,580,211
	₱163,800,931	₱2,127,309	₱–	₱16,099,370	₱151,285,298	₱12,670,357	₱–	₱345,983,265	₱359,883,551	₱705,866,816

Other information on the Group's operating segments follow:

	December 31, 2012							
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Banking**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**Consolidated**
Investments in associates and joint ventures (Note 14)	**₱96,139,053**	**₱511,756,873**	**₱32,321,698,046**	**₱–**	**₱–**	**₱567,698,708**	**₱–**	**₱33,497,292,680**
Segment assets	**₱69,987,315,242**	**₱61,443,751,261**	**₱70,646,747,635**	**₱25,987,138,741**	**₱41,329,045,734**	**₱140,491,976,393**	**(₱69,587,608,800)**	**₱340,298,366,206**
Short-term debt (Note 23)	**₱12,052,897,098**	**₱–**	**₱–**	**₱1,406,680,975**	**₱–**	**₱5,937,501,925**	**₱–**	**₱19,397,079,998**
Long-term debt (Note 23)	**₱2,990,455,926**	**₱22,924,359,199**	**₱12,000,000,000**	**₱–**	**₱–**	**₱23,768,470,854**	**₱–**	**₱61,683,285,979**
Segment liabilities	**₱23,370,763,638**	**₱40,074,986,811**	**₱24,073,545,864**	**₱4,701,366,873**	**₱35,597,637,450**	**₱53,273,017,247**	**(₱39,719,866,315)**	**₱141,371,451,568**
Capital expenditures (Notes 15 and 16)	**₱5,129,191,994**	**₱10,455,747,815**	**₱6,300,441,090**	**₱10,728,395,337**	**₱361,907,302**	**₱26,201,816**	**₱–**	**₱33,001,885,354**

	December 31, 2011									
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Total Continuing Operations	Discontinued Operations Tele-communications	Consolidated
Investments in associates and joint ventures (Note 14)	₱89,966,944	₱409,478,237	₱31,036,493,201	₱–	₱–	₱520,025,486	₱–	₱32,055,963,868	₱–	₱32,055,963,868
Segment assets	₱68,373,683,901	₱54,697,597,746	₱65,118,791,480	₱12,746,546,689	₱31,515,878,991	₱153,364,856,958	(₱72,183,286,823)	₱313,634,068,942	₱–	₱313,634,068,942
Short-term debt (Note 23)	₱7,197,788,918	₱–	₱–	₱2,868,424,854	₱–	₱9,026,420,492	₱–	₱19,092,634,264	₱–	₱19,092,634,264
Long-term debt (Note 23)	₱11,208,210,724	₱20,871,893,433	₱15,000,000,000	₱–	₱–	₱24,437,390,137	₱–	₱71,517,494,294	₱–	₱71,517,494,294
Segment liabilities	₱26,347,172,407	₱36,705,516,893	₱26,082,193,270	₱4,314,877,711	₱26,170,627,184	₱70,054,948,477	(₱56,440,086,978)	₱133,235,248,964	₱–	₱133,235,248,964
Capital expenditures (Notes 15 and 16)	₱4,559,453,861	₱9,405,733,815	₱11,082,104,773	₱8,233,931,355	₱166,238,050	₱1,103,993,948	₱–	₱34,551,455,802	₱1,280,729,400	₱35,832,185,202

	December 31, 2010									
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Total Continuing Operations	Discontinued Operations Tele-communications	Consolidated
Investments in associates and joint ventures	₱89,497,240	₱369,644,738	₱29,361,243,640	₱–	₱–	₱605,376,630	₱–	₱30,425,762,248	₱–	₱30,425,762,248
Segment assets	₱65,367,175,366	₱48,904,680,686	₱53,101,135,224	₱7,679,208,825	₱24,590,673,476	₱157,085,570,977	(₱122,514,595,174)	₱234,213,849,380	₱90,897,908,000	₱325,111,757,380
Short-term debt	₱5,111,859,534	₱–	₱–	₱2,255,696,545	₱–	₱7,535,085,610	₱–	₱14,902,641,689	₱449,404,721	₱15,352,046,410
Long-term debt	₱11,226,348,770	₱18,432,708,704	₱15,000,000,000	₱–	₱–	₱37,732,864,045	₱–	₱82,391,921,519	₱15,264,176,622	₱97,656,098,141
Segment liabilities	₱23,528,934,357	₱32,345,072,561	₱25,363,707,010	₱9,687,852,790	₱19,955,942,974	₱87,832,987,863	(₱113,916,530,528)	₱84,797,967,027	₱90,853,393,000	₱175,651,360,027
Capital expenditures	₱3,582,808,089	₱8,069,677,765	₱4,698,283,286	₱1,319,212,632	₱137,321,822	₱74,099,624	₱–	₱17,881,403,218	₱12,730,978,969	₱30,612,382,187

Reconciliation of Income Before Income Tax to EBITDA and Core Earnings

	2012	2011	2010
Income before income tax	**₱22,737,851,176**	₱16,941,855,431	₱23,180,401,989
Finance income	**(2,479,635,046)**	(4,614,285,109)	(1,972,697,063)
Financing cost and other charges	**4,120,299,659**	5,475,385,218	5,921,846,815
Other operating income	**(545,470,985)**	(1,082,225,406)	(685,844,219)
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**(1,865,898,229)**	692,856,938	(1,644,309,568)
Foreign exchange losses (gains)	**(1,399,125,794)**	279,845,206	(2,846,297,517)
EBIT	**20,568,020,781**	17,693,432,278	21,953,100,437
Depreciation and amortization	**8,571,834,157**	9,524,650,927	13,172,335,504
EBITDA	**₱29,139,854,938**	₱27,218,083,205	₱35,125,435,941
Income before income tax	**₱22,737,851,176**	₱16,941,855,431	₱23,180,401,989
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**(1,865,898,229)**	692,856,938	(1,644,309,568)
Foreign exchange losses (gains)	**(1,399,125,794)**	279,845,206	(2,846,297,517)
Core earnings	**₱19,472,827,153**	₱17,914,557,575	₱18,689,794,904

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 segments. The Group defines each of the operating segment's 'Core earnings' as the total of the 'Operating income', 'Finance income' and 'Other operating income' deducted by the 'Financing cost and other charges'. EBIT is equivalent to the Group's operating income while EBITDA is computed by adding back to the EBIT the depreciation and amortization expenses during the period. Depreciation and amortization include only the depreciation and amortization of , plant and equipment, investment properties, deferred subscriber acquisition and retention costs and intangible assets.

Depreciation and amortization
In 2012, the amount of reported depreciation and amortization includes depreciation for investment properties and property, plant and equipment, and amortization of intangible assets. In 2011 and 2010, the amount of depreciation and amortization includes depreciation for investment properties and property, plant and equipment, and amortization of intangible assets and deferred subscriber acquisition and retention costs.

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, separately, 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, including those acquired through business combination.

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:

	2012	2011	2010
Domestic	**₱92,306,425,530**	₱83,688,946,042	₱73,586,797,958
Foreign	**42,946,838,388**	39,808,247,883	32,031,515,955
	₱135,253,263,918	₱123,497,193,925	₱105,618,313,913

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, deferred tax assets and pension assets:

	2012	2011
Domestic	**₱143,443,397,440**	₱118,706,531,073
Foreign	**41,945,977,046**	39,531,622,201
	₱185,389,374,486	₱158,238,153,274

7. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash on hand	**₱1,109,973,269**	₱781,049,127
Cash in banks	**13,542,523,264**	8,350,559,234
Cash equivalents	**5,045,575,974**	24,763,734,644
	₱19,698,072,507	₱33,895,343,005

Cash in banks 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 0.2% to 3.9%, 0.2% to 4.9% and 0.3% to 4.8% in 2012, 2011 and 2010, respectively.

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, 2012 and 2011. The notional amount is the basis upon which changes in the value of derivatives are measured.

	December 31, 2012					
	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$60,000,000**	**€–**	**₱2,000,000,000**	**₱4,463,000,000**	**₱90,143,152**	**₱36,497,678**
Commodity swaps*	–	–	–	–	**102,682,762**	–
Currency options	–	**900,000**	–	**49,077,000**	**834,167**	**4,680,533**
Cross currency swaps	**7,000,000**	–	–	**395,565,163**	**109,088,614**	–
	US$67,000,000	**€900,000**	**₱2,000,000,000**	**₱4,907,642,163**	**₱302,748,695**	**₱41,178,211**
Presented in the consolidated statements of financial position as:						
Current					**₱302,748,695**	**₱41,178,211**

**Nominal quantity amounted to 240,000 US barrels as of December 31, 2012.*

	December 31, 2011					
	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$180,000,000	€–	₱2,000,000,000	₱9,891,200,000	₱172,496,875	₱218,686,239
Commodity swaps and options*	–	–	–	–	16,880,208	60,857,586
Currency options	–	900,000	–	51,158,520	7,552,893	22,991,518
Cross currency swaps	7,000,000	–	–	395,565,163	79,280,867	–
Foreign currency forwards	10,980,390	900,000	–	532,538,518	7,076,882	1,395,542
	US$197,980,390	€1,800,000	₱2,000,000,000	₱10,870,462,201	₱283,287,725	₱303,930,885
Presented in the consolidated statements of financial position as:						
Current					₱110,790,850	₱85,244,646
Noncurrent (Notes 20 and 24)					172,496,875	218,686,239
					₱283,287,725	₱303,930,885

**Nominal quantity amounted to 600,000 US barrels as of December 31, 2011.*

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 into 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 payments on the Inverse Floating Rate Notes based on 3M PDST-F (but not to exceed 15.7%) with fixed rate payments based on a 7.0% coupon rate. The swap agreement effectively fixes the Group's interest rate exposure on the inverse floating note to 8.8%. The interest rate swap will mature on the same date as the hedged Inverse Floating Rate Notes. As of December 31, 2012 and 2011, the positive fair values of this interest rate swap agreement amounted to ₱90.1 million and ₱172.5 million, respectively.

  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 receive 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.

  On 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 notional amount of the interest rate swap is subject to semi-annual amortization of US$20.0 million starting June 16, 2011 and will be fully settled on June 16, 2013. As of December 31, 2012 and 2011, the outstanding notional amount is US$20.0 million and US$60.0 million, respectively, and the negative fair values of this interest rate swap amounted to ₱12.2 million and ₱72.9 million, respectively.

- Commodity derivatives
  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, 2012 and 2011, the Group has outstanding fuel hedging transactions with notional quantity of 240,000 US barrels and 600,000 US barrels, respectively. The notional quantity is the amount of derivatives' underlying asset or liability, reference rate or index and is the basis upon which changes in the value of derivatives are measured. Some of these derivatives are commodity options, which can be exercised at various calculation dates with specified quantities on each calculation date. As of December 31, 2012, these commodity options have various maturity dates through December 31, 2013.

  As of December 31, 2012, the positive fair value of the commodity derivatives amounted to ₱102.7 million. As of December 31, 2011, the positive and negative fair values of the commodity derivatives amounted to ₱16.9 million and ₱60.9 million, 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 €0.9 million as of December 31, 2012 and 2011. The positive and negative fair values of these currency options amounted to ₱0.8 million and ₱4.7 million, respectively, as of December 31, 2012 and ₱7.6 million and ₱23.0 million, respectively, as of December 31, 2011.

- Currency swaps
  On January 27, 2010, July 16, 2008 and June 11, 2008, the Group entered into a long-term currency swap agreements to hedge the foreign exchange risk on certain AFS investments. As of December 31, 2012 and 2011, the positive fair value of the currency swaps amounted to ₱109.1 million and ₱79.3 million, respectively. As of December 31, 2012 and 2011, outstanding notional amount is US$7.0 million.

  The currency swap agreements matured on February 15, 2013 with maturity value amounting to ₱395.6 million.

- 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$11.0 million and €0.9 million as of December 31, 2011. The positive and negative fair values of these foreign currency forwards amounted to ₱7.1 million and ₱1.4 million as of December 31, 2011.

Derivatives designated as accounting hedges
As part of its asset and liability management, the Group uses derivatives, particularly 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 consolidated 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 US$200.0 million of the US$300.0 million Guaranteed Term Loan Facility due 2013 (Note 23). Under the swaps, the Group pays fixed and receives LIBOR every interest payment date (every June 16 and December 16). The notional amount of the interest rate swaps is subject to semi-annual amortization of US$20.0 million starting June 16, 2011. 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.

Hedge Effectiveness Results
In 2010, the net effective fair value changes on the Group's cash flow hedge that was deferred in other comprehensive income under 'Net unrealized gains (losses) on cash flow hedge' amounted to ₱52.3 million (Note 36). In 2011, prior to the termination of the underlying hedged loan, the effective fair value changes on the cashflow hedge amounting to ₱175.8 million was deferred in other comprehensive income (Note 36).

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.

Subsequent to the termination of the underlying hedged loan, the cumulative changes in fair value of the derivatives amounting to ₱188.5 million that was deferred in other comprehensive income was recycled to profit or loss under ‘Market valuation gains on derivative financial instruments’ in the consolidated statements of comprehensive income.

As of December 31, 2012 and 2011, the negative fair value of the swaps amounted to ₱24.3 million and ₱145.8 million, respectively, and the outstanding notional amount is US$40.0 million and US$120.0 million, respectively.

Net Unrealized Losses on Cash Flow Hedge

Movements in the net unrealized losses on cash flow hedge consist of:

	2011	2010
Beginning balance	(₱364,294,311)	(₱416,590,436)
Net changes shown in other comprehensive income (Note 36):		
Net changes in fair value of derivatives taken to other comprehensive income	175,838,098	52,296,125
Amounts recycled to profit or loss	188,456,213	–
	364,294,311	52,296,125
	₱–	(₱364,294,311)

Fair value changes in derivatives

The net movements in fair value of the Group’s derivative financial instruments follow:

	2012	2011
Balance at beginning of year:		
Derivative assets	**₱283,287,725**	₱1,186,178,607
Derivative liabilities	**(303,930,885)**	(809,157,927)
	(20,643,160)	377,020,680
Net changes in fair value of derivatives taken to profit or loss:		
Continuing operations	**361,470,480**	498,667,680
Discontinued operations (Note 44)	**–**	(43,945,006)
Net changes in fair value of derivatives taken to other comprehensive income	**–**	175,838,098
Fair value of settled instruments	**(79,256,836)**	(807,983,448)
Effect of disposal of a subsidiary	**–**	(220,241,164)
	282,213,644	(397,663,840)
Balance at end of year:		
Derivative assets	**302,748,695**	283,287,725
Derivative liabilities	**(41,178,211)**	(303,930,885)
	₱261,570,484	(₱20,643,160)

The net changes in fair value of derivatives taken to profit or loss are included under ‘Market valuation gains 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:

	2012	2011
Debt securities:		
Private	**₱9,490,640,714**	₱7,452,781,453
Government	**3,601,933,831**	1,273,482,420
	13,092,574,545	8,726,263,873
Equity securities:		
Quoted	**2,137,860,739**	2,231,686,695
Unquoted	**3,079**	4,516
	2,137,863,818	2,231,691,211
	₱15,230,438,363	₱10,957,955,084

In 2012 and 2010, the Group recognized net market valuation gains on financial assets at FVPL amounting to ₱1.5 billion and ₱1.2 billion, respectively. In 2011, the Group recognized net market valuation losses on financial assets at FVPL amounting to ₱1.1 billion.

Interest income recognized on financial assets at FVPL consists of (Note 27):

	2012	2011	2010
Debt securities:			
Private	**₱606,351,348**	₱658,507,026	₱585,286,153
Government	**189,857,833**	94,821,394	104,017,469
	₱796,209,181	₱753,328,420	₱689,303,622

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 statement of financial position. The global credit crunch in 2008 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, 2012*	September 30, 2011*	September 30, 2010*	September 30, 2009*	September 30, 2008*
Private bonds	**₱1,984,850,194**	₱2,451,989,177	₱3,238,990,528	₱3,851,715,862	₱3,296,606,883
Government securities	**1,862,178,302**	2,165,354,695	2,543,989,688	2,559,491,290	2,224,382,820
Equity securities	**929,128,125**	872,487,250	943,694,250	896,441,088	783,853,000
	₱4,776,156,621	₱5,489,831,122	₱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 6.1% to 18.9%, 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 gains (losses) on financial assets at FVPL' in the 2008 consolidated statement of comprehensive income.

Had the reclassification not been made, the Group's consolidated net income would have included an additional market valuation gain on financial assets at FVPL amounting to ₱393.5 million in 2012, an additional market valuation loss of ₱437.9 million in 2011, and an additional market valuation gain of ₱426.6 billion in 2010.

After reclassification, the reclassified financial assets contributed the following amounts to consolidated income before income taxes for the years ended December 31, 2012, 2011 and 2010, respectively:

	2012	2011	2010
Increase (reduction) in:			
Interest income	**₱9,004,095**	₱7,474,245	₱16,478,340
Foreign exchange losses	**(19,198,021)**	(23,298,431)	(42,496,452)

The reclassification was compliant with the criteria and rules set forth in Securities and Exchange Commission (SEC) Memorandum Circular No. 10, Series of 2008, on Amendments to PAS 39 and PFRS 7, as issued by the Philippine SEC.

10. Available-for-Sale Investments

This account consists of investments in:

	2012	2011
Debt securities:		
Government	**₱8,038,973,592**	₱7,613,169,977
Private	**3,087,495,880**	3,440,104,893
	11,126,469,472	11,053,274,870
Equity securities:		
Quoted	**45,218,452,860**	44,677,024,055
Unquoted	**17,065,871**	17,065,871
	45,235,518,731	44,694,089,926
	₱56,361,988,203	₱55,747,364,796

Breakdown of AFS investments as shown in the consolidated statements of financial position follows:

	2012	2011
Current portion	**₱12,604,430,408**	₱12,271,628,856
Noncurrent portion	**43,757,557,795**	43,475,735,940
	₱56,361,988,203	₱55,747,364,796

In 2011, the Group disposed its entire investment in Digitel in exchange for 27.6 million PLDT shares with a fair value of ₱64.3 billion at the date of exchange. As a result of the transaction, the Group recognized gain of ₱11.6 billion in the consolidated statements of comprehensive income, booked under 'Gain from sale of a subsidiary' under discontinued operations (Note 44). Included in the 27.6 million shares are 10.4 million shares which are under option agreements that the Parent Company had entered into with Philippine associate of First Pacific Company Limited and

NTT Docomo, Inc. With prior consent of PLDT, the 10.4 million shares were sold in November 2011. As a result of the transaction, the Group's remaining investment in PLDT shares decreased to 17.2 million shares with corresponding fair value of ₱40.1 billion (Note 44). The Group has classified the remaining PLDT shares representing 8.0% ownership interest as AFS investments which have a carrying value of ₱43.8 billion and ₱43.5 billion as of December 31, 2012 and 2011, respectively.

In 2012, 2011 and 2010, the Group did not recognize any permanent decline in value on its AFS investments.

Interest income recognized on AFS debt investments are as follows (Note 27):

	2012	2011	2010
Debt securities:			
Government	**₱520,370,550**	₱536,727,522	₱353,189,546
Private	**275,016,991**	254,549,893	323,429,132
	₱795,387,541	₱791,277,415	₱676,618,678

Movements in the net unrealized gains on AFS investments follow:

	2012		
	Parent Company	**Non-controlling Interests**	**Total**
Balance at beginning of year	**₱3,464,471,152**	**₱92,464,968**	**₱3,556,936,120**
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on AFS investments of the Parent Company and its subsidiaries	**501,675,588**	**172,082,163**	**673,757,751**
Realized gain on sale of AFS investments (Note 29)	**(35,503,182)**	**(19,089,648)**	**(54,592,830)**
	466,172,406	**152,992,515**	**619,164,921**
Net changes in fair value of AFS investments of an associate (Notes 14 and 36)	**10,100,452**	**–**	**10,100,452**
	476,272,858	**152,992,515**	**629,265,373**
Balance at end of year	**₱3,940,744,010**	**₱245,457,483**	**₱4,186,201,493**

	2011		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	₱316,447,250	₱203,090,146	₱519,537,396
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on AFS investments of the Parent Company and its subsidiaries	3,188,042,736	(85,761,570)	3,102,281,166
Realized gain on sale of AFS investments (Note 29)	(44,527,355)	(24,863,608)	(69,390,963)
	3,143,515,381	(110,625,178)	3,032,890,203
Net changes in fair value of AFS investments of an associate (Notes 14 and 36)	4,508,521	–	4,508,521
	3,148,023,902	(110,625,178)	3,037,398,724
Balance at end of year	₱3,464,471,152	₱92,464,968	₱3,556,936,120

	2010		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	₱197,432,263	₱50,132,492	₱247,564,755
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on AFS investments of the Parent Company and its subsidiaries	187,660,479	157,090,810	344,751,289
Realized gain on sale of AFS investments (Note 29)	(68,821,240)	(4,133,156)	(72,954,396)
	118,839,239	152,957,654	271,796,893
Net changes in fair value of AFS investments of an associate (Note 36)	175,748	–	175,748
	119,014,987	152,957,654	271,972,641
Balance at end of year	₱316,447,250	₱203,090,146	₱519,537,396

11. **Receivables**

This account consists of:

	2012	2011
Finance receivables	**₱17,669,988,725**	₱12,577,903,770
Trade receivables	**10,587,166,135**	9,216,879,739
Due from related parties (Note 40)	**1,328,454,712**	1,356,382,048
Interest receivable	**610,620,609**	715,334,659
Other receivables	**1,651,622,714**	2,101,939,394
	31,847,852,895	25,968,439,610
Less allowance for impairment losses	**1,164,618,468**	1,132,858,193
	₱30,683,234,427	₱24,835,581,417

Total receivables shown in the consolidated statements of financial position follow:

	2012	2011
Current portion	**₱16,320,725,310**	₱13,422,264,265
Noncurrent portion	**14,362,509,117**	11,413,317,152
	₱30,683,234,427	₱24,835,581,417

Noncurrent receivables consist of:

	2012	2011
Trade receivables	**₱1,125,870,844**	₱1,189,418,089
Finance receivables	**13,236,638,273**	10,223,899,063
	₱14,362,509,117	₱11,413,317,152

Finance Receivables

Breakdown of finance receivables, which represent receivables from customers of RBC, follows:

	2012	2011
Receivables from customers:		
Commercial	**₱11,657,063,483**	₱7,763,177,168
Consumption	**3,433,721,943**	2,064,871,818
Real estate	**2,093,735,426**	2,614,517,808
Domestic bills purchased	**495,138,146**	135,745,968
	17,679,658,998	12,578,312,762
Less unearned interest and discounts	**9,670,273**	408,992
	₱17,669,988,725	₱12,577,903,770

Interest income on finance receivables, unquoted debt securities and sales contract receivable included under 'Banking revenue' and 'Finance income' in profit or loss in the consolidated statements of comprehensive income, consists of (Notes 26 and 27):

	2012	2011	2010
Receivables from customers:			
Commercial	**₱617,186,555**	₱531,137,224	₱419,193,811
Real estate	**387,519,795**	231,570,335	190,097,977
Consumption	**247,371,993**	368,913,374	312,436,100
Domestic bills purchased	**983,346**	754,832	1,127,396
Unquoted debt securities	**48,543,639**	43,563,929	9,075,686
Sales contract receivable	**3,796,013**	1,034,341	1,434,874
	₱1,305,401,341	₱1,176,974,035	₱933,365,844

Restructured receivables which do not meet the requirements to be treated as performing receivables are considered as nonperforming loans. Restructured receivables as of December 31, 2012 and 2011 amounted to ₱111.8 million and ₱110.8 million, respectively.

Trade Receivables

Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱3.4 billion and ₱2.5 billion as of December 31, 2012 and 2011. 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% computed on the diminishing balance of the principal. Revenue from real estate and hotels includes interest income earned from installment contract receivables amounting to ₱253.6 million, ₱227.6 million and ₱234.2 million in 2012, 2011 and 2010, respectively (Note 27).

Other trade receivables are noninterest-bearing and generally have 30- to 90-day terms.

Others

Other receivables include unquoted debt securities, claims receivables, creditable withholding tax and other receivables. Unquoted debt securities amounting to ₱555.0 million and ₱602.6 million as of December 31, 2012 and 2011, respectively, pertain to investments in private bonds with local companies and are presented net of unamortized discount amounting to nil and ₱2.4 million, respectively. Unquoted debt securities earn interest at annual fixed rates ranging from 0.0% to 8.9% in 2012 and 2011.

As of December 31, 2012 and 2011, claims receivables amounted to ₱243.6 million and ₱224.6 million, respectively.

Allowance for Impairment Losses on Receivables

Changes in the allowance for impairment losses on receivables follow:

	December 31, 2012					
	Individual Assessment			**Collective Assessment**		
	Trade Receivables	**Finance Receivables**	**Other Receivables**	**Trade Receivables**	**Finance Receivables**	**Total**
Balance at beginning of year	**₱456,587,701**	**₱274,586,201**	**₱195,429,205**	**₱63,521,547**	**₱142,733,539**	**₱1,132,858,193**
Provision for impairment losses	**3,428,908**	**761,692**	–	–	**59,673,921**	**63,864,521**
Recovery of accounts previously written-off	**(750,515)**	–	–	–	–	**(750,515)**
Accounts written-off	**(435,130)**	–	**(6,699,747)**	–	–	**(7,134,877)**
Unrealized foreign exchange gains	**(17,043,985)**	–	–	–	–	**(17,043,985)**
Reclassification	–	**59,743,846**	–	–	**(66,918,715)**	**(7,174,869)**
Balance at end of year	**₱441,786,979**	**₱335,091,739**	**₱188,729,458**	**₱63,521,547**	**₱135,488,745**	**₱1,164,618,468**

	December 31, 2011					
	Individual Assessment			Collective Assessment		
	Trade Receivables	Finance Receivables	Other Receivables	Trade Receivables	Finance Receivables	Total
Balance at beginning of year	₱520,158,311	₱396,570,396	₱221,821,677	₱1,759,418,691	₱113,644,603	₱3,011,613,678
Provision for impairment losses	11,819,603	20,769,898	2,099,959	59,401,794	67,828,418	161,919,672
Accounts written-off	(15,329,908)	(142,754,093)	(13,509,758)	–	(38,739,482)	(210,333,241)
Effect of disposal of a subsidiary	(60,060,305)	–	(14,982,673)	(1,755,298,938)	–	(1,830,341,916)
Balance at end of year	₱456,587,701	₱274,586,201	₱195,429,205	₱63,521,547	₱142,733,539	₱1,132,858,193

Breakdown of provision for impairment losses on receivables follows:

	2012	2011	2010
Continuing operations (Note 34)	**₱63,864,521**	₱102,517,878	₱330,883,725
Discontinued operations	–	59,401,794	357,402,880
	₱63,864,521	₱161,919,672	₱688,286,605

12. Inventories

This account consists of inventories held as follow:

	2012	2011
At cost:		
Raw materials	**₱3,639,758,183**	₱3,598,336,480
Finished goods	**3,218,174,006**	3,017,249,923
	6,857,932,189	6,615,586,403
At NRV:		
Subdivision land, condominium and residential units for sale	**10,991,157,298**	8,491,028,487
Spare parts, packaging materials and other supplies	**3,106,211,006**	2,997,982,794
Work-in-process	**371,702,619**	486,414,046
By-products	**26,646,141**	18,070,095
	14,495,717,064	11,993,495,422
Materials in-transit	**1,656,855,588**	1,834,802,837
	₱23,010,504,841	₱20,443,884,662

Summary of the movements in real estate inventory follows:

	2012	2011
Balance at beginning of year	**₱8,491,028,487**	₱6,197,307,815
Land acquired during the year	**315,364,666**	509,525,443
Land cost transferred from investment property	**701,794,361**	165,397,823
Construction and development costs incurred	**3,814,411,829**	4,283,169,246
Borrowing costs capitalized	**29,143,684**	–
Costs of real estate sales (Note 30)	**(2,360,585,729)**	(2,664,371,840)
	₱10,991,157,298	₱8,491,028,487

Under the terms of agreements covering liabilities under trust receipts amounting to ₱4.9 billion and ₱4.1 billion as of December 31, 2012 and 2011, respectively, inventories of equivalent amount with the liabilities under trust receipts have been released to the Group in trust for the creditor banks (Note 23). 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' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱673.6 million, ₱470.1 million and ₱459.7 million in 2012, 2011 and 2010, respectively.

The Group recognized inventory obsolescence and market decline included under 'Impairment losses and others' in the following sections of the consolidated statements of comprehensive income:

	2012	2011	2010
Continuing operations (Note 34)	**₱1,408,536**	₱63,784,807	₱15,099,540
Discontinued operations	**–**	–	2,480,671
	₱1,408,536	₱63,784,807	₱17,580,211

13. **Other Current Assets**

This account consists of:

	2012	2011
Input value-added tax (VAT)	**₱2,025,479,885**	₱1,698,955,523
Funds under escrow	**1,639,198,798**	4,340,500,000
Advances to suppliers	**793,640,671**	932,900,119
Prepaid expenses	**505,045,569**	451,387,692
Advances to lot owners	**144,951,759**	32,772,104
Utility deposits	**4,065,390**	3,519,980
Others	**762,900,353**	58,126,208
	₱5,875,282,425	₱7,518,161,626

Input VAT
As of December 31, 2012 and 2011, the gross amount of output VAT deducted from input VAT amounted to ₱8.3 billion and ₱3.3 billion, respectively. The Group believes that the amount of input VAT is fully realizable in the future.

Funds under Escrow
As part of the SPA entered into by the Parent Company and PLDT (the Parties) (Note 44), an Escrow Agreement was executed on November 10, 2011 by the Parties with a third party Bank (Escrow Agent) which states that upon exercise of the options by the Parties, the Parent Company will deliver an amount of ₱4.3 billion to the Escrow Agent. The Escrow account is interest bearing and has an original term of six months from the closing date of the SPA. Subject to the terms and conditions of the SPA, the funds will be released to the Parent Company if certain conditions on working capital and net debt of the Digitel Group are met. In May 2012, the Parent Company received part of the escrow fund amounting to ₱2.8 billion from the Escrow Agent. As of December 31, 2012, the balance of ₱1.6 billion remains outstanding. Following the completion of the remaining post-closing exercise, management has formally written PLDT for the release of funds under escrow.

Advances to Suppliers
Advances to suppliers include advance payments for the acquisition of raw materials, spare parts, packaging materials and other supplies. Also included in the account are advances made for the purchase of various aircraft parts and service maintenance. These are applied against progress billings which occur within one year from the date the advances arose.

Prepaid Expenses
This includes:

	2012	2011
Prepaid rent	**₱168,229,184**	₱179,403,127
Prepaid insurance	**106,325,200**	124,986,548
Prepaid office supplies	**72,823,109**	4,427,028
Prepaid advertising	**46,474,942**	38,619,931
Prepaid taxes	**39,711,334**	35,338,582
Other prepaid expenses	**71,481,800**	68,612,476
	₱505,045,569	₱451,387,692

Advances to Lot Owners
Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired and intended to be classified as inventories in the Group's real estate business.

Others
Others include refundable deposit amounting to ₱500.0 million made by the Group in connection with a public auction of a certain property by the Government. The deposit is refundable 90 days from the bid submission date. The Group lost in the said auction and received the deposit in January 2013.

Also included under 'Others' account are creditable withholding taxes amounting to ₱262.2 million as of December 31, 2012.

14. **Investments in Associates and Joint Ventures**

This account consists of:

	2012	2011
Acquisition cost:		
Balance at beginning of year	**₱19,586,228,469**	₱19,727,475,601
Additional investments	**105,283,416**	172,144,748
Effect of disposal of a subsidiary	–	(292,869,840)
Return of investment from an associate	–	(20,522,040)
Balance at end of year	**19,691,511,885**	19,586,228,469
Accumulated equity in net earnings:		
Balance at beginning of year	**12,684,263,965**	10,998,327,321
Equity in net earnings	**2,008,411,939**	2,217,599,783
Cash dividends received	**(647,461,127)**	(575,078,473)
Effect of disposal of a subsidiary	–	43,415,334
Balance at end of year	**14,045,214,777**	12,684,263,965
Share in net unrealized gain on AFS investments of an associate:		
Balance at beginning of year	**6,044,857**	1,536,336
Share in net changes in fair value of AFS investments of an associate (Note 36)	**10,100,452**	4,508,521
Balance at end of year	**16,145,309**	6,044,857
Cumulative translation adjustment	**41,871,106**	76,876,974
	33,794,743,077	32,353,414,265
Less allowance for impairment losses	**297,450,397**	297,450,397
	₱33,497,292,680	₱32,055,963,868

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	
	2012	2011	**2012**	2011
			(In Million Pesos)	
Associates				
Foreign:				
United Industrial Corp., Limited (UICL)	**36.08**	36.09	**₱32,321.7**	₱31,036.5
Domestic:				
OPMC	**19.40**	19.40	**439.1**	415.2
Cebu Light Industrial Park, Inc. (CLIPI)	**20.00**	20.00	**99.1**	65.0
Jobstreet.com Philippines, Inc. (JPI)	**40.00**	40.00	**29.5**	39.8
Sterling Holdings and Security Corporation (SHSC)	**49.00**	49.00	–	–
Bauang Private Power Corporation (BPPC)/First Private Power Corporation (FPPC)	**18.66**	18.66	–	–
			32,889.4	31,556.5
Joint Ventures				
Domestic:				
SIA Engineering (Philippines) Corp. (SIAEP)	**23.53**	23.53	**258.5**	244.0
Aviation Partnership (Philippines) Corp. (APPC)	**32.94**	32.95	**129.1**	131.7
Hunt-Universal Robina Corporation (HURC)	**30.32**	32.08	**96.1**	90.0
Philippine Academy for Aviation Training (PAAT)	**33.62**	40.34	**124.2**	33.8
			607.9	499.5
			₱33,497.3	₱32,056.0

Investment in UICL
UICL follows the revaluation method of measuring investment properties while the Group follows the cost method of measuring investment properties. The financial information of UICL below represents the adjusted amounts after reversal of the effect of revaluation and depreciation on the said assets.

Financial information of UICL follows:

	2012	2011
Current assets	**₱33,189,998,686**	₱36,424,862,998
Noncurrent assets	**222,486,998,809**	208,498,566,485
Current liabilities	**28,495,079,327**	37,311,635,922
Noncurrent liabilities	**12,448,606,530**	5,445,957,480
Non-controlling interest	**57,298,815,124**	56,520,474,160
Revenue	**24,567,480,712**	27,104,267,160
Cost of sales	**14,195,581,838**	15,201,666,524
Net income	**1,305,919,774**	11,328,336,735

Investment in OPMC
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.

Fair value of investments in listed associates
As of December 31, 2012 and 2011, the Group's investments in the following listed investee companies have a fair value of:

	Exchange Listed	**2012**	2011
UICL	Singapore Exchange Limited	**₱47,632,797,263**	₱45,886,715,900
OPMC	Philippine Stock Exchange	**767,153,503**	650,728,898

As of December 31, 2012 and 2011, the breakdown of the total fair market value of the Group's investment in OPMC follows:

	2012	2011
Class A Common Stock	**₱171,200,099**	₱144,168,505
Class B Common Stock	**595,953,404**	506,560,393

The fair value is based on the quoted price prevailing as of the reporting date.

Investment in CLIPI
The Group's investment in CLIPI includes deposits for future subscription amounting to ₱72.0 million on the latter's proposed increase in authorized capital stock. Such increase in CLIPI's authorized capital stock has not been effected as of December 31, 2012 and 2011.

Summarized below is the financial information of the significant associates of the Group:

2012

	Statement of Financial Position				Statement of Comprehensive Income		
Associate	**Current Assets**	**Noncurrent Assets**	**Current Liabilities**	**Noncurrent Liabilities**	**Revenue**	**Costs and Expenses**	**Net Income**
OPMC	**₱1,889,317,424**	**₱1,188,642,651**	**₱26,381,973**	**₱96,442,706**	**₱648,271,375**	**₱253,976,113**	**₱421,650,855**
CLIPI	**454,822,516**	**313,251,535**	**272,604,267**	**873,433**	**530,984,672**	**337,978,552**	**170,088,135**
JPI	**470,213,354**	**25,395,935**	**444,059,485**	**5,930,461**	**390,679,135**	**204,570,596**	**110,012,276**

2011

	Statement of Financial Position				Statement of Comprehensive Income		
Associate	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Costs and Expenses	Net Income
OPMC	₱1,670,447,225	₱1,182,158,752	₱25,851,089	₱122,583,304	₱1,039,526,621	₱337,540,759	₱374,685,647
CLIPI	601,171,759	292,839,283	522,808,904	46,693,922	199,256,325	148,179,400	47,642,389
JPI	350,553,619	15,429,221	327,072,098	3,517,695	286,621,377	160,850,804	71,769,739

Investment in SHSC
The investment in SHSC is fully provided with allowance amounting to ₱113.4 million as of December 31, 2012 and 2011.

Investment in FPPC/BPPC
On October 14, 2010, the BOD and stockholders of FPPC and BPPC 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 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.

On September 16, 2011, the Parent Company received from BPPC an amount of ₱31.7 million representing return of investment. The payment was applicable to FPPC shares held by the Parent Company with a carrying value of ₱20.5 million. The remaining balance in the Parent Company's investment in FPPC amounting to ₱5.9 million was written off since management believes that it is least likely that the remaining investment will be recovered.

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.

PAAT
Investment in PAAT pertains to the Group's 60.0% investment in shares of the joint venture. However, the joint venture agreement between the Group and CAE International Holdings Limited (CAE) states that the Group is entitled to 50.0% share on the net income/loss of PAAT. As such, the Group recognizes equivalent 50.0% share in net income and net assets of the joint venture.

The Parent Company entered into a joint venture agreement with CAE on December 13, 2011. PAAT was created to provide training for pilots, cabin crews, aviation management services and guest services for purposes of addressing the Group's training requirements and to pursue business opportunities for training third parties in the commercial fixed wing aviation industry, including other local and international airline companies. On December 19, 2011, the Parent Company paid ₱33.8 million representing 25% payment for the 135,000,000 Class A subscribed shares at ₱1.0 par value. PAAT was formally incorporated on January 27, 2012.

As of December 31, 2012 and 2011, the Parent Company's investment in PAAT amounted to ₱124.2 million and ₱33.8 million, net of subscription payable of ₱101.3 million, respectively.

The summary of information below is adjusted to the proportionate share of the Group in the assets and liabilities as at December 31, 2012 and 2011 and the income and expenses of the jointly controlled entities for the years ended December 31, 2012 and 2011.

2012

	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	**₱135,585,159**	**₱23,292,019**	**₱71,516,393**	**₱–**	**₱138,693,439**	**₱97,750,225**	**₱27,223,520**
HURC	**152,626,945**	**674,152**	**125,386,274**	**–**	**198,126,391**	**173,690,761**	**18,996,279**
SIAEP	**97,962,750**	**142,110,982**	**88,813,400**	**–**	**86,062,555**	**81,302,852**	**4,180,678**
PAAT	**21,016,243**	**145,530,384**	**84,037,176**	**–**	**80,618**	**9,432,288**	**(7,171,094)**

2011

	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	₱130,640,715	₱17,484,399	₱58,939,161	₱–	₱166,527,392	₱118,104,727	₱34,386,685
HURC	107,246,918	926,556	82,557,057	186,628	211,028,204	190,770,482	16,341,316
SIAEP	62,834,435	142,269,566	53,665,036	–	64,471,287	75,113,018	(11,136,180)

As of December 31, 2012 and 2011, the Group has no unrecognized share of losses, share on commitments and contingencies of its associates and joint ventures.

15. Investment Properties

Movements in this account follow:

	2012			
	Land and Land Improvements	**Buildings and Improvements**	**Construction In-Progress**	**Total**
Cost				
Balance at beginning of year	**₱18,723,301,928**	**₱30,945,512,132**	**₱5,291,466,931**	**₱54,960,280,991**
Additions	**1,474,432,125**	**911,178,363**	**3,546,618,147**	**5,932,228,635**
Additions due to business combinations (Note 46)	**175,029,262**	**–**	**–**	**175,029,262**
Retirement/disposals	**(8,437,222)**	**–**	**–**	**(8,437,222)**
Transfers/other adjustments	**(656,528,440)**	**4,022,042,706**	**(4,049,306,922)**	**(683,792,656)**
Balance at end of year	**19,707,797,653**	**35,878,733,201**	**4,788,778,156**	**60,375,309,010**
Accumulated Depreciation and Amortization				
Balance at beginning of year	**68,263,728**	**13,007,726,942**	**–**	**13,075,990,670**
Depreciation and amortization	**9,613,645**	**1,865,983,527**	**–**	**1,875,597,172**
Retirements/disposals	**(762,096)**	**–**	**–**	**(762,096)**
Transfers/other adjustments	**(68,486)**	**–**	**–**	**(68,486)**
Balance at end of year	**77,046,791**	**14,873,710,469**	**–**	**14,950,757,260**
Allowance for impairment losses	**619,075**	**–**	**–**	**619,075**
Net Book Value at End of Year	**₱19,630,131,787**	**₱21,005,022,732**	**₱4,788,778,156**	**₱45,423,932,675**

	2011			
	Land and Land Improvements	Buildings and Improvements	Construction In-Progress	Total
Cost				
Balance at beginning of year	₱11,816,859,415	₱29,873,050,038	₱1,494,802,196	₱43,184,711,649
Additions	7,005,314,453	679,500,890	3,973,233,028	11,658,048,371
Retirement/disposals	(1,981,968)	(101,313,154)	–	(103,295,122)
Transfers/other adjustments	(96,889,972)	494,274,358	(176,568,293)	220,816,093
Balance at end of year	18,723,301,928	30,945,512,132	5,291,466,931	54,960,280,991
Accumulated Depreciation and Amortization				
Balance at beginning of year	50,382,165	11,044,216,347	–	11,094,598,512
Depreciation and amortization	6,940,466	1,770,925,890	–	1,777,866,356
Retirements/disposals	(55,279)	(5,176,279)	–	(5,231,558)
Transfers/other adjustments	10,996,376	197,760,984	–	208,757,360
Balance at end of year	68,263,728	13,007,726,942	–	13,075,990,670
Allowance for Impairment Losses				
Provision for impairment losses (Note 34)	619,075	–	–	619,075
Net Book Value at End of Year	₱18,654,419,125	₱17,937,785,190	₱5,291,466,931	₱41,883,671,246

Investment properties consist mainly of land held for appreciation, and shopping malls or commercial centers and office buildings that are held to earn rentals. Also included under this account are the properties acquired by the Group's banking segment through foreclosure. Most of the Group's properties are in prime locations across the Philippines.

In 2012, land with carrying value of ₱701.8 million was transferred from investment properties to subdivision land, condominium and residential units for sale for the Group's residential projects.

Borrowing Costs

Borrowing costs capitalized amounted to ₱1.1 billion and ₱1.0 billion in 2012 and 2011, respectively. These amounts were included in the consolidated statements of cash flows under additions to investment properties. The capitalization rates used to determine the amount of borrowing costs eligible for capitalization in 2012 and 2011 are 8.15% and 8.03%, respectively.

Fair Value of Investment Properties
The fair value of investment properties, which has been determined based on valuations performed by independent and professional property appraisers performed on various dates, 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 of investment properties as of December 31, 2012 and 2011 amounted to ₱51.2 billion and ₱51.1 billion, respectively.

The fair value of the investment properties was arrived at using the *Market Data Approach*. In this approach, the fair 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 ₱6.9 billion, ₱6.2 billion and ₱5.6 billion in 2012, 2011 and 2010, respectively.

Direct Operating Expenses
Direct operating expenses pertaining to rental operations (included under 'Cost of sales and services' and 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱2.3 billion, ₱2.2 billion and ₱1.8 billion in 2012, 2011 and 2010, respectively.

Depreciation and Amortization
The breakdown of consolidated depreciation and amortization on investment properties follows:

	2012	2011	2010
Depreciation and amortization expense included under:			
Cost of services (Note 30)	**₱1,860,033,478**	₱1,756,889,603	₱1,596,776,495
General and administrative expenses (Note 31)	**15,563,694**	20,976,753	7,319,703
	₱1,875,597,172	₱1,777,866,356	₱1,604,096,198

Collaterals
As of December 31, 2012 and 2011, the Group has no investment properties that are pledged as collateral.

16. **Property, Plant and Equipment**

The composition of and movements in this account follow:

	December 31, 2012					
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Tele-communications Equipment	Investment in Cable Systems	Sub-total
Cost						
Balance at beginning of year	₱3,583,341,664	₱15,764,840,796	₱46,120,306,383	₱–	₱–	₱65,468,488,843
Additions	545,809,668	1,098,460,557	2,101,351,567	–	–	3,745,621,792
Additions due to business combination (Note 46)	6,184,400	23,656,402	–	–	–	29,840,802
Transfers, disposals and other adjustments	5,453,200	(101,440,022)	(303,942,913)	–	–	(399,929,735)
Balance at end of year	4,140,788,932	16,785,517,733	47,917,715,037	–	–	68,844,021,702
Accumulated Depreciation and Amortization						
Balance at beginning of year	592,380,326	7,174,374,689	28,924,223,459	–	–	36,690,978,474
Depreciation and amortization	50,887,612	643,108,748	2,843,779,239	–	–	3,537,775,599
Disposals and other adjustments	(2,535,082)	(110,637,401)	(298,027,881)	–	–	(411,200,364)
Balance at end of year	640,732,856	7,706,846,036	31,469,974,817	–	–	39,817,553,709
Allowance for impairment losses						
Balance at beginning of year	–	–	10,065,297	–	–	10,065,297
Provision for impairment losses (Note 34)	–	–	7,651,176	–	–	7,651,176
	–	–	17,716,473	–	–	17,716,473
Net Book Value at End of Year	₱3,500,056,076	₱9,078,671,697	₱16,419,958,450	₱–	₱–	₱29,008,751,520

	December 31, 2012				
	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	**₱5,109,129,782**	**₱43,147,431,487**	**₱17,455,179,925**	**₱102,358,702**	**₱131,282,588,739**
Additions	**475,287,149**	**6,636,493,424**	**15,305,026,801**	**688,287,640**	**26,850,716,806**
Additions due to business combination (Note 46)	**14,069,849**	–	–	–	**43,910,651**
Transfers, disposals and other adjustments	**(39,643,866)**	**1,994,633,409**	**(2,224,629,100)**	**(191,692,097)**	**(861,261,389)**
Balance at end of year	**5,558,842,914**	**51,778,558,320**	**30,535,577,626**	**598,954,245**	**157,315,954,807**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**3,177,631,384**	**10,182,875,883**	–	–	**50,051,485,741**
Depreciation and amortization	**431,591,756**	**2,723,321,319**	–	–	**6,692,688,674**
Disposals and other adjustments	**(161,878,680)**	**(7,512,600)**	–	–	**(580,591,644)**
Balance at end of year	**3,447,344,460**	**12,898,684,602**	–	–	**56,163,582,771**
Allowance for impairment losses					
Balance at beginning of year	–	–	–	–	**10,065,297**
Provision for impairment losses (Note 34)	–	–	–	–	**7,651,176**
	–	–	–	–	**17,716,473**
Net Book Value at End of Year	**₱2,111,498,454**	**₱38,879,873,718**	**₱30,535,577,626**	**₱598,954,245**	**₱101,134,655,563**

	December 31, 2011					
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Telecommunications Equipment	Investment in Cable Systems	Sub-total
Cost						
Balance at beginning 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
Additions	140,770,256	517,960,255	3,121,383,746	26,562,000	–	3,806,676,257
Effect of disposal of a subsidiary (Note 44)	(475,998,730)	(4,051,858,503)	(2,027,653,984)	(76,688,539,708)	(790,726,855)	(84,034,777,780)
Transfers, disposals and other adjustments	(104,093,907)	(72,396,491)	(52,699,402)	–	–	(229,189,800)
Balance at end of year	3,583,341,664	15,764,840,796	46,120,306,383	–	–	65,468,488,843
Accumulated Depreciation and Amortization						
Balance at beginning of year	591,046,110	8,295,032,545	28,261,827,334	30,907,766,533	238,198,373	68,293,870,895
Depreciation and amortization	59,006,637	708,350,834	2,787,448,541	979,577,000	10,732,800	4,545,115,812
Effect of disposal of a subsidiary (Note 44)	–	(1,959,644,638)	(1,115,898,647)	(31,869,430,533)	(248,931,173)	(35,193,904,991)
Disposals and other adjustments	(57,672,421)	130,635,948	(1,009,153,769)	(17,913,000)	–	(954,103,242)
Balance at end of year	592,380,326	7,174,374,689	28,924,223,459	–	–	36,690,978,474
Allowance for impairment losses						
Provision for impairment losses (Note 34)	–	–	10,065,297	–	–	10,065,297
Net Book Value at End of Year	₱2,990,961,338	₱8,590,466,107	₱17,186,017,627	₱–	₱–	₱28,767,445,072

	December 31, 2011				
	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱9,572,560,515	₱35,876,526,445	₱36,581,784,809	₱386,517,787	₱228,343,169,722
Additions	526,472,077	5,637,547,069	14,101,082,726	102,358,702	24,174,136,831
Effect of disposal of a subsidiary (Note 44)	(4,898,964,587)	–	(31,905,616,838)	–	(120,839,359,205)
Transfers, disposals and other adjustments	(90,938,223)	1,633,357,973	(1,322,070,772)	(386,517,787)	(395,358,609)
Balance at end of year	5,109,129,782	43,147,431,487	17,455,179,925	102,358,702	131,282,588,739
Accumulated Depreciation and Amortization					
Balance at beginning of year	6,914,130,420	7,921,510,313	–	–	83,129,511,628
Depreciation and amortization	548,642,626	2,272,280,768	–	–	7,366,039,206
Effect of disposal of a subsidiary (Note 44)	(4,211,731,743)	–	–	–	(39,405,636,734)
Disposals and other adjustments	(73,409,919)	(10,915,198)	–	–	(1,038,428,359)
Balance at end of year	3,177,631,384	10,182,875,883	–	–	50,051,485,741
Allowance for impairment losses					
Provision for impairment losses (Note 34)	–	–	–	–	10,065,297
Net Book Value at End of Year	₱1,931,498,398	₱32,964,555,604	₱17,455,179,925	₱102,358,702	₱81,221,037,701

Construction in-Progress

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, 2012 and 2011, the Group's capitalized pre-delivery payments as construction in-progress amounted to ₱8.4 billion and ₱6.9 billion, respectively.

JGSOC

Construction in-progress amounting to ₱16.4 billion and ₱6.7 billion as of December 31, 2012 and 2011, respectively, represents the construction costs of the Naphtha Cracker Plant. The plant is intended for the production primarily of polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.

JGSPC

Construction in-progress amounting to ₱546.0 million and ₱67.0 million as of December 31, 2012 and 2011, respectively, represents the expansion and rehabilitation of PE and PP plant.

RLC

Construction in-progress amounting to ₱4.8 billion and ₱4.7 billion as of December 31, 2012 and 2011, respectively, represents the cost of ongoing construction and development of malls and office buildings for lease.

Borrowing Costs

Borrowing costs capitalized as part of property, plant and equipment under construction amounted to nil in 2012 and 2011.

Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on property, plant and equipment follows:

	2012	2011	2010
Continuing operations:			
Cost of sales (Note 30)	**₱3,366,426,009**	₱3,178,652,452	₱3,183,399,786
Cost of services (Note 30)	**223,851,582**	356,230,485	315,422,373
General and administrative expenses (Note 31)	**3,102,411,083**	2,660,174,401	2,185,330,482
Discontinued operations	–	1,170,981,868	4,371,934,607
	₱6,692,688,674	₱7,366,039,206	₱10,056,087,248

Property, Plant and Equipment Pledged as Collateral

Passenger aircraft held as securing assets under various loans

In 2005 and 2006, CAI entered into Export Credit Agency (ECA)-backed loan facilities (ECA loans) to partially finance the purchase of ten Airbus A319 aircraft. In 2007, CAI 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. In 2008, CAI entered into both ECA loans and commercial loans to partially finance the purchase of six Avion de Transport Regional (ATR) 72-500 turboprop aircraft. Then in 2009, ECA loans were availed to finance the purchase of two ATR 72-500 turboprop aircraft.

In 2010, CAI entered into ECA loan to finance the purchase of three Airbus A320 aircraft. In 2011, CAI entered into ECA-backed loan facilities to finance the purchase of three additional Airbus A320 aircraft. In 2012, CAI entered into ECA loan to finance the purchase of four additional Airbus A320 aircraft (Note 23).

Under the terms of the ECA loans and the commercial loan facilities, upon the event of default, the outstanding amount of the loan (including accrued interest) will be payable by CALL or ILL or BLL or SLL or SALL or VALL or POALL, or by the guarantors which are CPAHI and the Parent Company. Failure to pay the obligation will allow the respective lenders to foreclose the securing assets.

As of December 31, 2012 and 2011, the carrying amounts of the securing assets (included under the 'Property, plant and equipment' in the consolidated statements of financial position) amounted to ₱35.6 billion and ₱30.4 billion, respectively.

Others
Certain property, plant and equipment of URC with an aggregate net book value of ₱34.3 million have been pledged as security for certain long-term debt of URC as of December 31, 2011 (Note 23).

<u>Operating Fleet</u>
As of December 31, 2012 and 2011, the Group's operating fleet follows:

	2012	2011
Owned (Note 23):		
Airbus A319	**10**	10
Airbus A320	**12**	8
ATR 72-500	**8**	8
Under operating lease (Note 42):		
Airbus A320	**11**	11
	41	37

17. Biological Assets

The composition and movements in this account follow:

	December 31, 2012						
	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	₱422,322,129	₱850,256,410	₱1,272,578,539	₱130,599,612	₱61,008,719	₱191,608,331	₱1,464,186,870
Additions	383,682,724	2,960,918,965	3,344,601,689	179,122,273	582,769,817	761,892,090	4,106,493,779
Disposal	(337,830,042)	(2,903,504,759)	(3,241,334,801)	(131,522,118)	(541,316,483)	(672,838,601)	(3,914,173,402)
Balance at end of year	468,174,811	907,670,616	1,375,845,427	178,199,767	102,462,053	280,661,820	1,656,507,247
Accumulated Depreciation							
Balance at beginning of year	39,015,962	–	39,015,962	54,852,091	–	54,852,091	93,868,053
Depreciation	40,854,993	–	40,854,993	135,671,573	–	135,671,573	176,526,566
Disposal	(22,815,084)	–	(22,815,084)	(92,566,197)	–	(92,566,197)	(115,381,281)
Balance at end of year	57,055,871	–	57,055,871	97,957,467	–	97,957,467	155,013,338
Gains (losses) arising from changes in fair value less estimated costs to sell	(62,399,649)	46,874,989	(15,524,660)	–	–	–	(15,524,660)
Net Book Value at End of Year	₱348,719,291	₱954,545,605	₱1,303,264,896	₱80,242,300	₱102,462,053	₱182,704,353	₱1,485,969,249

	December 31, 2011						
	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	₱396,710,301	₱787,198,756	₱1,183,909,057	₱145,480,795	₱59,678,045	₱205,158,840	₱1,389,067,897
Additions	350,854,991	2,839,957,501	3,190,812,492	–	593,208,152	593,208,152	3,784,020,644
Disposal	(335,315,726)	(2,638,517,118)	(2,973,832,844)	(14,881,183)	(591,877,478)	(606,758,661)	(3,580,591,505)
Balance at end of year	412,249,566	988,639,139	1,400,888,705	130,599,612	61,008,719	191,608,331	1,592,497,036
Accumulated Depreciation							
Balance at beginning of year	37,487,487	–	37,487,487	56,003,374	–	56,003,374	93,490,861
Depreciation	26,163,535	–	26,163,535	–	–	–	26,163,535
Disposal	(24,635,060)	–	(24,635,060)	(1,151,283)	–	(1,151,283)	(25,786,343)
Balance at end of year	39,015,962	–	39,015,962	54,852,091	–	54,852,091	93,868,053
Gains (losses) arising from changes in fair value less estimated costs to sell	10,072,563	(138,382,729)	(128,310,166)	–	–	–	(128,310,166)
Net Book Value at End of Year	₱383,306,167	₱850,256,410	₱1,233,562,577	₱75,747,521	₱61,008,719	₱136,756,240	₱1,370,318,817

The Group has about 217,796 and 206,201 heads of swine as of December 31, 2012 and 2011, respectively, and about 652,556 and 470,969 heads of poultry as of December 31, 2012 and 2011, respectively.

Total biological assets shown in the consolidated statements of financial position follow:

	2012	2011
Current portion	**₱1,057,007,658**	₱911,265,129
Noncurrent portion	**428,961,591**	459,053,688
	₱1,485,969,249	₱1,370,318,817

18. Intangible Assets

The composition and movements in this account follow:

	2012					
	Technology Licenses	**Licenses**	**Software Costs**	**Trademarks**	**Product Formulation**	**Total**
Cost						
Balance at beginning of year	**₱552,331,752**	**₱235,592,879**	**₱72,161,135**	**₱251,524,581**	**₱425,000,000**	**₱1,536,610,347**
Additions	**–**	**2,400,000**	**6,539,647**	**–**	**–**	**8,939,647**
Additions due to business combination (Note 46)	**–**	**620,000,000**	**–**	**–**	**–**	**620,000,000**
Balance at end of year	**552,331,752**	**857,992,879**	**78,700,782**	**251,524,581**	**425,000,000**	**2,165,549,994**
Accumulated Amortization and Impairment Losses						
Balance at beginning of year	**552,331,752**	**–**	**67,436,912**	**11,301,181**	**–**	**631,069,845**
Amortization	**–**	**–**	**3,548,311**	**–**	**–**	**3,548,311**
Impairment losses (Note 34)				**190,223,400**		**190,223,400**
Reclassification	**–**	**–**	**(314,143)**			**(314,143)**
Balance at end of year	**552,331,752**	**–**	**70,671,080**	**201,524,581**	**–**	**824,527,413**
Net Book Value at End of Year	**₱–**	**₱857,992,879**	**₱8,029,702**	**₱50,000,000**	**₱425,000,000**	**₱1,341,022,581**

	2011					
	Technology Licenses	Licenses	Software Costs	Trademarks	Product Formulation	Total
Cost						
Balance at beginning of year	₱552,331,752	₱234,692,879	₱72,161,135	₱335,539,346	₱425,000,000	₱1,619,725,112
Additions	–	900,000	–	–	–	900,000
Disposal of investment	–	–	–	(84,014,765)	–	(84,014,765)
Balance at end of year	552,331,752	235,592,879	72,161,135	251,524,581	425,000,000	1,536,610,347
Accumulated Amortization and Impairment Losses						
Balance at beginning of year	552,331,752	–	63,875,178	9,686,726	–	625,893,656
Amortization			3,561,734	1,614,455		5,176,189
Impairment losses (Notes 34 and 45)				84,014,765		84,014,765
Disposal of investment			–	(84,014,765)		(84,014,765)
Balance at end of year	552,331,752	–	67,436,912	11,301,181	–	631,069,845
Net Book Value at End of Year	₱–	₱235,592,879	₱4,724,223	₱240,223,400	₱425,000,000	₱905,540,502

Technology Licenses

Technology licenses represent the cost of JGSPC's technology and licensing agreements which cover the construction, manufacture, use and sale of PE and PP lines. JGSPC's technology licenses were fully impaired in 2006.

Licenses

Included in this account are 'Bank licenses' of RBC amounting to ₱324.3 million and ₱321.9 million in 2012 and 2011, respectively.

Bank licenses have been allocated to the cash-generating units (CGU) for impairment testing.

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

Key assumptions in value-in-use calculation of CGUs follow:

- Balance sheet items
  Deposit levels are based on projected bankwide plan, with varying growth of 5.0% to 20.0% depending on product type. Cash on hand is based on 3.0% of total deposits derived from historical average. Loan levels are based on historical growth, assuming a linear trend function. Past due receivables and/or real and other properties required are a function of loan levels, while other assets are a function of fund source levels. Reserve requirements include 18.0% of peso deposits.

- Income statement items
  Historical or average interest rates are used for loan interest income. For theoretical income from branch funds, peso-denominated accounts are pegged on the average high cost rate while foreign currency-denominated accounts use average interest derived from blended foreign currency-denominated funds. Other income is based on incremental growth ratios derived from the market's perceived response and assumed marketing efforts on the bank's products and services. Interest expense is computed using 0.3% for current and savings accounts, 4.8% for time deposits and special savings accounts, and 0.9% for foreign currency deposits. Operating expenses have 7% benchmark for increments.

- Net present value computation
  Terminal value is the growth rate based on the bankwide average balance sheet spread, plus weighted average cost of capital. The discount rate is the weighted average cost of capital derived using actual levels.

Trademarks and Product Formulation
Trademarks were acquired by URC from Nestlé Waters Philippines, Inc. and Acesfood in 2008 and 2007, respectively. Product formulation was acquired from General Milling Corporation in 2008.

19. Goodwill

Movements in the Group's goodwill account follow:

	2012	2011
Cost		
Balance at beginning of year	**₱1,046,767,480**	₱1,075,014,724
Additions due to business combination (Note 46)	**244,327,006**	–
Disposal of investment (Note 45)	–	(28,247,244)
Balance at end of year	**1,291,094,486**	1,046,767,480
Accumulated Impairment Losses		
Balance at beginning of year	**248,139,704**	184,639,704
Provision for impairment losses (Note 34)	–	63,500,000
Balance at end of year	**248,139,704**	248,139,704
Net Book Value at End of Year	**₱1,042,954,782**	₱798,627,776

The Group's goodwill pertains to: (a) the acquisition of LSB in December 2012, (b) the acquisition of Advanson in December 2007, (c) the acquisition of Acesfood in May 2007, (d) the excess of the acquisition cost over the fair values of the net assets acquired by Hongkong China Foods Co., Ltd. (HCFCL) and URC Asean Brands Co., Ltd. (UABCL) in 2000, and (e) 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.

In 2011, the Group recognized provision for impairment losses amounting to ₱63.5 million (included under 'Impairment losses and others' in profit or loss in the consolidated statements of comprehensive income') on the goodwill pertaining to SONEDCO (Note 34). The Group also derecognized goodwill of ₱28.2 million in relation to the disposal of Shantou SEZ Toyo Food Industrial Co. Ltd. (Shantou SEZ Toyo) and Guangdong Acesfood Co. Ltd. (Guangdong Acesfood) (Note 45).

20. Other Noncurrent Assets

This account consists of:

	2012	2011
Advances to suppliers	**₱2,015,979,514**	₱1,271,267
Input VAT	**1,662,032,457**	150,799,015
Security and miscellaneous deposits	**459,619,840**	486,258,247
Utility deposits	**284,792,491**	222,076,451
Deferred tax assets (Note 38)	**177,796,078**	242,595,026
Advances to lot owners	**172,366,647**	174,166,992
Derivative assets (Note 8)	**–**	172,496,875
Others	**437,682,188**	440,163,719
	₱5,210,269,215	₱1,889,827,592

Advances to Suppliers
Advances to suppliers include advances made for the purchase of various aircraft parts, service maintenance, machineries and equipment. The account also includes advances to suppliers for the plant expansion and renovations of URC's plants located in Malaysia and Singapore.

Input VAT
Input VAT represents VAT paid in connection with the ongoing acquisition and construction of the Group's naphtha cracker plant.

Security Deposits
Security deposits pertain to deposits provided to lessor for aircraft under operating lease.

Utility Deposits
Utility deposits consist primarily of bid bonds and meter deposits.

Advances to Lot Owners
Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired.

Others
Others include repossessed chattels.

Provision for impairment losses on other noncurrent assets recognized under 'Impairment losses and others' in profit or loss in the consolidated statements of comprehensive income amounted to ₱8.1 million and ₱5.1 million in 2012 and 2011, respectively (Note 34).

21. **Accounts Payable and Accrued Expenses**

This account consists of:

	2012	2011
Deposit liabilities	**₱15,499,122,740**	₱6,326,435,391
Trade payables	**10,295,094,173**	8,267,951,604
Accrued expenses	**8,890,668,489**	8,193,504,665
Due to related parties (Note 40)	**691,151,836**	631,507,140
Airport and other related fees payable	**534,436,035**	330,044,660
Withholding taxes payable	**149,295,632**	107,597,736
Output VAT	**16,461,637**	8,957,536
Dividends payable	**9,483,026**	8,689,011
Other payables	**1,533,669,987**	1,103,535,331
	₱37,619,383,555	₱24,978,223,074

Deposit Liabilities

Deposit liabilities represent the savings, demand and time deposit liabilities of RBC and LSB. Of the total deposit liabilities of the RBC and LSB as of December 31, 2012 and 2011, 67.2% and 70.4%, respectively, are subject to periodic interest repricing. Remaining deposit liabilities of the RBC and LBC incur interest at annual fixed rates of up to 2.8% for both years.

As of December 31, 2011, non-FCDU deposit liabilities of RBC are subject to statutory reserve of 2.00% and liquidity reserve of 6.00%.

On March 29, 2012, the BSP issued Circular No. 753 mandating the unification of the statutory and liquidity reserve requirement on deposit liabilities and deposit substitutes. As such, effective the reserve week starting April 6, 2012, non-FCDU deposit liabilities of RBC and LSB are subject to required reserves equivalent to 18.00% and 6.00%, respectively. In compliance with this circular, government securities which are used as compliance with the liquidity reserve requirements shall continue to be eligible until they mature and cash in vault shall no longer be included as reserve. The required reserves shall be kept in the form of deposits maintained in the Demand Deposit Accounts (DDAs) with the BSP. Further, deposits maintained with the BSP in compliance with the reserve requirement shall no longer be paid interest.

The liquidity and statutory reserves of RBC and LSB as reported to the BSP are as follows (Note 7):

	2012	2011
Due from BSP*	**₱5,756,584,476**	₱3,047,421,010
Cash and other cash items**	–	669,931,514
	₱5,756,584,476	₱3,717,352,524

* *Included in Cash in banks*
** *Included in Cash equivalents*

As of December 31, 2012 and 2011, RBC and LSB is in compliance with the regulations.

The details of 'Interest expense' on 'Deposit liabilities', which are included in the 'Cost of services - Banking' in profit or loss in the consolidated statements of comprehensive income are as follows (Note 30):

	2012	2011	2010
Savings	**₱533,822,581**	₱500,579,872	₱11,467,073
Time	**192,751,001**	145,802,586	277,310,307
Demand	**18,897,859**	15,092,128	102,875,442
	₱745,471,441	₱661,474,586	391,652,822

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.

Accrued Expenses
Accrued expenses consist of accruals for:

	2012	2011
Landing and take-off, navigational charges, and other aircraft-related expenses	**₱1,847,497,977**	₱1,701,604,461
Taxes and licenses	**1,306,611,012**	790,682,556
Advertising and promotions	**1,298,057,610**	1,240,988,242
Compensation and benefits	**1,108,962,258**	957,869,667
Accrued interest payable	**998,588,995**	1,244,509,791
Import bills payable	**769,081,650**	604,225,375
Contracted services	**457,174,349**	522,201,437
Rental expense	**348,824,688**	209,234,327
Utilities	**208,419,893**	248,324,819
Freight and handling costs	**191,287,113**	160,409,857
Insurance	**77,014,438**	91,624,863
Royalties	**7,328,644**	14,997,384
Other accrued expenses	**271,819,862**	406,831,886
	₱8,890,668,489	₱8,193,504,665

Other accrued expenses include accruals for travel and transportation, repairs and maintenance and other professional services.

Airport and Other Related Fees Payable
Airport and other related fees payable are amounts payable to the Philippine Tourism Authority and Air Transportation Office on aviation security, terminal fees and travel taxes.

Other Payables
Other payables mostly consist of management bonus and royalty payables.

22. Other Current Liabilities

This account consists of:

	2012	2011
Unearned transportation revenue	**₱5,981,195,913**	₱5,253,433,343
Deposits from real estate buyers (Note 24)	**1,226,426,595**	845,695,426
Deposits from lessees (Note 24)	**313,399,460**	174,545,141
Deposit from foreign carrier	**410,500,000**	–
Customer's deposits	**274,974,831**	246,517,350
Advances from agents and others	**251,878,844**	191,017,007
	₱8,458,375,643	₱6,711,208,267

Unearned Transportation Revenue
Passenger ticket and cargo waybill sales are initially recorded under 'Unearned transportation revenue' in the consolidated statements of financial position, until these are recognized under 'Air transportation revenue' in profit or loss in the consolidated statements of comprehensive income, when the transportation service is rendered by the Group (or once tickets are flown).

Deposit from Foreign Carrier
Deposit from foreign carrier represents advances received in 2012 which was subsequently returned in January 2013.

Advances from Agents and Others
Advances from agents and others represent cash bonds required from major sales and ticket offices or agents.

23. Short-term and Long-term Debts

Short-term Debts
Short-term debts consist of:

	2012	2011
Parent Company:		
Foreign currency - with interest rate ranging from 1.0% to 1.1% in 2012 and 1.1% in 2011	**₱958,928,000**	₱3,726,400,000
Subsidiaries:		
Foreign currencies - with interest rates ranging from 0.4% to 4.3% in 2012 and 0.4% to 4.4% in 2011	**16,031,471,023**	13,862,966,061
Philippine Peso - with interest rates ranging from 3.0% to 4.5% in 2012 and 4.0% to 4.5% in 2011	**2,406,680,975**	1,503,268,203
	18,438,151,998	15,366,234,264
	₱19,397,079,998	₱19,092,634,264

As of December 31, 2012 and 2011, short-term debts of certain subsidiaries denominated in foreign currency and peso include trust receipts and acceptances payable amounting to ₱4.9 billion and ₱4.1 billion, respectively. The trust receipts and acceptances payable are secured by the trusteed inventories for the same amount (Note 12).

In 2012, 2011 and 2010, the Group has incurred interest expense on short-term notes amounting to ₱631.9 million, ₱264.3 million and ₱253.8 million, respectively (Note 35).

Long-term Debts

Long-term debts (net of debt issuance costs) consist of:

	Maturities	Interest Rates	2012	2011	Condition
Parent Company:					
Fixed Rate Retail Bonds	2014	8.25%	**₱8,954,500,971**	₱8,933,149,468	Unsecured
Fixed Rate Corporate Notes	2013	8.00%	**4,303,314,929**	4,294,472,920	- do -
			13,257,815,900	13,227,622,388	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US$300.0 million guaranteed notes	2013	8.00%	**10,510,654,954**	11,209,767,749	Unsecured
URCPL					
US$200.0 million guaranteed notes	2012	8.25%	–	8,197,807,089	- do -
CAI					
ECA loans (Note 16)	Various dates through 2023	3.37% to 5.83%	**13,725,647,413**	10,896,597,403	Secured
		0.85% to 2.05% in 2012 and 2011 (US Dollar LIBOR 6 months + margin or 3 months + margin)	**7,420,307,510**	7,696,377,955	- do -
Commercial loan from foreign banks	Various dates through 2017	4.11% to 5.67% in 2012 and in 2011	**1,655,381,256**	2,079,277,203	- do -
		1.65% to 1.71% in 2012 and 2011 (US Dollar LIBOR 6 months plus margin)	**123,023,020**	199,640,872	- do -
			33,435,014,153	40,279,468,271	
Philippine Peso:					
URC					
₱3.0 billion loan facility	2014	8.75%	**2,990,455,926**	2,984,699,202	Unsecured
Philippine Sugar Corporation restructured loan	2013	7.50%	–	25,704,433	- do -
RLC					
₱5.0 billion loan facility	2014	8.50%	**5,000,000,000**	5,000,000,000	- do -
₱5.0 billion loan facility	2014	8.25%	**5,000,000,000**	5,000,000,000	- do -
₱3.0 billion loan facility	2012	6.38%	–	3,000,000,000	- do -
₱2.0 billion bonds	2013	15.70% - PDST-F rate	**2,000,000,000**	2,000,000,000	- do -
			14,990,455,926	18,010,403,635	
			48,425,470,079	58,289,871,906	
			61,683,285,979	71,517,494,294	
Less current portion			**19,553,919,868**	13,622,011,230	
			₱42,129,366,111	₱57,895,483,064	

Except for the balances of subsidiaries reporting at September 30 fiscal year end, the foreign exchange rate used to revalue the foreign currency borrowings was ₱41.05 to US$1.00 and ₱43.84 to US$1.00 on December 31, 2012 and 2011, respectively. The foreign exchange rates used by the subsidiaries reporting at fiscal year end were ₱41.70 to US$1.00 and ₱43.72 to US$1.00 on September 30, 2012 and 2011, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱0.7 million (US$17.8 thousand) and ₱19.7 million (US$0.5 million) as of December 31, 2012 and 2011, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱61.7 million and ₱97.7 million as of December 31, 2012 and 2011, respectively.

Repayments of the long-term debt (gross of debt issuance costs) follow:

	2012	2011
Due in:		
2012	**₱–**	₱13,676,929,895
2013	**19,561,336,135**	20,012,873,193
2014	**24,797,954,494**	24,474,400,064
2015	**2,766,637,278**	2,456,666,932
2016	**2,832,764,395**	2,520,735,763
Thereafter	**11,787,053,047**	8,493,316,179
	₱61,745,745,349	₱71,634,922,026

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:

Parent Company ₱4.3 Billion Fixed Rate Corporate Notes
On September 10, 2008, the Parent Company issued an aggregate amount of ₱4.3 billion fixed rate corporate notes. The notes bear an annual interest of 8.0% payable semi-annually and the principal amount will be paid on September 16, 2013. In 2012, 2011 and 2010, the interest expense recognized related to this loan, including amortization of bond issue costs, amounted to ₱353.6 million, ₱353.0 million and ₱350.4 million, respectively. As of December 31, 2012 and 2011, the carrying value of the corporate notes amounted to ₱4.3 billion, net of unamortized bond issue costs of ₱6.7 million and ₱15.5 million, respectively.

Parent Company ₱9.0 Billion Fixed Retail Bonds
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 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 bear 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.

Subsidiaries' Foreign Currency Loans

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. 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.

On January 20, 2012, URCPL fully settled the notes with a total payment of ₱8.4 billion, including interest.

Digitel Group's Bonds and Term Loan Facilities
As a result of the disposal of Digitel, as discussed in Note 44 to the consolidated financial statements, PLDT assumed the obligations of the Parent Company, as guarantor under the Digitel and DMPI loan agreements covered by guarantees from the Parent Company. Digitel and DMPI obtained the required consent of the lenders and export credit agencies for the replacement of the Parent Company by PLDT as guarantor under these loans. As at December 31, 2011, all long-term debt of Digitel Group were derecognized as part of the Group's disposal of its entire ownership interest in Digitel.

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) 10-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 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, namely the aircraft.

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 10-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.

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.

In 2009, CAI 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.

In 2010, CAI entered into ECA-backed loan facilities to fully finance the purchase of four 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 CAI pursuant to 12-year finance lease agreements. The quarterly rental payments made by CAI 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. CAI has the option to purchase the aircraft for a nominal amount at the end of such leases.

In 2011, CAI entered into ECA-backed loan facilities to fully finance the purchase of three Airbus A320 aircraft. The security trustee of the ECA loans established VALL, 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 VALL corresponds to the principal and interest payments made by VALL to the ECA-backed lenders. The quarterly lease rentals to VALL are guaranteed by the Parent Company. CAI has the option to purchase the aircraft for a nominal amount at the end of such leases.

In 2012, CAI entered into ECA-backed loan facilities to partially finance the purchase of three Airbus A320 aircraft. The security trustee of the ECA loans established POALL, 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 POALL corresponds to the principal and interest payments made by POALL to the ECA-backed lenders. The quarterly lease rentals to POALL are guaranteed by the Parent Company. CAI has the option to purchase 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 ten Airbus A319 aircraft, seven ATR 72-500 turboprop aircraft and ten Airbus A320 aircraft, follow:

- Term of 12 years starting from the delivery date of each Airbus A319 aircraft and Airbus A320, and ten years for each ATR 72-500 turboprop aircraft.
- Annuity style principal repayments for the first four Airbus A319 aircraft, eight ATR 72-500 turboprop aircraft and seven Airbus A320 aircraft, and equal principal repayments for the last six Airbus A319 aircraft and last three Airbus A320 aircraft. Principal repayments shall be made on a semi-annual basis for ATR 72-500 turboprop aircraft. Principal repayments shall be made on a quarterly basis for Airbus A319 and A320 aircraft.
- Interest on loans from the ECA lenders related to CALL, BLL and SALL is at fixed rates, which range from 3.8% to 5.8%. Interest on loans from ECA lenders related to SLL is fixed at 3.4% for one aircraft and US dollar LIBOR 6 months plus margin for the other aircraft. Interest on loans from the ECA lenders related to VALL is fixed at 2.6% for one Airbus A320 aircraft and US dollar LIBOR 3 months plus margin for two Airbus A320 aircraft. Interest on loans from ECA lenders related to POALL for the three A320 aircraft is US dollar LIBOR 3 months plus margin.
- As provided under the ECA-backed facility, CALL, BLL, SLL, SALL, VALL and POALL cannot create or allow to exist any security interest, other than what is permitted by the transaction documents or the ECA administrative parties. CALL, BLL, SLL, SALL, VALL and POALL must not allow impairment of first priority nature of the lenders' security interests.
- The ECA-backed facilities also provide 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 BLL or SLL or SALL or VALL or POALL becomes insolvent; (e) failure to discharge any attachment or sequestration order against CALL's, BLL's, SLL's, SALL's, VALL's and POALL'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 or BLL or SLL or SALL or VALL or POALL, 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.

Philippine Peso Loans

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 12.0% yearly and all penalties and surcharges due.

Certain assets of URC with a net book value of nil and ₱34.3 million as of December 31, 2012 and 2011, respectively, were used to secure the loan (Note 16). The loan is payable in 25 equal annual amortizations of ₱9.9 million. Unpaid interest on the loan amounted to nil and ₱1.4 million as of December 31, 2012 and 2011, respectively.

SONEDCO fully settled the loan with a total payment of ₱27.6 million in 2011, including interest.

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 ₱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.

Debt covenants include provision that RLC must ensure that it will remain at least 51.0% owned by the Parent Company.

RLC paid in full the loan on May 28, 2012.

RLC ₱2.0 Billion Loan Facility due in June 2013

On June 4, 2008, 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 (contingent or otherwise, present and future) 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.

Debt covenants include provision that RLC must ensure that it will remain at least 51.0% owned by the Parent Company.

RLC ₱5.0 Billion Retail Bonds due in 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 in 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.

Breakdown of total interest expense on long-term debts follows:

	2012	2011	2010
Continuing operations (Note 35)	**₱3,137,541,167**	₱4,669,096,924	₱4,937,281,124
Discontinued operations (Note 44)	–	90,813,031	280,435,831
	₱3,137,541,167	₱4,759,909,955	₱5,217,716,955

In 2012, 2011 and 2010, the Group recognized amortization of bond issue costs amounting to ₱54.3 million, ₱125.7 million and ₱104.0 million, respectively (Note 35).

24. Other Noncurrent Liabilities

This account consists of:

	2012	2011
Deposit liabilities	**₱3,962,810,020**	₱1,376,348,241
Deposits from lessees	**2,029,673,869**	1,820,384,583
ARO	**1,351,931,051**	1,263,319,344
Accrued rent expense	**1,181,403,160**	1,080,362,640
Due to related parties (Note 40)	**1,039,489,605**	994,856,747

(Forward)

	2012	2011
Deposits from real estate buyers	**₱544,836,353**	₱741,071,742
Pension liabilities (Note 37)	**406,589,215**	455,086,450
Accrued maintenance cost	**424,276,778**	670,810,817
Derivative liabilities (Note 8)	–	218,686,239
Others	**568,054,983**	634,761,102
	₱11,509,065,034	₱9,255,687,905

Deposit Liabilities
Deposit liabilities represent time deposit liabilities of RBC and LSB with maturities of beyond 12 months from reporting date.

Deposits from Lessees
Deposits from lessees (including the current portion shown in Note 22) represent cash received from tenants representing three to six months' rent which shall be refunded to tenants at the end of lease term. These are initially recorded at fair value, which is obtained by discounting its future cash flows using the applicable rates of similar types of instruments. The accretion expense on these deposits recorded as part of cost of rental services on the discount amounted to ₱65.1 million, ₱72.6 million and ₱71.3 million in 2012, 2011 and 2010, respectively (Note 30). The deposits from lessees were discounted using PDST-F rate plus 2.0% spread.

The unearned rental income (included under 'Deposit from lessees') amounted to ₱103.0 million and ₱104.0 million as of December 31, 2012 and 2011, respectively. The rental income on amortization of unearned rental income amounted to ₱65.0 million, ₱70.0 million and ₱72.0 million in 2012, 2011 and 2010, respectively.

ARO
The Group is legally required under certain leased property and lease contracts to restore certain leased passenger aircraft to stipulated return conditions and to bear the costs of restoration 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 the Group's engineer which includes estimates of certain redelivery costs at the end of the operating lease.

In 2012, the Group's capitalized ARO liability amounting to ₱459.3 million refers to the cost of restoration of two new operating lease passenger aircraft entered in March 2012. In 2011, the Group's capitalized ARO liability amounting to ₱279.9 million refers to the cost of restoration of two new operating lease passenger aircraft entered in October 2011.

In 2012 and 2011 and 2010, the Group's accretion expense on ARO liability amounted to ₱208.4 million, ₱191.5 million and ₱170.4 million, respectively.

Deposits from Real Estate Buyers
Deposits from real estate buyers (including the current portion shown in Note 22) represent cash received in advance from buyers which shall be applied against the total contract price of the subdivision land, condominium and residential units that are for sale as soon as the contractual obligation of the real estate buyer has begun. The deposits from buyers which are expected to be applied to the contract price within one year are classified as current (Note 22).

Deposits from real estate buyers also include cash collections in excess of the installment contract receivables recognized under the percentage-of-completion method which amounted to ₱1.8 billion and ₱1.6 billion as of December 31, 2012 and 2011, respectively.

Accrued Maintenance Cost
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.

25. Equity

Details of the Parent Company's authorized capital stock as of December 31, 2012 and 2011 follow:

	Par Value	Shares	Amount
Common shares	₱1.00	12,850,800,000	₱12,850,800,000
Preferred voting shares	0.01	4,000,000,000	40,000,000
Preferred non-voting shares	1.00	2,000,000,000	2,000,000,000
		18,850,800,000	₱14,890,800,000

Details of issued and fully paid, outstanding and acquired shares follow:

	2012		2011	
	Shares	**Paid-up Capital**	Shares	Paid-up Capital
Common shares				
Issued and fully paid	**6,895,273,657**	**₱14,045,731,314**	6,895,273,657	₱12,856,988,094
Less treasury shares	**98,082,000**	**721,848,289**	155,745,430	974,690,819
Total issued and outstanding	**6,797,191,657**	**₱13,323,883,025**	6,739,528,227	₱11,882,297,275
Preferred voting shares				
Issued and outstanding	**4,000,000,000**	**₱40,000,000**	4,000,000,000	₱40,000,000

Increase in Authorized Capital Stock
On December 9, 2010, the Parent Company's BOD 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).

The foregoing BOD resolution was approved by the stockholders of the Company in its special meeting held on January 27, 2011.

Issuance of Preferred Voting Shares
On July 26, 2011, the SEC approved the Parent Company's increase in authorized capital stock. Subsequently, all of the 4.0 billion preferred voting shares were fully subscribed and paid for at its par value of one centavo per share (total proceeds of ₱40.0 million).

Preferred voting shares
The preferred voting shares have, among others, the following rights, privileges and preferences:
a. Entitled to vote on all matters involving the affairs of the Parent Company requiring the approval of the stockholders. Each share shall have the same voting rights as a common share.
b. The shares shall be non-redeemable.
c. Entitled to dividends at the rate of 1/100 of common shares, such dividends shall be payable out of the surplus profits of the Parent Company so long as such shares are outstanding.
d. In the event of liquidation, dissolution, receivership or winding up of affairs of the Parent

Company, holders shall be entitled to be paid in full at par, or ratably, in so far as the assets of the Parent Company will permit, for each share held before any distribution is made to holders of the common shares.

Preferred non-voting shares
The preferences, privileges and voting powers of the preferred non-voting shares shall be as follows:

a. May be issued by the BOD of the Parent Company for such amount (not less than par), in such series, and purpose or purposes as shall be determined by the BOD of the Parent Company.
b. The shares shall be non-convertible, non-voting, cumulative and non-participating.
c. May be redeemable at the option of the Parent Company at any time, upon payment of their aggregate par or issue value, plus all accrued and unpaid dividends, on such terms as the BOD of the Parent Company may determine at the time of issuance. Shares so redeemed may be reissued by the Parent Company upon such terms and conditions as the BOD of the Parent Company may determine.
d. The holders of shares will have preference over holders of common stock in the payment of dividends and in the distribution of corporate assets in the event of dissolution, liquidation or winding up of the Parent Company, whether voluntary or involuntary. In such an event, the holders of the shares shall be paid in full or ratably, insofar as the assets of the Parent Company will permit, the par or issue value of each share held by them, as the BOD of the Parent Company may determine upon their issuance, plus unpaid cumulated dividends up to the current period, before any assets of the Parent Company shall be paid or distributed to the holders of the common shares.
e. The holders of shares shall be entitled to the payment of current as well as any accrued or unpaid dividends on the shares before any dividends can be paid to the holders of common shares.
f. The holders of shares shall not be entitled to any other or further dividends beyond that specifically payable on the preferred non-voting shares.
g. The holders of shares shall not be entitled to vote (except in those cases specifically provided by law) or be voted for.
h. The holders of shares shall have no pre-emptive rights, options or any other similar rights to subscribe or receive or purchase any or all issues or other disposition of common or other preferred shares of the Parent Company.
i. The shares shall be entitled to receive dividends at a rate or rates to be determined by the Parent Company's BOD upon their issuance.

<u>Record of Registration of Securities with the SEC</u>
Summarized below is the Parent Company's track record of registration of securities under the Securities Regulation Code.

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
June 30, 1993	Registration of authorized capital stock	–	₱1.00	₱–	12,850,800,000 common shares and 2,000,000,000 preferred non-voting shares	–

(Forward)

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
	common shares					
July 3, 1998	Stock rights offering (1:2)	2,060,921,728 common shares	₱1.00	₱2.00	–	2,060,921,728 common shares

The table below provides information regarding the number of stockholders of the Parent Company as of December 31, 2012, 2011 and 2010:

	2012	2011	2010
Common shares	**1,112**	1,171	1,233
Preferred voting shares	**1**	1	–

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:

	2012	2011
(a) Gross debt		
Short-term debt (Note 23)	**₱19,397,079,998**	₱19,092,634,264
Long-term debt (Note 23)	**61,683,285,979**	71,517,494,294
Derivative liabilities (Note 8)	**41,178,211**	303,930,885
Redeemable preferred shares (Note 46)	**30,700,000**	–
	₱81,152,244,188	₱90,914,059,443
(b) Capital	**₱198,926,914,638**	₱180,398,819,978
(c) Debt-to-capital ratio (a/b)	**0.41:1**	0.50:1

The Group's policy is to ensure that the debt-to-capital ratio would not exceed the 2.0:1.0 level.

Regulatory Capital
The BSP, under BSP Circular 538 dated August 4, 2006, has prescribed guidelines in implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform with Basel II Accord recommendations. The new BSP guidelines took effect on July 1, 2007.

RBC's regulatory capital consists of Tier 1 (core) capital, which comprises share capital and retained earnings including current year profit less required deductions such as deferred income tax and unsecured credit accommodations to directors, officers, stockholders and related interest (DOSRI). Certain adjustments are made to PFRS-based results and reserves as prescribed by the BSP. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes, among others, general loan loss provision. The risk based capital ratio of RBC is expressed as a percentage of qualifying capital to risk weighted assets, which are computed based on BSP regulations.

Under existing BSP regulations, the determination of RBC's compliance with the regulatory requirements and ratios is based on the amount of RBC's "unimpaired capital" (regulatory net worth) as reported to BSP, which is determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects. The combined capital accounts of RBC should not be less than an amount equal to 10.0% of its risk assets.

As approved, the BSP decided to maintain the present minimum overall capital adequacy ratio (CAR) of banks and quasi-banks at 10.0%. However, consistent with Basel II recommendations, it approved major methodological revisions to the calculation of minimum capital that universal banks, commercial banks and their subsidiary banks and quasi-banks should hold against actual credit risk exposures.

The guidelines for allocating minimum capital to cover market risk was also amended to some extent, primarily to align specific market risk charges on trading book assets with the revised credit risk exposure guidelines. A completely new feature is the introduction of bank capital charge for operational risk. The required disclosures to the public of bank capital structure and risk exposures are also enhanced to promote greater market discipline in line with the so-called Pillar 3 of the Basel II recommendations.

The following table sets the regulatory capital of RBC as reported to the BSP (in millions):

	2012	2011
Tier 1 capital	**₱4,836**	₱4,822
Tier 2 capital	**(242)**	145
Gross qualifying capital	**4,594**	4,967
Less required deductions	**–**	–
Total qualifying capital	**₱4,594**	₱4,967
Risk weighted assets	**₱17,464**	₱17,048
Tier 1 capital ratio	**27.69%**	28.28%
Tier 2 capital ratio	**(1.39%)**	0.85%
Risk-based CAR	**26.31%**	29.13%

Regulatory capital consists of Tier 1 capital, which comprises paid-up common stock, surplus, surplus reserves including current year profit, less total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI.

The other component of regulatory capital is Tier 2 capital, which represents the general loan loss provisions capped at a maximum of 1.25% of gross risk weighted assets. The general loan loss provisions are based on regulatory accounting principles of the BSP.

As of December 31, 2012 and 2011, the Group had complied with all externally imposed capital requirements.

Restricted Retained Earnings

Parent Company

In April 2003, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱8.0 billion. On December 30, 2010 and December 28, 2009, the Parent Company's BOD approved the additional appropriation of retained earnings amounting to ₱19.0 billion and ₱15.0 billion, respectively.

The ₱42.0 billion total appropriations of the Parent Company's retained earnings are earmarked for the following: (a) settlement of a certain subsidiary's loan obligations guaranteed by the Parent Company; (b) funding of capital expenditure commitments of certain wholly owned subsidiaries; (c) and general corporate purposes.

The details of the loan obligations and capital expenditure commitments follow:

	Subsidiary	Amount	Settlement
Loan obligations:			
US$ LIBOR plus 2.20% margin, 5-year guaranteed notes	JGSH Philippines, Limited	US$250.0 million	5 years maturing in 2018
4.38% senior unsecured notes	JGSH Philippines, Limited	US$750.0 million	10 years maturing in 2023
Capital expenditure commitments:			
Expansion of polyethylene and polypropylene plants	JGSPC	US$300.0 million	Expected completion in 2014
Construction of naphtha cracker plant	JGSOC	US$800.0 million	Expected completion in 2014

As part of its debt covenant, the Parent Company has to maintain certain financial ratios such as: (a) the Group's current ratio of not lesser than 1.0:1.0; and (b) the Group's debt-to-equity ratio of not greater than 2.0:1.0. A certain portion of retained earnings is restricted to maintain these financial ratios.

URC

In 2003, URC's BOD approved the appropriation of retained earnings amounting to ₱3.0 billion for URC's expansion plans.

In April 2011, as approved by the BOD, URC has appropriated retained earnings amounting to ₱5.0 billion for URC's expansion plans. On the same date, URC's BOD also approved the reversal of the previously appropriated retained earnings amounting to ₱3.0 billion.

URC's expansion plans include investments and capital expenditures for existing and on-going projects. Out of the ₱5.0 billion, around ₱4.3 billion was allocated to branded consumer foods group for Polyethylene terephthalate bottle projects and snack food facilities in the Philippines; expansion of chocolates, biscuits and wafer lines in Thailand and Malaysia; and expansion of beverage, biscuits, cake and candy lines in Vietnam, which are all expected to be completed within the first half of fiscal year 2013. The rest of the appropriation will be used for farm expansion, handling facilities of the feeds division and maintenance capital expenditures of the commodity group, which are expected to be disbursed in the first half of fiscal year 2013.

RLC

On May 14, 2003, the BOD of RLC 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 its capital expenditure requirement.

The current level of appropriations is earmarked for the continuing capital expenditures of RLC Group. About 33.0% of the appropriation is allocated for residential condos and housing units, mainly for the Luxuria (Amisa, Signa Designer, and Sonata projects) and Residences (Trion Towers and Magnolia Residences). 50% will be spent for mall operations (7 new malls and 2 expansion projects in the planning and development stage for completion in the next two years). 17% is allocated for office buildings for the development of 2 additional buildings in Ortigas and hotels for the Company's 6 expansion projects in the planning and development stage for completion in the next 2 years.

CAI
On April 19, 2012, the Parent Company's Executive Committee appropriated ₱483.3 million from its unrestricted retained earnings as of December 31, 2011 for purposes of the Group's re-fleeting program. The appropriated amount will be used for settlement of pre-delivery payments and aircraft lease commitments in 2013.

On December 9, 2011, the Parent Company's BOD appropriated ₱933.5 million from its unrestricted retained earnings as of December 31, 2010 for purposes of the Parent Company's re-fleeting program. The appropriated amount will be used for settlement of pre-delivery payments and aircraft lease commitments in 2013.

RBC
As of December 31, 2012, 2011 and 2010, RBC's surplus reserve amounted to ₱112.2 million, ₱108.6 million and ₱103.9 million, respectively, which were appropriated for self-insurance and for its trust operations.

RBC's BOD approved to appropriate reserves for self-insurance amounting to ₱3.6 million in 2012, 2011 and 2010.

EHI
On August 31, 2002, the Company's BOD approved the appropriation of retained earnings amounting to ₱35.0 million to be used for investment purposes. On December 29, 2011, the Company's BOD reiterated the appropriation of retained earnings to be used for strategic investments in companies that are consolidated in the Group accounts. These investments are expected to be realized within the next 2 years.

Accumulated equity in net earnings of the subsidiaries and associates
A portion of the Group's retained earnings corresponding to the net earnings of the subsidiaries and accumulated equity in net earnings of the associates and joint ventures amounting to ₱56.6 billion, ₱46.3 billion and ₱30.9 billion as of December 31, 2012, 2011 and 2010, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

Cash Dividends

Parent Company

Details of the Parent Company's dividend declarations on its common stock follow:

	2012	2011	2010
Date of declaration	**June 28, 2012**	July 7, 2011	June 28, 2010
Dividend per share	**₱0.16**	₱0.08	₱0.05
Total dividends	**₱1.1 billion**	₱543.8 million	₱339.9 million
Date of record	**July 18, 2012**	July 27, 2011	July 16, 2010
Date of payment	**August 13, 2012**	August 22, 2011	August 6, 2010

Details of the Parent Company's dividend declarations on its preferred stock follow:

	2012	2011
Date of declaration	**June 28, 2012**	July 7, 2011
Dividend per share	**₱0.0016**	₱0.0008
Total dividends	**₱6.4 million**	₱3.2 million
Date of record	**July 18, 2012**	July 27, 2011
Date of payment	**August 13, 2012**	August 22, 2011

The following tables summarize the dividends declared by significant subsidiaries of the Parent Company:

URC

Details of URC's dividend declarations follow:

	2012	2011	2010
Date of declaration	**April 18, 2012**	May 11, 2011	April 15, 2010
Dividend per share	**₱1.90**	₱1.90	₱0.94
Total dividends	**₱3.9 billion**	₱3.9 billion	₱1.9 billion
Date of record	**May 8, 2012**	May 31, 2011	May 5, 2010
Date of payment	**June 1, 2012**	June 27, 2011	May 20, 2010

RLC

Details of RLC's dividend declarations follow:

	2012	2011	2010
Date of declaration	**April 18, 2012**	May 11, 2011	April 15, 2010
Dividend per share	**₱0.36**	₱0.36	₱0.48
Total dividends	**₱1.5 billion**	₱1.5 billion	₱1.3 billion
Date of record	**May 8, 2012**	May 31, 2011	May 5, 2010
Date of payment	**June 1, 2012**	June 27, 2011	May 20, 2010

CAI

Details of CAI's dividend declarations follow:

	2012	2011
Date of declaration	**June 28, 2012**	March 17, 2011
Dividend per share - regular	**₱1.00**	₱2.00
Total dividends - regular	**₱606.0 million**	₱1.2 billion
Dividend per share - special	–	₱1.00
Total dividends - special	–	₱0.6 billion
Date of record	**July 18, 2012**	April 14, 2011
Date of payment	**August 13, 2012**	May 12, 2011

Treasury Shares
The Group has outstanding 98.1 million treasury shares amounting to ₱721.8 million as of December 31, 2012 and 155.7 million treasury shares amounting to ₱974.7 million as of December 31, 2011 and 2010.

In 2012, 57,663,430 shares of common stock of the Parent Company held by a subisidiary were sold through a secondary block sale agreement for a total consideration of ₱1.4 billion. These same shares were acquired by the subsidiary for a consideration of ₱252.8 milion in 2010. The excess of the total consideration received over the cost amounting to ₱1.2 billion was treated as an additional paid-in capital.

Equity Reserve
In August 2012, the Group acquired the remaining 23.0% ownership on URC International Co. Ltd. from the non-controlling interest for ₱7.2 billion. The excess of consideration as against the carrying value of the net assets of the non-controlling interest amounting to ₱3.4 billion is charged to 'Equity reserve' in the consolidated statement of changes in equity.

On June 14, 2012, the BOD of URC approved the sale of 120.0 million of its treasury shares through a placement to institutional investors at ₱62.0 per share or a total consideration of ₱7.4 billion. The sale decreased the outstanding treasury shares of URC to 46.1 million, equivalent to 5.8% of its outstanding shares prior to the sale. As a result of the reissuance of treasury shares by URC, the Parent Company and the non-controlling interests recognized gain amounting to ₱3.2 billion and ₱2.2 billion in 2012, respectively, which are charged directly to 'Equity reserve' account attributable to the equity holders of the Parent Company and the non-controlling interests.

On October 26, 2010, CAI had an IPO which include issuance of Primary shares and Secondary shares. The Secondary shares that were sold were owned by CPAHI, a wholly owned subsidiary of the Parent Company.

As a result of the IPO, the Group's remaining ownership over CAI is 65.5%. The Group recognized net gain from CAI's IPO amounting to ₱18.6 billion included in 'Equity reserve' in the consolidated statements of changes in equity.

Non-controlling Interests
Below is the rollfoward of non-controlling interests:

	2012	2011	2010
Beginning balance	**₱39,115,505,104**	₱31,891,251,796	₱21,736,756,026
Total comprehensive income:			
Net income attributable to non-controlling interests	**6,371,264,947**	5,023,851,246	4,592,963,531
Other comprehensive income attributable to non-controlling interests:			
Net gain (loss) on AFS investments (Note 10)	**152,992,515**	(110,625,178)	152,957,654
Cumulative translation adjustments	**(73,331,294)**	(49,550,215)	(39,286,413)
	6,450,926,168	4,863,675,853	4,706,634,772

(Forward)

	2012	2011	2010
Cash dividends paid to non-controlling interests	**(₱ 2,268,172,563)**	(₱2,579,518,135)	(₱1,217,749,826)
Additional non-controlling interests in subsidiaries	**–**	952,889,242	7,383,795,370
Decrease (increase) in subsidiaries' treasury shares	**4,201,218,573**	(288,849,407)	(718,184,546)
Acquisition of non-controlling interest by a subsidiary	**(3,838,041,702)**	–	–
Issuance of capital stock of a subsidiary	**–**	5,298,191,460	–
Effect of disposal of a subsidiary (Note 44)	**–**	(1,022,135,705)	–
	₱43,661,435,580	₱39,115,505,104	₱31,891,251,796

The increase in non-controlling interests amounting to ₱0.9 billion in 2011 was mainly attributable to the merger of RSB with RBC while the ₱7.4 billion increase in 2010 was a result of the IPO of CAI.

Share buy-back program of the subsidiaries
On October 22, 2009, RLC's BOD approved the creation and implementation of a share buy-back 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, 2010, RLC has repurchased a total of 17,698,000 shares for a total purchase price of ₱222 million at an average price of ₱12.53 per share.

On December 8, 2009, 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.

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. The purchase increased the outstanding treasury shares to 156.6 million shares, equivalent to 7.0% of its outstanding shares.

On January 12, 2011, URC's BOD approved the extension of URC's share buy-back program, allotting additional ₱2.5 billion to reacquire a portion of URC's issued and outstanding common shares. The extension of the share buy-back program shall have the same terms and conditions as the share buy-back program approved by the BOD on November 13, 2007.

On February 28, 2011, the BOD of CAI approved the creation and implementation of a share buy-back program up to ₱2.0 billion worth of CAI's common shares. The share buy-back program shall commence upon approval and shall end upon utilization of the said amount, or as may be otherwise determined by the BOD of CAI. As of December 31, 2012 and 2011, CAI has outstanding treasury shares of 7,283,220 shares.

As a result of the above transactions, the Parent Company recognized loss in 2011 amounting to ₱717.5 million, which are charged directly to 'Equity reserve' account attributable to the equity holders of the Parent Company. The above transactions also resulted in the decrease in the balance of the non-controlling interests in the amount of ₱288.8 million.

Stock rights offering of RLC
On February 16, 2011, a 1:2 stock rights offering to stockholders of record as of March 30, 2011 (ex-date March 25, 2011) was approved by the BOD of RLC. Accordingly, RLC received subscriptions for 1,364,610,228 shares at an offer price of ₱10.0 per share on April 11-15, 2011.

As a result of the stock rights offering, RLC issued 516,912,492 number of shares to the non-controlling interests of the Parent Company which had a total proceeds amounting to ₱5.3 billion.

26. Banking Revenue

This account consists of:

	2012	2011	2010
Interest income (Note 27)	**₱1,925,726,487**	₱1,831,335,393	₱1,361,977,076
Trading and securities gains	**454,610,012**	415,861,968	251,580,794
Service fees and commission income	**153,391,432**	112,736,144	120,907,884
	₱2,533,727,931	₱2,359,933,505	₱1,734,465,754

27. Interest Income

This account consists of:

	2012	2011	2010
Interest income from:			
Cash and cash equivalents	**₱1,396,783,004**	₱2,290,811,698	₱835,915,600
Finance receivables, unquoted debt securities and sales contract receivable (Note 11)	**1,305,401,341**	1,176,974,035	933,365,844
AFS debt investments (Note 10)	**795,387,541**	791,277,415	676,618,678
Investments in financial assets at FVPL (Note 9)	**796,209,181**	753,328,420	689,303,622
Installment contract receivables (Note 11)	**253,601,041**	227,648,380	234,195,441
Others	**111,580,466**	34,534,105	166,597,929
	₱4,658,962,574	₱5,274,574,053	₱3,535,997,114

Interest income are included in the following accounts in the consolidated statements of comprehensive income as follows:

	2012	2011	2010
Finance income	**₱2,479,635,046**	₱3,215,590,280	₱1,939,824,597
Banking revenue (Note 26)	**1,925,726,487**	1,831,335,393	1,361,977,076
Revenue from real estate and hotels	**253,601,041**	227,648,380	234,195,441
	₱4,658,962,574	₱5,274,574,053	₱3,535,997,114

28. Dividend Income

As a holding company, the Parent Company receives dividends from its strategic investments in companies that are neither consolidated nor equity-accounted in the group accounts.

Beginning 2012, management voluntarily changed its presentation of dividend income and included the same under ‘Revenue’. Management believes that this presentation is more appropriate as it accurately reflects the underlying business, will further improve comparability of its results to those of other holding companies and will allow readers to make a more accurate assessment of the sustainable earnings capacity of the Group. Previously, dividend income was presented under 'Other income'. Refer to Note 2 to the consolidated financial statements for details of the effect of the presentational change.

In 2012, included in this account are dividends received from PLDT which amounted to ₱2.9 billion. Investments in PLDT are reflected as AFS investments in the consolidated statements of financial position.

29. Other Operating Income

This account consists of:

	2012	2011	2010
Realized gain on sale of AFS investments (Note 10)	**₱54,592,830**	₱69,390,963	₱72,954,396
Commission income from insurance brokerage business	**129,566,925**	142,557,188	105,834,568
Others	**361,311,230**	862,563,969	457,691,984
	₱545,470,985	₱1,074,512,120	₱636,480,948

Others include rent income and gain on sale of PPE.

30. Cost of Sales and Services

This account consists of:

	2012	2011	2010
Raw materials used	**₱44,518,114,430**	₱42,213,713,864	₱33,909,798,842
Direct labor	**2,088,308,487**	2,473,797,570	1,978,803,934
Overhead cost	**11,200,346,088**	11,546,679,551	9,392,906,165
Total manufacturing cost	**57,806,769,005**	56,234,190,985	45,281,508,941
Work-in-process	**114,711,427**	(363,089,202)	(2,202)
Cost of goods manufactured	**57,921,480,432**	55,871,101,783	45,281,506,739
Finished goods	**(134,270,483)**	(424,398,037)	(988,723,595)
Cost of sales	**57,787,209,949**	55,446,703,746	44,292,783,144
Cost of services	**34,891,962,310**	31,264,544,266	22,820,501,553
Cost of sales and services	**₱92,679,172,259**	₱86,711,248,012	₱67,113,284,697

Overhead costs are broken down as follows:

	2012	2011	2010
Utilities and fuel	**₱4,693,742,475**	₱4,985,466,200	₱3,113,449,120
Depreciation and amortization (Note 33)	**3,366,426,009**	3,180,266,907	3,186,167,422
Repairs and maintenance	**1,469,544,292**	1,387,402,899	1,255,770,951
Personnel (Note 32)	**1,239,758,331**	1,173,551,341	1,237,064,340
Rental	**128,497,226**	146,735,657	130,391,613
Handling and delivery charges	**58,187,875**	113,895,035	97,648,773
Royalties	**–**	74,091,734	73,810,601
Research and development	**81,251,615**	43,950,080	58,033,639
Others	**162,938,265**	441,319,698	240,569,706
	₱11,200,346,088	₱11,546,679,551	₱9,392,906,165

Cost of services is broken down as follows:

	2012	2011	2010
Air transportation	**₱27,739,594,145**	₱24,071,054,839	₱17,198,113,111
Real estate	**5,259,372,904**	5,499,836,562	4,206,126,042
Hotel operations	**1,113,684,179**	1,009,589,782	996,906,392
Banking	**779,311,082**	684,063,083	419,356,008
	₱34,891,962,310	₱31,264,544,266	₱22,820,501,553

Further breakdown of the 'Cost of services' account showing the nature of expenses follow:

	2012	2011	2010
Fuel and oil	**₱17,561,860,875**	₱15,220,724,678	₱9,807,825,078
Maintenance costs	**3,181,354,221**	2,854,607,462	2,435,779,652
Personnel (Note 32)	**2,888,641,886**	2,498,246,211	2,088,111,961
Cost of real estate sales (Note 12)	**2,360,585,729**	2,664,371,840	1,745,032,612
Depreciation and amortization (Note 33)	**2,083,885,060**	2,113,120,088	1,912,198,868
Landing and take-off	**1,568,553,958**	1,323,586,310	1,064,449,189
Ground handling charges	**1,079,658,319**	941,465,556	758,912,700
Reservation costs	**811,439,034**	729,985,397	669,706,169
Interest expense (Note 21)	**745,471,441**	661,474,586	391,652,822
Property operations and maintenance costs	**573,088,940**	484,609,588	426,710,072
Film rentals expense - amusement services	**389,831,006**	320,222,382	309,970,334
Passenger liability insurance	**296,694,606**	301,694,148	255,184,289
Contracted services	**252,378,423**	94,999,468	87,421,133
Cost of food and beverage - hotel operations	**180,153,791**	172,332,552	164,849,924
Customs, immigration and duties	**135,943,169**	127,429,916	108,283,604
Pilot and crew meals	**44,337,026**	38,934,351	35,095,046
Interrupted/delayed trips expense	**42,456,043**	49,709,826	27,655,411
Service charges and commission expense	**33,839,641**	22,588,497	20,655,330
Passenger food and supplies	**18,799,334**	15,057,321	14,985,412
Travel and transportation	**28,909,379**	38,580,089	22,310,341
Others	**614,080,429**	590,804,000	473,711,606
	₱34,891,962,310	₱31,264,544,266	₱22,820,501,553

31. General and Administrative Expenses

This account consists of:

	2012	2011	2010
Advertising and promotions	**₱4,963,067,275**	₱4,393,143,054	₱4,339,125,593
Outside services	**3,899,994,465**	3,322,782,943	2,762,986,817
Depreciation and amortization (Note 33)	**3,121,523,088**	2,684,712,888	2,196,918,218
Personnel (Note 32)	**3,318,027,820**	2,931,474,386	2,588,241,218
Aircraft and engine lease	**2,033,953,783**	1,718,431,374	1,604,855,579
Travel and transportation	**706,568,152**	635,641,616	530,926,801

(Forward)

	2012	2011	2010
Rental	**₱651,284,242**	₱606,043,577	₱569,734,389
Taxes, licenses and fees	**590,260,463**	568,622,031	533,516,620
Sales commission	**425,418,948**	411,452,597	320,782,375
Insurance	**389,754,230**	379,133,542	298,113,871
Utilities and supplies	**390,840,251**	339,371,168	321,622,004
Repairs and maintenance	**320,113,385**	254,124,725	227,460,319
Communication	**140,876,557**	142,188,028	129,017,772
Entertainment, amusement and recreation (Note 38)	**111,702,367**	81,436,864	66,402,052
Others	**671,431,623**	637,084,188	807,656,925
	₱21,734,816,649	₱19,105,642,981	₱17,297,360,553

<u>Others</u>
Other expenses include royalties, donation and contribution, and membership and subscription dues.

32. Personnel Expenses

Personnel expenses consist of:

	2012	2011	2010
Salaries and wages	**₱5,678,642,191**	₱5,142,455,441	₱4,807,208,089
Other employee benefits	**1,508,513,174**	1,265,073,668	964,244,051
Pension expense (Note 37)	**259,272,672**	195,742,829	141,965,379
	₱7,446,428,037	₱6,603,271,938	₱5,913,417,519

The breakdown of personnel expenses follows:

	2012	2011	2010
Cost of sales and services (Note 30)	**₱4,128,400,217**	₱3,671,797,552	₱3,325,176,301
General and administrative expenses (Note 31)	**3,318,027,820**	2,931,474,386	2,588,241,218
	₱7,446,428,037	₱6,603,271,938	₱5,913,417,519

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:

	2012	2011	2010
Continuing operations			
Cost of sales and services (Notes 15, 16 and 30)	**₱5,450,311,069**	₱5,293,386,995	₱5,098,366,290
General and administrative expenses (Note 31)	**3,121,523,088**	2,684,712,888	2,196,918,218
Discontinued operations	**–**	1,546,551,044	5,877,050,996
	₱8,571,834,157	₱9,524,650,927	₱13,172,335,504

34. **Impairment Losses and Others**

This account consists of:

	2012	2011	2010
Provision for impairment losses on:			
Intangible assets	**₱190,223,400**	₱84,014,765	₱–
Receivables	**63,864,521**	102,517,878	330,883,725
Property, plant and equipment	**7,651,176**	10,065,297	–
Other noncurrent assets	**8,106,596**	5,136,823	–
Goodwill	**–**	63,500,000	–
Investment properties	**–**	619,075	–
Inventory obsolescence and market decline	**1,408,536**	63,784,807	15,099,540
	₱271,254,229	₱329,638,645	₱345,983,265

35. **Financing Costs and Other Charges**

This account consists of:

	2012	2011	2010
Interest expense	**₱3,947,796,480**	₱5,143,554,285	₱5,416,493,967
Bank charges and others	**172,503,179**	214,972,064	110,862,845
	₱4,120,299,659	₱5,358,526,349	₱5,527,356,812

The Group's interest expense is incurred from the following:

	2012	2011	2010
Long-term debt (Note 23)	**₱3,137,541,167**	₱4,669,096,924	₱4,937,281,124
Short-term debt (Note 23)	**631,939,890**	264,330,251	253,777,149
Advances from affiliates	**78,270,790**	82,469,024	120,299,521
Others	**45,765,978**	1,998,704	1,090,508
	3,893,517,825	5,017,894,903	5,312,448,302
Amortization of debt issuance costs (Note 23)	**54,278,655**	125,659,382	104,045,665
	₱3,947,796,480	₱5,143,554,285	₱5,416,493,967

36. Components of Other Comprehensive Income

Below is the composition of the Group's 'Other comprehensive income':

	2012		
	Parent Company	**Non-controlling Interests**	**Total**
Net gains on AFS investments (Note 10):			
Net changes in fair value of AFS investments of the Parent Company and its subsidiaries:			
Net changes in fair value during the period	**₱501,675,588**	**₱172,082,163**	**₱673,757,751**
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	**(35,503,182)**	**(19,089,648)**	**(54,592,830)**
	466,172,406	**152,992,515**	**619,164,921**
Net changes in fair value of AFS investments of an associate	**10,100,452**	**–**	**10,100,452**
	476,272,858	**152,992,515**	**629,265,373**
Cumulative translation adjustments	**(148,761,389)**	**(73,331,294)**	**(222,092,683)**
	₱327,511,469	**₱79,661,221**	**₱407,172,690**

	2011		
	Parent Company	Non-controlling Interests	Total
Net gains on AFS investments (Note 10):			
Net changes in fair value of AFS investments of the Parent Company and its subsidiaries:			
Net changes in fair value during the period	₱3,188,042,736	(₱85,761,570)	₱3,102,281,166
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	(44,527,355)	(24,863,608)	(69,390,963)
	3,143,515,381	(110,625,178)	3,032,890,203
Net changes in fair value of AFS investments of an associate	4,508,521	–	4,508,521
	3,148,023,902	(110,625,178)	3,037,398,724
Net gains from cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to other comprehensive income	175,838,098	–	175,838,098
Amounts recycled to profit or loss	188,456,213	–	188,456,213
	364,294,311	–	364,294,311
Cumulative translation adjustments	(86,508,428)	(49,550,215)	(136,058,643)
	₱3,425,809,785	(₱160,175,393)	₱3,265,634,392

	2010		
	Parent Company	Non-controlling Interests	Total
Net gains on AFS investments (Note 10):			
Net changes in fair value of AFS investments of the Parent Company and its subsidiaries:			
Net changes in fair value during the period	₱187,660,479	₱157,090,810	₱344,751,289
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	(68,821,240)	(4,133,156)	(72,954,396)
	118,839,239	152,957,654	271,796,893
Net changes in fair value of AFS investments of an associate	175,748	–	175,748
	119,014,987	152,957,654	271,972,641
Net gains from cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to other comprehensive income	52,296,125	–	52,296,125
Cumulative translation adjustments	(51,804,964)	(39,286,413)	(91,091,377)
	₱119,506,148	₱113,671,241	₱233,177,389

The income tax effects relating to other comprehensive income are as follows:

	2012		
	Before tax	**Tax benefit**	**Net of tax**
Net gains on AFS investments of Parent Company and its subsidiaries	**₱616,917,327**	**₱2,247,594**	**₱619,164,921**
Cumulative translation adjustments	**(222,092,683)**	**–**	**(222,092,683)**
Net changes in fair value of AFS investments of an associate (Note 10)	**10,100,452**	**–**	**10,100,452**
	₱404,925,096	**₱2,247,594**	**₱407,172,690**

	2011		
	Before tax	Tax benefit	Net of tax
Net gains on AFS investments of Parent Company and its subsidiaries	₱3,020,137,300	₱12,752,903	₱3,032,890,203
Net movement in cash flow hedge	364,294,311	–	364,294,311
Cumulative translation adjustments	(136,058,643)	–	(136,058,643)
Net changes in fair value of AFS investments of an associate (Note 10)	4,508,521	–	4,508,521
	₱3,252,881,489	₱12,752,903	₱3,265,634,392

	2010		
	Before tax	Tax expense	Net of tax
Net gains on AFS investments of Parent Company and its subsidiaries	₱287,618,959	₱15,822,066	₱271,796,893
Net movement in cash flow hedge	52,296,125	–	52,296,125
Cumulative translation adjustments	(91,091,377)	–	(91,091,377)
Net changes in fair value of AFS investments of an associate (Note 10)	175,748	–	175,748
	₱248,999,455	₱15,822,066	₱233,177,389

37. **Employee Benefits**

Pension Plans
The Group has funded, noncontributory, defined benefit pension plans covering substantially all of their regular employees, except for JGSPC that has an unfunded, noncontributory defined benefit pension plan.

The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan, with RBC as Trustee. The plans provide for retirement, separation, disability and death benefits to their members. The Group, however, reserves 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.

The amounts recognized as pension liabilities in the consolidated statements of financial position follow:

	2012	2011
Present value of defined benefit obligation	**₱2,594,063,351**	₱1,977,205,371
Fair value of plan assets	**1,548,289,918**	1,273,534,411
Unfunded status	**1,045,773,433**	703,670,960
Unrecognized actuarial losses	**(639,184,218)**	(248,584,510)
Pension liabilities (Note 24)	**₱406,589,215**	₱455,086,450

Changes in the present value of the Group's defined benefit obligations follow:

	2012	2011
Balance at beginning of year	**₱1,977,205,371**	₱1,991,167,899
Current service cost	**161,248,608**	126,713,282
Interest cost	**139,463,214**	133,193,081
Benefits paid	**(117,091,299)**	(120,289,465)
Actuarial losses - net	**435,709,886**	138,205,268
Effect of disposal of a subsidiary	**(2,472,429)**	(291,784,694)
Balance at end of year	**₱2,594,063,351**	₱1,977,205,371

Movements in the fair value of plan assets follow:

	2012	2011
Balance at beginning of year	**₱1,273,534,411**	₱1,304,010,880
Expected return on plan assets	**51,093,078**	45,891,442
Actual contributions	**247,508,396**	6,503,240
Benefits paid	**(61,738,317)**	(106,016,533)
Actuarial gains	**37,892,350**	23,145,382
Balance at end of year	**₱1,548,289,918**	₱1,273,534,411
Actual return on plan assets	**₱89,065,428**	₱69,036,824

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 settled.

Net plan assets consist of the following:

	2012	
	Amount	**%**
Cash	**₱104,073,335**	**6.72**
Receivables (Note 40)	**1,824,669,598**	**117.85**
Liabilities (Note 40)	**380,453,015**	**(24.57)**
Balance at end of year	**₱1,548,289,918**	**100.00**

	2011	
	Amount	%
Cash	₱225,168	0.01
Receivables (Note 40)	1,641,684,330	128.91
Liabilities (Note 40)	368,375,087	(28.92)
Balance at end of year	₱1,273,534,411	100.00

The Group expects to contribute ₱153.0 million into the pension fund for the year ending 2013.

Movements in unrecognized actuarial losses follow:

	2012	2011
Balance at beginning of year	**₱248,584,510**	₱243,056,685
Actuarial losses (gains) for the year - obligation	**435,446,093**	164,984,142
Actuarial losses (gains) for the year - plan assets	**(37,795,083)**	(23,145,382)
Actuarial gains (losses) recognized	**(7,051,302)**	(136,310,935)
Balance at end of year	**₱639,184,218**	₱248,584,510

Components of pension expense (included under ‘Personnel expenses’ in the ‘General and administrative expenses’ under continuing and discontinued operations in the consolidated statements of comprehensive income) follow (Note 32):

	2012	2011	2010
Current service cost	**₱161,248,608**	₱126,713,282	₱121,557,357
Interest cost	**139,463,214**	133,193,081	159,580,388
Expected return on plan assets	**(51,093,079)**	(45,891,442)	(64,695,288)
Net actuarial losses (gains) recognized during the year	**9,653,929**	(18,323,767)	(30,459,487)
Amortization of increase in liability	**–**	51,675	–
Total pension expense	**₱259,272,672**	₱195,742,829	₱185,982,970
Pension expense recorded under:			
Continuing operations	**259,272,672**	195,742,829	141,965,379
Discontinued operations	**–**	–	44,017,591
	₱259,272,672	₱195,742,829	₱185,982,970

The assumptions used to determine the pension benefits of the Group follow:

	2012				
	Retirement Age	**Average Remaining Working Life (in years)**	**Expected Return on Assets**	**Salary Rate Increase**	**Discount Rate**
Parent Company	**60**	**17**	**–**	**5.5%**	**6.0%**
URC	**60**	**9**	**4.0%**	**5.5%**	**5.6% to 6.2%**
RLC	**60**	**6 to 14**	**4.5%**	**5.5%**	**5.2% to 5.8%**
CAI	**60**	**12**	**–**	**5.5%**	**5.8%**
RBC	**60**	**12**	**–**	**5.5%**	**5.8%**
JGSPC	**60**	**10**	**–**	**5.5%**	**5.9%**
Unicon	**60**	**18**	**–**	**5.5%**	**6.0%**

	2011				
	Retirement Age	Average Remaining Working Life (in years)	Expected Return on Assets	Salary Rate Increase	Discount Rate
Parent Company	60	19	–	5.5%	6.7%
URC	60	9	4.0%	5.5%	7.2% to 8.3%
RLC	60	6 to 14	4.5%	5.5%	6.7% to 7.4%
CAI	60	12	–	5.5%	6.5%
RBC	60	12	–	5.5%	6.5%
JGSPC	60	10	–	5.5%	7.5%
Unicon	60	7	–	5.5%	6.7%

	2010				
	Retirement Age	Average Remaining Working Life (in years)	Expected Return on Assets	Salary Rate Increase	Discount Rate
Parent Company	60	19	–	5.5%	6.7%
URC	60	9	3.9%	5.5%	7.8% to 9.3%
RLC	60	6 to 14	4.5%	5.5%	7.2% to 8.2%
CAI	60	12	–	5.5%	9.9%
RBC	60	12	–	5.5%	8.6%
JGSPC	60	10	–	5.5%	10.2%
Unicon	60	7	–	5.5%	4.8%
Digitel	60	–	–	5.5%	9.3%

Amounts for the current annual period and previous four annual periods are as follows:

	URC				
	2012	2011	2010	2009	2008
Defined benefit obligation	**₱1,738,830,510**	₱1,351,799,927	₱1,220,977,777	₱1,038,335,854	₱1,113,492,800
Plan assets	**1,389,545,391**	1,221,431,248	1,247,197,112	1,354,691,166	1,341,210,300
Deficit (surplus)	**₱349,285,119**	₱130,368,679	(₱26,219,335)	(₱316,355,312)	(₱227,717,500)
Experience adjustments on:					
Plan assets	**₱29,720,029**	₱16,273,939	(₱32,995,817)	₱6,390,700	(₱5,111,600)
Plan liabilities	**61,225,995**	(1,502,508)	(3,797,073)	(7,144,800)	(176,556,600)

	Others*				
	2012	2011	2010	2009	2008
Defined benefit obligation	**₱855,232,841**	₱625,405,444	₱770,190,122	₱526,194,596	₱379,041,001
Plan assets	**158,744,527**	52,103,163	56,813,768	60,559,560	57,568,490
Deficit	**₱696,488,314**	₱573,302,281	₱713,376,354	₱465,635,036	₱321,472,511
Experience adjustments on:					
Plan assets	**₱7,885,276**	₱6,871,443	₱2,428,730	₱12,070	₱7,876,242
Plan liabilities	**(65,002,478)**	(9,648,177)	(20,389,616)	81,239,100	(3,194,328)

* Others include the Parent Company, RLC, CAI, RBC, JGSPC and Unicon.

38. **Income Taxes**

Provision for income tax from continuing operations consists of:

	2012	2011	2010
Corporate	**₱1,757,172,782**	₱1,514,167,521	₱1,529,848,866
Final	**259,535,510**	382,382,532	64,035,658
Deferred	**816,983,554**	65,982,706	16,364,619
	₱2,833,691,846	₱1,962,532,759	₱1,610,249,143

Republic Act (RA) No. 9337

RA No. 9337, *An Act Amending the National Internal Revenue Code (NIRC) of 1997*, provides that the RCIT rate shall be 30.0% and interest expense allowed as a deductible expense is reduced by 33.0% of interest income subjected to final tax.

The NIRC of 1997 also provides for rules on the imposition of a 2.0% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Company commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Parent Company has elected to claim itemized deductions instead of OSD for its 2012, 2011 and 2010 RCIT computations.

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' in profit or loss in the consolidated statements of comprehensive income) amounting to ₱111.7 million, ₱81.4 million and ₱66.4 million in 2012, 2011 and 2010, respectively (Note 31).

Components of the Group's net deferred tax assets (included in the 'Other noncurrent assets' in the consolidated statements of financial position) follow (Note 20):

	2012	2011
Deferred tax assets on:		
Unrealized foreign exchange loss	**₱92,377,936**	₱92,377,935
Unfunded pension benefits	**2,824,670**	13,055,074
Unfunded profit sharing	–	50,882,812
Allowance for impairment losses on receivables and property, plant and equipment	–	3,981,523
Others	**83,504,512**	90,230,032
	178,707,118	250,527,376
Deferred tax liabilities on:		
Unrealized foreign exchange gain	**(911,040)**	(7,034,387)
Unrealized gain on AFS investments	–	(897,963)
	(911,040)	(7,932,350)
Net deferred tax asset	**₱177,796,078**	₱242,595,026

Components of the Group's net deferred tax liabilities reported in the consolidated statements of financial position follow:

	2012	2011
Deferred tax assets on:		
ARO liability	**₱784,939,385**	₱731,300,500
NOLCO	**472,039,018**	79,851,428
Accrued rent expense	**382,212,836**	351,900,680
Allowance for impairment losses on receivables and property, plant and equipment	**242,919,834**	203,513,671
Unfunded pension benefits	**126,959,112**	109,177,767
Accrued interest expense	**118,148,251**	98,798,026
MCIT carryforward	**86,171,040**	59,107,325
Unfunded profit sharing	**55,657,697**	–
Allowance for inventory obsolescence	**23,439,329**	22,200,106
Foreign subsidiaries	**11,644,434**	22,141,945
Unrealized loss on financial assets at FVPL	**4,744,398**	43,066,411
Unrealized loss on intial recognition of repossessed chattels	**1,819,577**	–
Unrealized loss on net derivative liability	**–**	8,559,355
Unrealized loss on AFS investment	**–**	2,412,970
	2,310,694,911	1,732,030,184
Deferred tax liabilities on:		
Double depreciation	**(944,198,871)**	(566,416,958)
Unrealized foreign exchange gain	**(828,089,134)**	(506,818,185)
Unamortized capitalized interest	**(808,787,183)**	(528,633,025)
Excess of financial gross profit over taxable gross profit	**(720,588,577)**	(450,812,458)
Undistributed income of foreign subsidiaries	**(268,093,259)**	(202,060,961)
ARO asset	**(194,497,361)**	(220,320,170)
Bank licenses	**(186,000,000)**	–
Accrued rent income	**(107,993,247)**	(105,349,086)
Borrowing cost	**(71,832,394)**	(71,832,394)
Gain arising from changes in fair value less estimated costs to sell of swine stocks	**(56,566,683)**	(61,224,081)
Unrecognized gain on derivative asset	**(46,975,362)**	–
Foreign subsidiaries	**(35,212,730)**	(35,345,959)
Unamortized debt issuance costs	**(22,584,949)**	(28,065,344)
Market valuation gain on derivative instruments	**(12,274,845)**	(18,429,190)
Others	**(9,180,043)**	(6,635,863)
	(4,312,874,638)	(2,801,943,674)
Net deferred tax liabilities	**(₱2,002,179,727)**	(₱1,069,913,490)

In 2011, the Group derecognized deferred tax liabilities amounting to ₱3.4 billion as part of the Group's disposal of its entire ownership interest in Digitel.

The Group did not recognize any deferred tax assets on temporary differences on account of the subsidiaries' respective ITH. The management of the Group 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.

The following are the temporary differences on which the Group did not recognize deferred tax assets :

	2012	2011
Allowance for impairment losses	**₱3,522,916,579**	₱3,469,152,299
NOLCO	**2,762,235,976**	1,941,998,237
Difference between cost and NRV of inventories	**64,488,572**	131,577,582
Accrued pension costs	**66,110,622**	69,755,865
MCIT	**37,540,874**	39,259,167
Depreciation of investment properties and repossessed chattels	**16,292,090**	16,292,090
Unrealized loss on net derivative liability	**–**	15,446,196
Unrealized foreign exchange losses	**18,573,530**	–
	₱6,488,158,243	₱5,683,481,436

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	2012	2011	2010 (As restated - Note 44)
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Dividend income	**(4.22)**	–	–
Equity in net earnings of affiliates	**(2.65)**	(4.32)	(3.85)
Nontaxable income	**(4.43)**	(0.48)	(0.27)
Changes in unrecognized deferred tax assets	**(0.69)**	(0.74)	(0.29)
Income subjected to lower tax rates	**(1.81)**	(4.39)	(1.18)
Board of Investments (BOI) tax credits and others	**(4.26)**	(7.25)	(10.85)
Nondeductible interest expense	**0.69**	1.67	0.45
Others	**(0.17)**	(1.74)	(6.54)
Effective income tax rate	**12.46%**	12.75%	7.47%

39. **Earnings Per Share**

Basic earnings per share is calculated by dividing the net income 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 tables reflect the net income and share data used in the basic/dilutive EPS computations:

Earnings per share attributable to equity holders of the Parent Company

	2012	2011	2010
Income from continuing operations attributable to equity holders of the Parent Company	**₱13,532,894,383**	₱8,477,359,822	₱15,575,451,617
Less: Dividends on preferred shares (Note 25)	**6,400,000**	3,200,000	–
Income from continuing operations attributable to holders of common shares of the Parent Company	**13,526,494,383**	8,474,159,822	15,575,451,617
Income from discontinued operations attributable to equity holders of the Parent Company	**–**	13,035,501,339	746,148,184
Income attributable to holders of common shares of the Parent Company	**₱13,526,494,383**	₱21,509,661,161	₱16,321,599,801
Weighted average number of common shares	**6,792,386,371**	6,739,528,227	6,739,528,227
Basic/dilutive earnings per share	**₱1.99**	₱3.19	₱2.42

Earnings per share attributable to equity holders of the Parent Company from continuing operations

	2012	2011	2010
Income from continuing operations attributable to equity holders of the Parent Company	**₱13,532,894,383**	₱8,477,359,822	₱15,575,451,617
Less: Dividends on preferred shares	**6,400,000**	3,200,000	–
Income from continuing operations attributable to holders of common shares of the Parent Company	**₱13,526,494,383**	₱8,474,159,822	₱15,575,451,617
Weighted average number of common shares	**6,792,386,371**	6,739,528,227	6,739,528,227
Basic/dilutive earnings per share	**₱1.99**	₱1.26	₱2.31

There were no potential dilutive common shares in 2012, 2011 and 2010.

40. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties. Due from and due to related parties are collectible/payable on demand.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the year-end balances in respect of related parties follow:

		2012				
			Outstanding Balance			
Related Party	**Category/ Transaction**	**Amount/Volume**	**Statement of Financial Position**	**Statement of Comprehensive Income**	**Terms**	**Conditions**
Subsidiaries:						
Due from related parties	Advances	**₱154,343,416**	**₱1,235,103,950**		On demand; Interest bearing with interest rate ranging from 3.8% to 3.9% / Non-interest bearing	Unsecured; Not impaired
	Rent income	**100,573,452**		**₱100,573,452**		
	Other income	**66,186,445**		**66,186,445**		
	Rent expense	**18,270,890**		**18,270,890**		
Due to related parties	Advances	**569,565,026**	**3,170,200,468**		On demand; Interest bearing with interest rate of 3.8% / Non-interest bearing	Unsecured
	Management fees	**72,000,000**		**72,000,000**		
Cash in bank	Deposits	**13,429,726,961**	**16,039**		On demand	Unsecured
Cash equivalents	Money market placements	**65,558,502,968**	**121,714,155**		1 to 35 days; Interest bearing with interest rate ranging from 1.5% to 4.6%	Unsecured
	Interest receivable / Interest income	**164,907,214**	**80,916**	**164,907,214**	1 to 35 days; Interest bearing with interest rate ranging from 1.5% to 4.6%	
Dividend receivable/ Dividend income	Dividends	**3,423,620,329**	**867,130,262**	**3,423,620,329**		

(Forward)

			2012			
			Outstanding Balance			
Related Party	**Category/ Transaction**	**Amount/Volume**	**Statement of Financial Position**	**Statement of Comprehensive Income**	**Terms**	**Conditions**
Associate:						
Due from related parties	Advances	**₱–**	**₱361,346**		On demand; Non-interest bearing	Unsecured; Not impaired
Other Related Parties:						
Due from related parties	Advances	–	**590,701,750**		On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	**21,011,919**		**₱21,011,919**		
	Rent income	**27,159,294**		**27,159,294**		
Due to related parties	Advances	–	**275,361,861**		On demand; Non-interest bearing	Unsecured
	Interest expense	**10,855,905**		**10,855,905**		
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	**5,053,000**		**5,053,000**		
Other Related Parties (transactions which are not eliminated):						
Due from related parties	Advances	–	**1,328,454,712**		On demand; Non-interest bearing	Unsecured; Not impaired
Due to related parties	Advances	–	**1,730,641,441**		4 to 31 days; Interest bearing with interest rates ranging from 3.0% to 4.5%	Unsecured

2011						
			Outstanding Balance			
Related Party	Category/ Transaction	Amount/Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
Subsidiaries*:						
Due from related parties	Advances	₱137,922,258	₱1,655,770,662		On demand; Non-interest bearing	Unsecured; Not impaired
	Interest income	64,643,811		₱64,643,811		
	Management fees	490,000,000		490,000,000		
	Rent income	114,364,695		114,364,695		
	Other income	34,074,286		34,074,286		
	Rent expense	15,797,877		15,797,877		
Due to related parties	Advances	171,214,166	2,769,871,542		On demand; Non-interest bearing	Unsecured
	Management fees	60,000,000		60,000,000		
Cash in bank	Deposits	31,822,480,421	–		On demand	Unsecured
Cash equivalents	Money market placements	97,736,607,459	1,238,830,978		1 to 39 days; Interest bearing with interest rate ranging from 1.5% to 4.6%	Unsecured
	Interest receivable / Interest income	281,583,125	1,311,546	281,583,125	1 to 39 days; Interest bearing with interest rate ranging from 1.5% to 4.6%	
Dividend receivable/ Dividend income	Dividends	4,350,810,709	1,287,913,306	4,350,810,709		
Associate:						
Due from related parties	Advances	–	382,731		On demand; Non-interest bearing	Unsecured; Not impaired
Other Related Parties:						
Due from related parties	Advances	–	514,187,798		On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	27,100,232		27,100,232		

(Forward)

2011						
			Outstanding Balance			
Related Party	Category/ Transaction	Amount/Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
Due to related parties	Advances	₱–	₱280,768,168		On demand; Non-interest bearing	Unsecured; Not impaired
	Interest expense	13,017,045		₱13,017,045		
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	4,860,000		4,860,000		
Other Related Parties (transactions which are not eliminated)						
Due from related parties	Advances	–	1,356,382,048		On demand; Non-interest bearing	Unsecured; Not impaired
Due to related parties	Advances	–	1,626,363,887		7 to 31 days; Interest bearing with interest rates ranging from 2.1% to 4.6%	Unsecured

** Balances includes transactions from January 1, 2011 to October 26, 2011. Subsequent to October 26, 2011, the Parent Company does not consider Digitel and its subsidiary Digital Mobile Philippines, Inc. (DMPI), as related parties.*

	2010		
Related Party	Category/ Transaction	Amount/Volume	Statement of Comprehensive Income
Subsidiaries:			
Dividend income	Dividends	₱22,857,249,862	₱22,857,249,862
Interest income - Advances	Revenue	1,001,761,963	1,001,761,963
Management fees	-do-	442,000,177	442,000,177
Interest income - MMPs	-do-	52,795,309	52,795,309
Other income	-do-	33,153,651	33,153,651
Rent income	-do-	13,705,512	13,705,512
Interest expense	Expenses	96,379,815	96,379,815
Rent expense	-do-	12,704,212	12,704,212
Associates:			
Dividend income	Dividends	109,426,787	109,426,787
Interest expense	Expenses	11,128,270	11,128,270
Other Related Parties:			
Rent income	Revenue	1,125,000	1,125,000
Other income	-do-	3,655,877	3,655,877
Interest expense	Expenses	45,023,064	45,023,064
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	-do-	2,980,000	2,980,000

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 23 to the consolidated financial statements. No fees are charged for these guarantee agreements. Being the centralized treasury department within the Group, the Parent Company usually receives advances from subsidiaries and in turn, makes advances to other subsidiaries.

Interest earned by the Parent Company on transactions with related parties amounted to nil, ₱3.7 million and ₱929.8 million in 2012, 2011 and 2010, respectively, while interest income earned by the Parent Company from the bonds issued by Digitel amounted to nil, ₱61.0 million and ₱72.0 million in 2011 and 2010, respectively. Interest expense incurred amounted to ₱78.3 million in 2012, ₱82.5 million in 2011 and ₱214.9 million in 2010.

In January 2012, the Parent Company acquired all of the debt and equity securities of CAI classified as financial assets at FVPL and AFS investments with carrying values of ₱3.3 billion and ₱110.4 million, respectively, for a total consideration of ₱3.4 billion. As a result of the transaction, CAI recognized gain from sale of its financial assets amounting to ₱5.8 million.

Most of the aforementioned intercompany transactions between the Parent Company and its subsidiaries are eliminated in the accompanying consolidated financial statements.

Transactions with the retirement plan

The retirement fund of the Group's employees amounted to ₱1.5 billion and ₱1.5 billion as of December 31, 2012 and 2011, respectively (Note 37). The fund is being managed by JG Summit Multi-Employer Retirement Plan, a corporation created for the purpose of managing the funds of the Group, with RBC as the trustee.

2012

			Outstanding Balance			
	Category / Transaction	**Amount / Volume**	**Statement of Financial Position**	**Statement of Comprehensive Income**	**Terms**	**Conditions**
Due from retirement plan	**Advances**	**₱–**	**₱377,472,476**		On demand; Non-interest bearing	Unsecured; Not impaired
Due to retirement plan	**-do-**	**209,764,980**	**1,680,330,862**	**₱67,414,884**	4 to 31 days; Interest bearing with interest rates ranging from 3.0% to 4.5%	Unsecured

2011

			Outstanding Balance			
	Category / Transaction	Amount / Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
Due from retirement plan	Advances	₱–	₱354,307128		On demand; Non-interest bearing	Unsecured; Not impaired
Due to retirement plan	-do-	69,451,979	1,635,701,788	₱69,451,979	7 to 31 days; Interest bearing with interest rates ranging from 2.1% to 4.6%	Unsecured

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:

	2012	2011	2010
Short-term employee benefits	**₱1,017,081,160**	₱925,213,965	₱1,044,246,522
Post-employment benefits	**105,999,049**	134,565,142	44,702,038
	₱1,123,080,209	₱1,059,779,107	₱1,088,948,560

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' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱70.7 million, ₱62.4 million and ₱55.0 million in 2012, 2011 and 2010, respectively.

Future minimum lease payments under noncancellable operating leases of the URC Group follow:

	2012	2011	2010
Within one year	**₱16,140,911**	₱16,953,651	₱16,953,651
After one year but not more than five years	**64,563,644**	67,814,604	67,814,604
	₱80,704,555	₱84,768,255	₱84,768,255

Operating Lease Commitments - Group as a Lessor
The URC Group has entered into one-year renewable, noncancellable leases 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 profit or loss in the consolidated statements of comprehensive income) amounted to ₱64.7 million, ₱52.8 million and ₱56.6 million in 2012, 2011 and 2010, respectively. Direct operating expenses (included under 'General and administrative expenses ' in profit or loss in the consolidated statements of comprehensive income) arising from investment properties amounted to ₱2.6 million in 2012 and ₱0.2 million in 2011 and 2010.

Future minimum lease receivables under noncancellable operating leases of the URC Group that are due within one year amounted to ₱65.3 million, ₱65.8 million and ₱57.1 million in 2012, 2011 and 2010, respectively.

Finance Lease Commitments - Group as a Lessee
Some of the URC Group's subsidiaries were granted land usage rights from private entities. The land usage right represents the prepaid amount of land lease payments. The right is currently being amortized by the URC Group on a straight-line basis over the term of the right ranging from 30 to 50 years. The amortization on these leases (included under 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱3.7 million, ₱3.7 million and ₱2.9 million in 2012, 2011 and 2010, 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' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱162.0 million, ₱164.9 million and ₱158.4 million in 2012, 2011 and 2010, respectively.

Future minimum lease payments under noncancellable operating leases of RLC's certain lessee subsidiaries follow:

	2012	2011	2010
Within one year	**₱54,522,307**	₱51,773,432	₱47,147,298
After one year but not more than five years	**247,979,627**	236,150,146	213,176,325
Over five years	**6,063,324,450**	6,129,676,237	6,253,520,299
	₱6,365,826,384	₱6,417,599,815	₱6,513,843,922

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' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱6.7 billion, ₱6.1 billion and ₱5.6 billion in 2012, 2011 and 2010, respectively. Total percentage rent recognized as income amounted to ₱1.8 billion, ₱1.7 billion and ₱1.6 billion in 2012, 2011 and 2010, respectively.

Future minimum lease receivables under noncancellable operating leases of the RLC Group follow:

	2012	2011	2010
Within one year	**₱1,111,914,481**	₱1,208,000,779	₱1,128,494,867
After one year but not more than five years	**1,921,108,789**	2,597,161,871	2,728,725,119
Over five years	**380,702,108**	463,430,460	587,588,901
	₱3,413,725,378	₱4,268,593,110	₱4,444,808,887

JGSPC

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 charged to operations (included under 'Cost of sales and services' and 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱12.3 million, ₱11.2 million and ₱13.4 million in 2012, 2011 and 2010, respectively.

Future minimum lease payments under the noncancellable lease of JGSPC's office space follow:

	2012	2011	2010
Within one year	**₱6,686,500**	₱6,021,962	₱5,735,207
After one year but not more than five years	**12,901,370**	18,723,623	24,745,585
	₱19,587,870	₱24,745,585	₱30,480,792

Operating Lease Commitments - Group as a Lessor

JGSPC has entered into commercial property leases. JGSPC has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases. The future minimum rentals under noncancelable operating lease of JGSPC amounted to ₱0.8 million, ₱1.1 million and ₱1.2 million as of December 31, 2012, 2011 and 2010, respectively.

CAI

Operating Aircraft Lease Commitments - Group as a Lessee

CAI entered into operating lease agreements with certain leasing companies which cover the following aircraft:

Airbus A320 aircraft

The following table summarizes the specific lease agreements on the Group's Airbus A320 aircraft:

Date of Lease Agreement	**Original Lessors**	**New Lessors**	**No. of Units**	**Lease Term**
December 23, 2004	CIT Aerospace International (CITAI)	Wilmington Trust SP Services (Dublin) Limited*	2	May 2005 - May 2012 June 2005 - June 2012
April 23, 2007	Celestial Aviation Trading 17 Limited (CAT 17)	Inishcrean Leasing Limited (Inishcrean)**	1	October 2007 - October 2016
May 29, 2007	CITAI	–	4	March 2008 - March 2014 April 2008 - April 2014 May 2008 - May 2014 October 2008 - October 2014
March 14, 2008	Celestial Aviation Trading 19 Limited (CAT 19)	GY Aviation Lease 0905 Co. Limited***	2	January 2009 - January 2017
March 14, 2008	Celestial Aviation Trading 23 Limited (CAT 23)	–	2	October 2011 - October 2019
July 13, 2011	RBS Aerospace Limited	–	2	March 2012 - February 2018

** Effective November 21, 2008 for the first aircraft and December 9, 2008 for the second aircraft.*
*** Effective June 24, 2009*
**** Effective March 25, 2010*

On March 14, 2008, CAI entered into an operating lease agreement with 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 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.

On July 13, 2011, CAI entered into an operating lease agreement with RBS Aerospace Ltd. for the lease of two Airbus A320 aircraft, which were delivered in March 2012. This aircraft shall replace the two leased aircraft from Wilmington Trust SP Services (Dublin) Ltd. for which the related lease contracts expired on May 2012 and June 2012.

Airbus A330 aircraft
On December 6, 2011, the Group entered into an aircraft operating lease Memorandum of Understanding (MOU) with CIT Aerospace International for the lease of four Airbus A330-300 aircraft, which are scheduled to be delivered from June 2013 to 2014. These aircraft shall be used for the long-haul network expansion programs of the Group.

Future minimum lease payments under the above-indicated operating aircraft leases of CAI follow:

	2012		2011		2010	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso Equivalent
Within one year	**US$54,171,098**	**₱2,223,723,588**	US$46,796,685	₱2,051,566,670	US$37,805,531	₱1,657,394,479
After one year but not more than five years	**258,475,371**	**10,610,413,991**	303,869,815	13,321,652,690	113,948,252	4,995,491,368
Over five years	**333,453,833**	**13,688,279,865**	312,695,865	13,708,586,722	8,408,351	368,622,108
	US$646,100,302	**₱26,522,417,444**	US$663,362,365	₱29,081,806,082	US$160,162,134	₱7,021,507,955

Lease expense relating to aircraft leases (included in 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱2.0 billion, ₱1.7 billion and ₱1.6 billion in 2012, 2011 and 2010, respectively (Note 31).

Operating Non-Aircraft Lease Commitments - Group as a Lessee
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 of CAI follow:

	2012	2011	2010
Within one year	**₱108,795,795**	₱104,835,557	₱101,622,518
After one year but not more than five years	**487,021,206**	466,379,370	443,485,392
Over five years	**266,875,198**	394,888,300	124,367,033
	₱862,692,199	₱966,103,227	₱669,474,943

Lease expenses relating to non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱263.7 million, ₱240.3 million and ₱231.2 million in 2012, 2011 and 2010, respectively.

RBC and LSB

Operating Lease Commitments - Group as a Lessee

RBC and LSB lease its head office and branch premises for periods ranging from one to ten 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 RBC and LSB (included under 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱95.8 million, ₱81.1 million and ₱71.1 million in 2012, 2011 and 2010, respectively.

Future minimum lease payments under these noncancellable operating leases of RBC and LSB follow:

	2012	2011	2010
Within one year	**₱85,806,828**	₱61,234,448	₱58,282,212
After one year but not more than five years	**176,408,491**	134,918,305	106,832,167
Over five years	**62,012,908**	23,004,308	26,977,792
	₱324,228,227	₱219,157,061	₱192,092,171

43. **Other Commitments and Contingent Liabilities**

Parent Company

On May 4, 2012, the BOD of the Parent Company approved and authorized the Company to act as surety with respect to the credit accomodation of JGSOC from Banco de Oro Unibank, Inc. in the aggregate principal amount of ₱1.0 billion, including the extensions, renewals or modifications of such credit accomodation.

RLC

Capital Commitments

RLC has contractual commitments and obligations for the construction and development of investment properties and property and equipment items aggregating ₱4.2 billion, ₱3.9 billion and ₱3.3 billion as of September 30, 2012, 2011 and 2010, respectively. Moreover, RLC has contractual obligations amounting to ₱2.1 billion as of September 30, 2012 and ₱1.6 billion as of September 30, 2011 and 2010, respectively, for the completion and delivery of real estate units that have been presold.

CAI

Capital Expenditure Commitments

CAI's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱53.2 billion and ₱53.9 billion as of December 31, 2012 and 2011, respectively, which are payable over the following periods:

	December 31, 2012		December 31, 2011	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent
Within one year	**US$350,323,073**	**₱14,380,762,158**	US$245,151,805	₱10,747,455,131
After one year but not more than five years	**999,124,578**	**41,014,063,944**	1,039,815,241	45,585,500,185
	US$1,349,447,651	**₱55,394,826,102**	US$1,284,967,046	₱56,332,955,316

Aircraft and Spare Engine Purchase Commitments
As of December 31, 2009, CAI has existing commitments to purchase 15 additional new Airbus A320 aircraft, which are scheduled for delivery between 2010 and 2014, and one spare engine to be delivered in 2011. CAI has taken delivery of the initial six aircrafts as scheduled in 2010, 2011 and 2012. In 2011, the spare engine was delivered as scheduled.

In 2010, CAI exercised its option to purchase five Airbus A320 aircraft and entered into a new commitment to purchase two Airbus A320 aircraft to be delivered between 2011 and 2014.

Four of the five additional A320 aircraft were delivered between September 2011 and November 2012.

On May 2011, CAI turned into firm orders its existing options for the seven Airbus A320 aircraft which are scheduled to be delivered in 2015 to 2016.

As of December 31, 2011, CAI has existing commitments to purchase 25 new Airbus A320 aircraft, four of which were delivered on January 30, August 9, October 16 and November 29, 2012, respectively. As of December 31, 2012, CAI has existing commitments to purchase 21 new Airbus A320 aircraft, which are scheduled to be delivered between 2013 and 2016, two of which were delivered on January 18, 2013 and March 7, 2013.

On August 2011, CAI entered in a new commitment to purchase firm orders of thirty new A321 NEO Aircraft and ten addition option orders. These aircraft are scheduled to be delivered from 2017 to 2021. These aircraft shall be used for a longer range network expansion programs. The above-indicated commitments relate to CAI's re-fleeting and expansion programs.

On June 28, 2012, CAI has entered into an agreement with United Technologies International Corporation Pratt & Whitney Division to purchase new PurePower® PW1100G-JM engines for its 30 firm and ten option A321 NEO aircraft to be delivered beginning 2017. The agreement also includes an engine maintenance services program for a period of ten years from the date of entry into service of each engine.

Service Maintenance Commitments
On June 21, 2012, CAI has entered into an agreement with Messier-Bugatti-Dowty (Safran group) to purchase wheels and brakes for its fleet of Airbus A319 and A320 aircraft. The contract covers the current fleet, as well as future aircraft to be acquired.

On June 22, 2012, CAI has entered into service contract with Rolls-Royce Total Care Services Limited (Rolls-Royce) for service support for the engines of the A330 aircraft. Rolls-Royce will provide long-term TotalCare service support for the Trent 700 engines on up to eight A330 aircraft.

On July 12, 2012, CAI has entered into a maintenance service contract with SIA Engineering Co. Ltd. for the maintenance, repair and overhaul services of its A319 and A320 aircraft.

<u>Off-Balance Sheet Items</u>
In the normal course of RBC and LSB'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 RBC and LSB's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2012	2011
Trust and investment group accounts	**₱13,441,544,662**	₱19,593,408,084
Spot exchange - foreign currency	**1,241,632,683**	1,054,980,000
Committed credit lines	**1,089,546,254**	642,507,471
Domestic standby letters of redit	**536,386,478**	228,005,282
Contingent - foreign currency swap	**335,150,000**	335,150,000
Inward bills for collection	**189,580,052**	51,026,725
Late deposit/payment received	**34,063,107**	58,453,300
Outward bills for collection	**14,334,919**	548,036
Items held for safekeeping	**68,806**	85,847
Other contingent accounts	**4,177,240**	644,771

Contingencies

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 outcomes of which are not presently determinable. In the opinion of management and its legal counsels, 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. Discontinued Operations

On March 29, 2011, the Group publicly announced its decision to dispose of its entire Telecommunications Segment (Digitel). The segment was not a discontinued operation or classified as held for sale at December 31, 2010 and the comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this segment early in 2011 following a strategic decision to place greater focus on the Group's other business segments, specifically, food, air transportation, real estate and petrochemicals. The sale was completed on October 26, 2011.

In exchange for the Parent Company's and certain related parties' investments in Digitel which consists of (a) 3.3 billion common shares representing approximately 51.55% of the issued common stock of Digitel; (b) zero-coupon convertible bonds issued by Digitel and its subsidiary to the Parent Company and its subsidiary; and (c) intercompany advances of ₱34.1 billion made by the Parent Company and its subsidiary to Digitel and Subsidiaries, PLDT issued 27.6 million common shares with fair value of around ₱64.5 billion as of the closing date. Said shares are subject to a lock-up period of one year during which the Parent Company and other sellers may not transfer or encumber such PLDT shares without the consent of PLDT. PLDT granted consent to the sale by the Parent Company of 5.8 million and 4.6 million PLDT shares under separate option agreements that the Parent Company had entered into with Philippine associate of First Pacific Company Limited and NTT Docomo, Inc., respectively. Following the sale of those shares in November 2011, the Parent Company owned approximately 8.0% of PLDT's outstanding common shares.

The disposal of investment in Digitel and exercise of the option agreements are linked transactions and were accounted for as a single disposal of a subsidiary.

Results of Discontinued Operations

The results of the telecommunications segment for the period ended March 31, 2011 and period ended December 31, 2010 follows:

	2011	2010
Revenues		
Sale of goods and services	₱4,524,649,269	₱16,543,916,906
Cost of Sales	496,535,978	2,074,712,276
Gross Income	4,028,113,291	14,469,204,630
Other Operating Expenses		
General and administrative expenses	3,625,943,506	13,017,906,040
Impairment losses and others	59,401,794	359,883,551
	3,685,345,300	13,377,789,591
Operating Income	342,767,991	1,091,415,039
Financing costs and other charges	(116,858,869)	(394,490,003)
Market valuation losses on derivative financial instruments	(43,945,006)	(68,234,326)
Foreign exchange gains (loss)	(33,963,568)	907,458,980
Finance income	1,398,694,829	32,872,466
Others	7,713,286	49,363,271
Income Before Tax from Discontinued Operations	1,554,408,663	1,618,385,427
Provision for Income Tax	12,697,904	655,589,514
Income after Tax from Discontinued Operations	1,541,710,759	962,795,913
Gain from Sale of a Subsidiary, net of tax	11,570,087,639	–
Net Income from Discontinued Operations	₱13,111,798,398	₱962,795,913

Earnings per share attributable to equity holders of the Parent Company from discontinued operations

	2011	2010
Income from discontinued operations attributable to equity holders of the Parent Company	₱13,035,501,339	₱746,148,184
Weighted average number of common shares	6,739,528,227	6,739,528,227
Basic/dilutive earnings per share	₱1.93	₱0.11

Cash Flows of Discontinued Operations

The cash flows generated from (used in) discontinued operations of the telecommunications segment for the period ended March 31, 2011 and for the period ended December 31, 2010 follow:

	2011	2010
Net cash flows provided by operating activities	₱1,694,725,821	₱6,969,658,000
Net cash flows used in investing activities	(1,610,371,076)	(9,503,772,000)
Net cash flows provided by (used in) financing activities	(501,724,385)	2,528,650,000
Net cash outflow	(₱417,369,640)	(₱5,464,000)

Effect of Disposal on the Financial Position of the Group

The impact of the disposal of the telecommunications segment on the financial position of the Group as of December 31, 2011 is as follows:

ASSETS	
Current Assets	
Cash and cash equivalents	₱108,084,101
Derivative assets	526,962,185
Receivables - net	2,143,454,654
Inventories	318,844,220
Other current assets	3,458,145,535
Total Current Assets	6,555,490,695
Noncurrent Assets	
Property, plant and equipment	81,433,722,471
Other noncurrent assets	1,873,542,154
Total Noncurrent Assets	83,307,264,625
	89,862,755,320
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	4,398,498,443
Derivative liabilities	215,495,436
Short-term debt	345,040,126
Current portion of long-term debt	2,809,241,235
Other current liabilities	956,243,659
Total Current Liabilities	8,724,518,899
Noncurrent Liabilities	
Long-term debt - net of current portion	11,140,503,565
Deferred tax liabilities	3,400,285,008
Other noncurrent liabilities	11,468,279,812
Total Noncurrent Liabilities	26,009,068,385
	34,733,587,284
NON-CONTROLLING INTEREST	1,022,135,705
NET ASSETS DISPOSED OF	54,107,032,331
CONSIDERATION RECEIVED	
Fair value of AFS investments (Note 10)	40,134,098,550
Cash consideration	21,202,521,420
Funds under escrow (Note 13)	4,340,500,000
	65,677,119,970
GAIN FROM SALE OF A SUBSIDIARY	₱11,570,087,639

NET CASH INFLOW FROM DISPOSAL	
Cash consideration received	₱21,202,521,420
Cash and cash equivalents disposed of	108,084,101
	₱21,094,437,319

45. Disposal Group Held for Sale

In September 2010, URC decided to sell its wholly owned subsidiaries Shantou SEZ Toyo and Guangdong Acesfood, both of which are registered in the People's Republic of China.

In July 2011, the sale of Shantou SEZ Toyo and Guangdong Acesfood was fully consummated. URC recognized a combined loss on disposal of subsidiaries of ₱177.8 million (included under 'Other expenses' in profit or loss in the consolidated statement of comprehensive income).

The breakdown of proceeds from the sale of subsidiaries in July 2011 is as follows:

	Shantou SEZ Toyo	Guangdong Acesfood
Proceeds from sale	RMB8.5 million	RMB7.9 million
(in Philippine Peso equivalent)	₱56.1 million	₱51.8 million

The table below shows the summary of the financial information for each subsidiary as of disposal date:

	Shantou SEZ Toyo	Guangdong Acesfood
Receivables	₱183	₱19,760,033
Inventories	486,716	2,950,000
Property, plant and equipment	96,718,200	30,589,490
Other current assets	6,717,919	76,545,689
Accounts payable and other accrued liabilities	–	682,920

Included in the loss on disposal is derecognized goodwill of ₱28.2 million pertaining to the disposed subsidiaries (Note 19).

In 2011, URC recognized impairment loss on trademark of ₱84.0 million (included under 'Impairment losses and others' in profit or loss in the consolidated statements of comprehensive income) pertaining to the disposed subsidiaries (Note 18).

46. Business Combination

Acquisition of LSB

On August 27, 2012, RBC executed a share purchase agreement (SPA) with the LSB stockholders. As of December 31, 2012, RBC and majority of LSB stockholders had signed on the SPA.

On September 22, 2012, a new set of the BOD members for LSB was elected consisting mostly of RBC's officers.

In October and November 2012, RBC made payments to majority of the LSB stockholders. As of December 31, 2012, the stock transfer books of LSB have not been updated for these payments, although the deeds of absolute sale were already drafted and signed by LSB stockholders who had agreed on the SPA. RBC intends to execute the deed of absolute sale after all documentary and legal requirements have been addressed.

On December 26, 2012, the MB of the BSP approved RBC's acquisition of the 100.00% common shares of LSB.

The fair value of the identifiable assets and liabilities, determined on a provisional basis of LSB, as at December 31, 2012 follow:

	Fair Value Recognized on Acquisition
Assets	
Cash and cash equivalents	₱360,157,091
Available-for-sale investment	2,314,013
Loans and receivables	965,692,025
Property and equipment	43,910,651
Investment property	175,029,262
Bank licenses	620,000,000
Other assets	11,974,787
	2,179,077,829
Liabilities	
Deposit liabilities	2,033,312,019
Redeemable preferred shares	30,700,000
Deferred tax liability	186,000,000
Accrued expense and other liabilities	62,392,816
	2,312,404,835
Total identifiable net liabilities at fair value	(₱133,327,006)

The acquisition resulted in recognition of goodwill determined as follows:

Total acquisition cost	₱111,000,000
Fair value of net liabilities acquired	133,327,006
Goodwill	₱244,327,006

The purchase price allocation has been prepared on a preliminary basis due to unavailability of certain information to facilitate fair value computation and reasonable changes are expected as additional information becomes available. The accounts that are subject to provisional accounting are loans and receivables, investment property, branch licenses and goodwill.

Cash flow on acquisition follows:

Cash and cash equivalents acquired from LSB	₱360,157,091
Cash paid	(111,000,000)
Net cash inflow	₱249,157,091

As of December 31, 2012, the RBC's investment in LSB consists of:

Acquisition cost	₱111,000,000
Post-acquisition investments: Additional capital infusion	620,000,000
Net cash outflow	₱731,000,000

On August 22, 2012, the BOD of RBC approved the infusion of cash equity to bring LSB's capital adequacy ratio (CAR) to at least 10.00% amounting to ₱620.00 million. On December 19, 2012, RBC infused the ₱620.00 million to LSB (Note 18).

Acquisition of RBC
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 cash equivalents	₱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 equivalents 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.

On July 25, 2012, RBC's BOD approved the 100% acquisition of the controlling interest (both common and preferred shares) in Legazpi Savings Bank, Inc. (LSB). Further, it was resolved that RBC would seek approval from the BSP for the acquisition and other incentives.

On August 15, 2012, the Monetary Board (MB) of the BSP issued its approval in principle of RBC's request to acquire LSB and of all the incentives requested by RBC subject to the submission of the necessary requirements.

47. Mergers

LMI (Surviving Entity) and Certain Subsidiaries
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 and Adia Development and Management Corporation, Westpoint Industrial Mills Corporation, Cebu Pacific Manufacturing Corporation, Hello Snack Foods Corporation, Savannah Industrial Corporation and Terai Industrial Corporation. The Plan and Articles of Merger were approved by the BOD on July 22, 2009.

Plan Merger of the 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.

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.

On May 27, 2011, the SEC approved the merger of the Parent Company and the aforementioned subsidiaries.

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 ₱10.0 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 SEC. On May 25, 2011, the SEC approved the merger of RSBC and RBC, RBC, having a commercial banking license, as the surviving entity.

48. Subsequent Events

The following non-adjusting events happened subsequent to the respective reporting dates of the Parent Company and its subsidiaries:

a. On December 12, 2012, RLC signed a Memorandum of Understanding (MOU) with Universal Entertainment Corporation (UEC) which is controlled by Mr. Kazuo Okada in relation to the development of a leisure and gaming resort complex. Under the MOU, RLC will acquire a majority stake in Eagle Land Holding Inc. and handle the development of the commercial and residential facilities.

   RLC will likewise acquire a minority stake in Tiger Resorts Leisure and Entertainment, which was awarded the provisional license to own, develop and operate an integrated mixed-use resort and gaming complex called Manila Bay Resorts.

   The MOU is subject to due diligence by RLC. As of the approval date of the consolidated financial statements, the due diligence undertaken by RLC on the MOU has not been completed and still on-going.

b. On January 11, 2013, the BOD of JGSPC and JGSOC approved and authorized the additional subscription of shares in the amount of ₱361,820,934 and ₱1,389,391,412, respectively. Deposits for future subscription amounting to ₱5,318,209,341 of JGSPC and ₱18,883,914,117 of JGSOC will be applied against subscriptions made.

c. On January 16, 2013, JGSH Philippines, Limited, a wholly owned subsidiary of JGSPL, issued US$250.0 million, US$ LIBOR plus 2.2% margin, 5-year guaranteed notes. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

d. On January 16, 2013, JGSH Philippines, Ltd. entered into an interest rate swap transaction with a bank, with a total notional amount of US$250.0 million. The interest rate swap has a term of five years and the interest exchange is every 16th of April, July, October, and January. The quarterly interest payments are guaranteed by the Parent Company.

e. On January 18, 2013, JGSPL redeemed at their principal amount the US$300.0 million, 8.0% guaranteed notes issued in January 2006. The notes are originally guaranteed by the Parent Company.

f. On January 24, 2013, JGSH Philippines, Limited issued US$750.0 million, 4.375% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

g. In February 2013, CAI has pre-terminated its existing fuel derivative contracts with its counterparties and recognized realized mark-to-market gain amounting ₱163.8 million from the transaction. However, as of December 31, 2012, CAI recognized unrealized gain of ₱102.7 million from the positive fair value change from its fuel derivatives. As such, CAI will realize ₱61.1million as net realized gain from the transaction.

h. On March 8, 2013, the CAI's BOD appropriated ₱2.5 billion from the unrestricted retained earnings as of December 31, 2012 for purposes of its re-fleeting program. The appropriated amount will be used for settlement of pre-delivery payments and aircraft lease commitments in 2013.

49. Supplemental Disclosures to Cash Flow Statements

The principal noncash activities of the Group are as follows:

a. In 2011, the Group disposed the following assets in exchange for investments in PLDT shares with a fair value of ₱64.3 billion at the time of sale:

   a. 3,151,310,882 common shares of DTPI with carrying value of ₱3.0 billion
   b. Zero-coupon convertible bonds due 2013 and 2014 with carrying value of ₱19.1 billion
   c. Intercompany advances with carrying value of ₱34.1 billion

   Also, part of the proceeds of the exercise of put option by the Parent Company was deposited in an escrow account which was in accordance with the agreement with PLDT.

b. Movements in the cumulative translation adjustment amounted to ₱222.1 million, ₱136.1 million and ₱91.1 million in 2012, 2011 and 2010, respectively.

c. In 2012, 2011 and 2010, the Group capitalized depreciation as part of the cost of new born biological assets (suckling) amounting to ₱137.5 million, ₱140.1 million and ₱139.1 million, respectively.

d. In 2012, 2011 and 2010, the Group foreclosed some assets, which are recorded under 'Investment properties' in the consolidated statements of financial position, amounting to ₱18.0 million, ₱11.9 million and ₱16.0 million, respectively.

e. In 2011, the Group recognized additional ARO asset and ARO liability amounting to ₱279.9 million for the costs of restoration of two aircraft. In 2010, the additions in 'Passenger aircraft' include increase in ARO asset amounting to ₱705.7 million due to change in accounting estimates.

f. As of December 31, 2010, the Group had non-cash investing activities pertaining to additions to accrued project cost of ₱4.0 billion, and capitalized borrowing costs of ₱0.8 billion.

g. 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.

h. On December 31, 2011 and 2010, the Group recognized a liability based on the schedule of pre-delivery payments amounting to ₱564.2 million and ₱286.0 million, respectively, with a corresponding debit to 'Construction-in progress'. The liability was paid on January 3, 2012 and January 3, 2011, respectively.

i. In 2012, 2011 and 2010, the Group acquired a total of ten (10) passenger aircraft by assuming direct liabilities. This transaction is considered as a non-cash financing activity.

j. 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. The remaining HTM investments of the Group amounting to ₱753.4 million was reclassified from HTM investments category to AFS investments.

50. 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 14, 2013.

NOTES

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Philippine Stock Exchange, Inc.
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