JG SUMMIT
HOLDINGS, INC.

2013 ANNUAL REPORT

CONTENTS

JG SUMMIT
HOLDINGS, INC.

Making Life Better

2013 ANNUAL REPORT

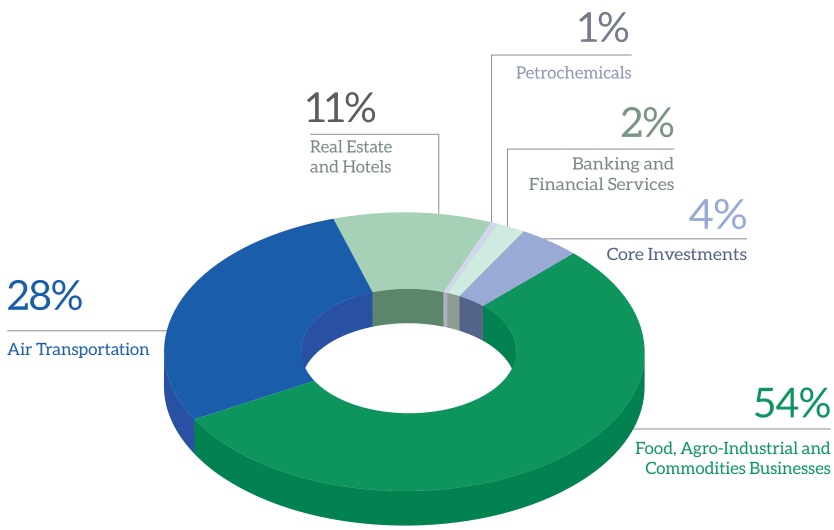
JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

FINANCIAL HIGHLIGHTS

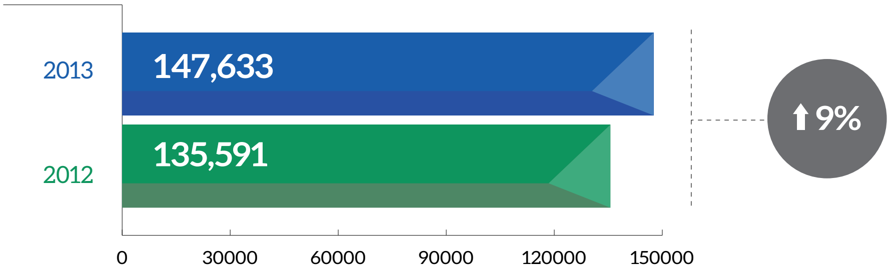
DECEMBER 31 (IN MILLION PESOS EXCEPT PER SHARE AND STATISTICAL DATA)

			2013 vs 2012 Increase (Decrease)	
For the Year	**2013**	**2012**	**Amount**	**%**
Revenues	147,633	135,591	12,041	9%
Core Net Income after Taxes	13,413	10,990	2,422	22%
EBIT	24,275	20,968	3,307	16%
EBITDA	34,171	29,540	4,631	16%
As of the Year				
Total Assets	463,818	340,378	123,440	36%
Total Liabilities	232,014	141,903	90,112	64%
Total Equity	231,804	198,476	33,328	17%
Per Share				
Basic Earnings	1.48	1.99	(0.51)	-26%
Book Value	26.22	22.80	3.42	15%
Other Financial Data				
Current Ratio	0.73	1.10	(0.37)	-33%
Gearing Ratio	0.53	0.41	0.12	29%
Net Debt Equity Ratio	0.35	0.20	0.15	74%

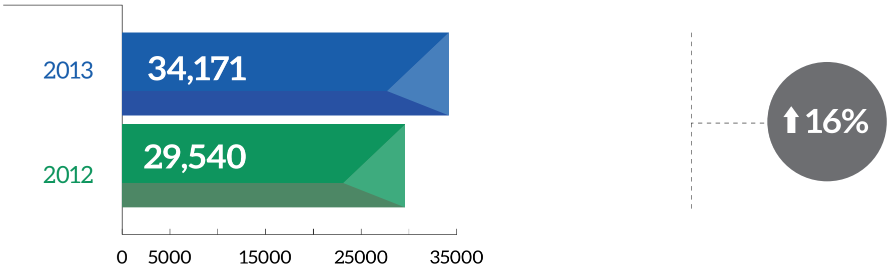
Revenue Contribution



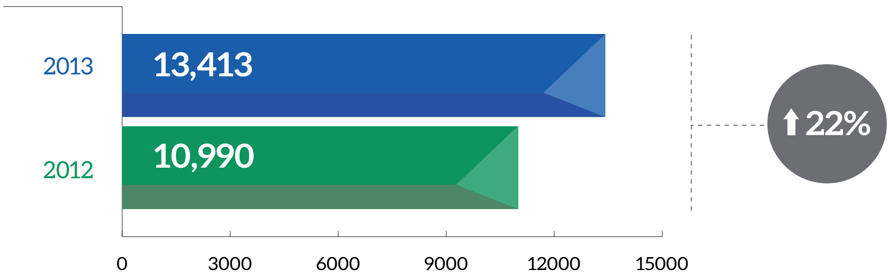
REVENUES



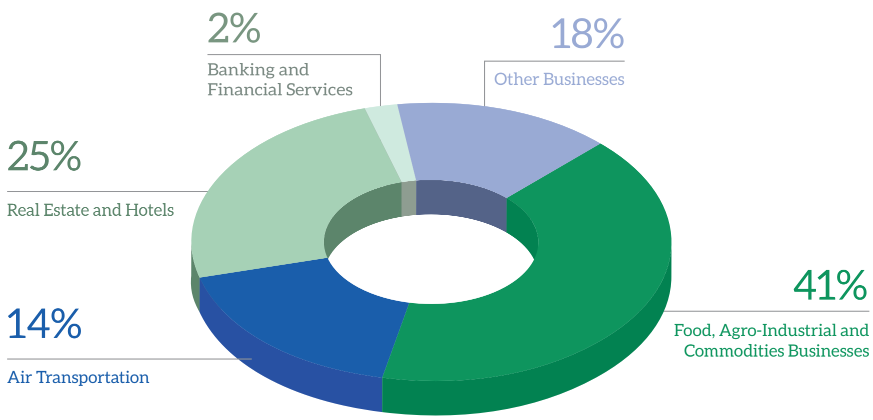
EBITDA



CORE NET INCOME
AFTER TAXES



EBITDA Contribution



Message from the Chairman and President

The year 2013 was another notable year for JG Summit in the face of the challenges experienced by the Philippines in the last quarter of the year. Parts of Cebu and Bohol were hit by a major earthquake while typhoon Yolanda/Haiyan, one the strongest typhoons ever recorded and the deadliest Philippine typhoon to date, caused catastrophic damage in large parts of the Visayas region. Nonetheless, the economy showed resilience and still posted a strong gross domestic product growth of 7.2% last year.

In Tacloban City, the area hardest hit by the typhoon, our subsidiary Robinsons Land Corporation (RLC) is the biggest mall, hotel and retail operator. Despite being badly damaged, we resumed operations immediately to extend much needed support and service to the embattled community. Our airline, Cebu Pacific Air (Cebu Pacific) contributed to the relief efforts by airlifting emergency personnel, vital medical supplies and equipment to the typhoon-affected regions. To support the region's economic recovery, we are pleased to announce that our RLC establishments in Tacloban City will be fully operational in June 2014.

MAJOR DEVELOPMENTS

Fund Raising

In January 2013, JG Summit completed the largest US Dollar bond issue by a Philippine Corporate Issuer, raising US$750 million at record low interest rates. The company also availed of a US$250 Million syndicated loan to refinance maturing obligations at much lower costs. These fund-raising activities, helped support capital expenditures, and re-financed our maturing US dollar and Peso maturing obligations at much lower borrowing costs.

In February 2014, the company completed the issuance of a PHP30 billion fixed rate corporate bond, also at record low borrowing costs. This issuance was the largest Philippine issuance of the year and the largest since 2010.

Acquisitions

In December 2013, the company completed the purchase of a 27.1% stake in Meralco. The acquisition was funded by a combination of debt and equity, with the Company raising PHP12.08 billion from the sale of its 4.81% stake in URC via an overnight placement in October 2013, and also through a top-up equity placement involving the re-issuance of treasury shares and issuance of new common shares which amounted to PHP8.80 billion in November 2013.

In February 2014, Cebu Pacific entered into a strategic alliance with Tigerair which will allow both companies to leverage on their extensive networks spanning from North Asia, ASEAN, Australia, India, and all the way to the Middle East. As part of the strategic alliance, Cebu Pacific signed the share purchase agreement to acquire 100% of Tigerair Philippines, including the 40% stake of Tiger Airways Holdings Limited. Tigerair Philippines's current fleet of 5 aircraft will be gradually returned and replaced with aircraft from Cebu Pacific's fleet.

Awards and Recognitions

In November 2013, JG Summit was included in the MSCI Philippines index, joining Universal Robina Corporation (URC) in the list. The index is often used as a guide by institutional clients in managing investment portfolios. The inclusion in the index confirms the continuing investor confidence in our company.

In January 2014, RLC has been named as the Overall Best Managed Company in the Philippines for two consecutive years. According to Euromoney, the investor community praised RLC's leading role in promoting transparent communication to investors and its clear strategy, management accessibility and solid earnings potential

FINANCIAL PERFORMANCE

JG Summit Holdings Inc. posted a 22.0% increase in consolidated core net income after taxes of PHP13.41 billion for the year ended December 31, 2013, from PHP10.99 billion last year (core net income is computed as net income attributable to equity holders of Parent company as adjusted for the net effect of gains/losses on foreign exchange, market valuations and derivative transactions). However, consolidated net income attributable to equity holders of the Parent company amounted to only PHP10.10 billion, down 25.5% from PHP13.55 billion in 2012. The 25.5% decrease is mainly due to the 8.1% depreciation of peso YOY as the Group recorded a PHP4.1 billion foreign exchange loss compared to a foreign exchange gain of PHP1.40 billion last year. Moreover, the Group's recorded mark-to-market gains for 2013 amounted to PHP308.99 million, lower by 83.4% from last year's mark-to-market gain of PHP1.87 billion. Consolidated EBITDA reached PHP34.17 billion, a 15.7% increase compared to last year.

Consolidated revenues grew 8.9% from PHP135.59 billion to PHP147.63 billion due to the strong performance of its major subsidiaries. URC's total revenues increased by 13.8% from PHP71.2 billion to PHP 81.0 billion in FY2013. Cebu Air's total revenues went up by 8.2% from PHP37.9 billion in CY 2012 to PHP41.0 billion in CY 2013. RLC's total revenues also increased by 17.7% from PHP13.5 billion in FY 2012 to PHP15.9 billion in FY 2013. This was brought about by the continuing growth of disposable incomes, personal consumption expenditures, and the aggressive sales and marketing efforts of these subsidiaries. Dividend income received by the Group from core investments in PLDT, among others, went up by 4.3% from PHP3.20 billion last year to PHP3.33 billion this year. JG Petrochem's revenue declined 79.2% from PHP4.91 billion for the fiscal year 2013 to PHP1.02 billion this year as it went on a technical shutdown since October 2012 to prepare for the completion and integration of its naphtha cracker which will commence operations in 2014. Equity in net earnings of associates increased from PHP2.01 billion for 2012 to PHP2.28 billion in 2013 due to take up of equity earnings from Meralco.

The Group's operating expenses increased by 18.0% from PHP21.94 billion last year to PHP25.90 billion this year due to higher selling, general and administrative expenses in the airline and food business units. As a result, Operating Income or EBIT went up 15.8% from PHP20.97 billion to PHP24.28 billion.

The Group's financing costs and other charges net of interest income, increased by 33.9% to PHP2.22 billion from last year's PHP1.66 billion because of an increase in debt obtained to partly finance the Group's capital expenditures and major investments during the year.

The Group spent about PHP36 billion in capital expenditures in 2013, to continue growing the Group's existing businesses in response to growing demand. Cebu Pacific acquired five Airbus A320 aircraft; RLC acquired several properties both for residential and commercial development and spent significantly on mall construction, renovation and expansion; the Petrochemical business continued with the construction of its Naphtha cracking facility scheduled to be operational in 2014 and, URC undertook several plant expansion projects.

In December 2013, the Parent Company completed the purchase of a 27.1% stake in Meralco for PHP71.8 billion, which was funded by a combination of debt and equity capital. The Group's balance sheet remains healthy, with a current ratio of 0.73:1, gearing ratio of 0.53:1 and net debt to equity ratio of 0.35:1 as of December 31, 2013. On February 27, 2014, the Parent Company successfully issued PHP30.0 billion Fixed Rate Corporate Bonds, one of the biggest debt issuances of the year. This will further improve the Company's liquidity position as it will refinance short-term borrowings.

The Parent Company completed a top-up equity placement involving the re-issuance of treasury shares and new common shares amounting to PHP8.80 billion in November 2013. Likewise, the Parent company sold about 5% of our stake in URC raising PHP12.08 billion. Book value per share improved from PHP22.80 per share as of December 31, 2012 to PHP26.22 per share as of December 31, 2013.

Universal Robina Corporation generated a consolidated sale of goods and services of PHP81.0 billion for the fiscal year ended September 30, 2013, 13.8% sales growth over last year. Sales performance by business segment was as follows: (1) URC's branded consumer foods segment, excluding packaging division, increased by PHP9.73 billion, or 17.8%, to PHP64.23 billion in fiscal 2013 from PHP54.51 billion registered in FY 2012. Domestic operations posted a 22.8% increase from PHP34.35 billion in fiscal 2012 to PHP42.18 billion in fiscal 2013 due to the strong performance of its beverage division which grew 65.6% on the back of the solid performance by the powdered beverage business, which was mainly attributed to continued success of Great Taste white coffee; and its Ready-To-Drink business, mainly driven by C2 230ml solo. Sales for snack foods division grew by 4.0% due to the growth in the salty snacks category. BCFG's international sales increased by 9.4% to PHP22.05 billion in fiscal 2013 against PHP20.16 billion in fiscal 2012 due to a 14.3% increase in sales volume. Vietnam, the biggest contributor, accounted for 43.9% of total international sales in dollar terms. Indonesia also grew sales on the back of its snacks and chocolate categories, with snacks being the main driver as sales momentum continued for fabricated potato crisps. Sales for URC's packaging division decreased by 33.3% to PHP1.17 billion in fiscal 2013 from PHP1.75 billion recorded in fiscal 2012 due to decline in sales volume. (2) URC's Agro-Industrial Group (AIG) posted revenues that amounted to PHP7.39 billion in FY 2013, a slight increase from PHP7.37 billion recorded in FY 2012. The Feeds business decreased by 13.9% to PHP3.10 billion due to weaker sales volumes, however, this was offset by an increase in the farm business by 13.9% because of the higher sales prices of hogs and poultry products. (3) Sales of URC's Commodity Foods Group amounted to PHP8.20 billion, in FY 2013 or an increase of 8.3% from PHP7.58 billion in FY 2012. The Sugar business increased by 24.1% due to the early start of the milling season, good cane quality and supply, and the contribution from Tolong, a newly acquired mill. The Flour business slightly decreased by 4.8% due to lower volumes and selling prices which resulted from the influx of imported flour. Total Cost of Sales increased by PHP5.05 billion, or by 9.6%, to PHP57.78 billion in FY 2013 from PHP52.73 billion in FY 2012, due to an increase in sales volumes, net of lower prices of key inputs such as coffee beans and palm oil. URC's total gross profit for fiscal 2013 amounted to PHP23.22 billion, up by PHP4.75 billion from PHP18.47 billion reported in FY 2012. URC's gross margin increased by 280 basis points from 25.9% in FY 2012 to 28.7% in FY 2013. Selling and distribution costs and general and administrative expenses rose by PHP2.32 billion or by 21.8% to PHP12.94 billion in FY 2013 from PHP10.62 billion in FY 2012. Market valuation gain on financial instruments at fair value through profit or loss, decreased to PHP473.30 million in FY 2013 from PHP1.55 billion in FY 2012 due to the disposal of bond and equity investments. As a result, URC's finance revenue decreased by 56.9% to PHP529.64

million in FY 2013 from PHP1.23 billion in FY 2012 due to a said decline in the level of financial assets. URC's finance costs consist mainly of interest expense which decreased by 61.6%, to PHP266.03 million in FY 2013 from PHP693.27 million recorded in FY 2012 due to a decline in the level of financial debt resulting from the settlement of long-term debt and the repayment of short term debt. Gain (loss) on sale of investments showed a turnaround from a loss of PHP29.91 million in 2012 to a gain of PHP735.17 million in FY 2013. The gain on sale this year represents the gain on the disposal of all bond investments and a significant portion of equity investments. The net income attributable to equity holders of the parent increased by PHP2.28 billion or by 29.4% to PHP10.04 billion in FY 2013 from PHP7.76 billion in FY 2012, as a result of the factors discussed above. URC reported an EBITDA (operating income plus depreciation and amortization) of PHP13.90 billion for FY 2013, 23.4% higher than PHP11.27 billion posted in FY 2012. Core earnings before tax (operating profit after equity earnings, net of finance costs and other expense-net) for FY 2013 amounted to PHP11.26 billion, an increase of 33.0% from PHP8.47 billion recorded for FY 2012.

Cebu Air, Inc. generated gross revenues of PHP41.0 billion for the year ended December 31, 2013, 8.2% higher than the PHP37.90 billion revenues earned last year, mainly attributed to the 8.3% growth in passenger volume from 13.3 million to 14.4 million, driven by the increased number of flights in 2013. Number of flights went up by 6.0% as a result of an increase in the number of aircraft operated to 48 aircraft as of December 31, 2013 from 41 aircraft as of end 2012. Increase in revenues, however, was partially offset by the reduction in average fares by 1.1% to PHP2,206 from PHP2,232 in 2012. Cargo revenues grew 9.6% to PHP2.61 billion for the year ended December 31, 2013 following the increase in the volume of, and average freight charges of cargo transported in 2013. Moreover, ancillary revenues went up by 13.3% to PHP6.73 billion in 2013 from PHP5.94 billion in 2012. Cebu Air began unbundling ancillary products and services in 2011 and significant improvements in ancillary revenues were noted since then. Improved online bookings also contributed to the increase. Cost of services and operating expenses went up 9.5% to PHP38.60 billion in 2013 from PHP35.24 billion last year. The major contributor to the higher expenses this year is aviation fuel expenses which increased 11.2% from PHP17.56 billion in 2012 to PHP19.52 billion in 2013, as a consequence of the increase in the volume of fuel consumed from the higher number of flights year on year. The rise in aviation fuel expenses, however, was partially offset by the reduction in aviation fuel prices as referenced by the decrease in average published fuel MOPS price of US$122.97 per barrel in the twelve months ended December 2013 from US$126.83 average per barrel for the same period in 2012. Depreciation and amortization expenses grew by 24.8% to PHP3.46 billion for CY 2013 from PHP2.77 billion last year because of the arrival of five Airbus A320 aircraft. Aircraft and engine lease expenses went up 13.8% to PHP2.32 billion for the year 2013 from PHP2.03 billion in 2012 due to the lease of two additional Airbus A330 aircraft and by the effect of the depreciation of Philippine Peso against the US dollar during the period. Cebu Pacific recognized lower interest income for the period from PHP415.7 million last year to PHP219.62 million this year due to the decrease in the balance of cash in bank and short-term placements year on year and lower interest rates. Net foreign exchange losses of PHP2.06 billion for the year 2013 resulted from the weakening of the Philippine Peso against the US Dollar. Cebu Air's major exposure to foreign exchange rate fluctuations is related to its US dollar denominated long-term debt incurred in connection with aircraft acquisitions. As a result of the foregoing, net income for the year ended December 31, 2013 declined to PHP511.95 million from PHP3.57 billion last year.

Robinsons Land Corporation generated total gross revenues of PHP15.90 billion for FY 2013, an increase of 18% from PHP13.52 billion total gross revenues for FY 2012. EBIT (Operating income) grew by 14% to PHP5.97 billion while EBITDA (Operating income plus depreciation) posted a 15% growth to PHP8.43 billion. Net income stood at PHP4.47 billion, up by 5% compared to last year. The Commercial Centers Division accounted for PHP7.39 billion of the real estate revenues for the year versus PHP6.43 billion last year or a 15% increase. Metro Manila malls led by Robinsons Galleria and Robinsons Place Manila contributed to the growth while most provincial malls also posted decent growth in rental revenues. The Division's EBIT and EBITDA grew by 6.7% and 12.7%, respectively. The Residential Division realized revenues rose to PHP5.58 billion for the year versus PHP4.30 billion last year, an increase of 29.8% due to the adoption of a buyer's equity requirement closer to the prevailing industry practice of recognizing sales based on percentage of construction completion. Both EBIT and EBITDA have shown positive variances of 41.2% and 39.8%, respectively. The Office Buildings Division revenues grew by 2.9% to PHP1.44 billion from PHP1.40 billion over the same period last year. This increase in lease income was due to improved or escalated rental rates of leased spaces. The Division's EBIT and EBITDA showed positive variances of 5% and 3%, respectively. The Hotels Division, a major contributor of RLC's recurring revenues, registered gross revenues of PHP1.50 billion, as against last year's PHP1.38 billion. The 8% increase in hotel revenues was principally due to higher occupancy rates achieved by Holiday Inn, Summit Circle Cebu and Summit Ridge and an additional new Go Hotels Otis-Manila which opened in FY 2013. The hotel average occupancy rates are 82% for Crowne Plaza Galleria Regency, 81% for Holiday Inn Galleria Manila, 57% for Summit Circle Cebu (formerly Cebu Midtown Hotel), 45% for the Summit Ridge Hotel and 68% for Go Hotels. Hotel Division's EBIT grew by 26%, while EBITDA showed a positive variance of 19%. Real estate cost and expenses went up by 25% to PHP6.56 billion from PHP5.26 billion last year. The higher level of realized sales of residential units brought cost of real estate sales to increase by 30%. Moreover the opening of new malls raised the level of depreciation expense of Commercial centers by 19%. Furthermore, cinema expenses rose by 25% due to higher level of cinema operations which in turn resulted to higher cinema revenues. Other expenses went up by 63% due mainly to higher contracted services, among others. Interest income decreased to PHP113.4 million from PHP493.0 million last year due to lower level of cash and cash equivalents. General and administrative expenses went up by 16% due to higher salaries, advertising and promotions and taxes and licenses, among others. Interest expense decreased by 68% due to higher level of capitalized interest covering related to certain capital expenditures.

JG Summit Petrochemicals Corporation's (JGSPC) gross revenues declined by 75.7% from PHP5.11 billion last year to PHP1.24 billion for the fiscal year ended September 30, 2013, due to the technical shutdown of production since October 2012 in preparation for the naphtha cracker which will commence operations in 2nd quarter of 2014. Costs and expenses, consequently decreased by 65.9% from PHP5.63 billion in FY 2012 to PHP1.92 billion in FY 2013. Interest expense also dropped to PHP26.02 million in 2013 from PHP67.56 million in 2012 due to a lower level of trust receipts for the period. Net loss for FY 2013 increased 22.2% amounting to PHP639.91 million compared to PHP523.73 million last year.

Robinsons Bank Corporation (RBC) generated net earnings of PHP452.34 million for the year ended December 31, 2013, a 16% growth from the previous year. Revenues increased 8.5% from PHP2.53 billion last year to PHP2.75 billion this year. Interest expense dropped 25.1% to PHP558.11 million in 2013 due to lower interest rates for the period.

Equity in net earnings of associates and joint ventures amounted to PHP2.28 billion for the year ended December 31, 2013, a 13.5% increase from last year's PHP2.01

billion. The Company acquired 27.1% stake in Meralco in December 2013, thus a corresponding equity earnings take up was recorded for the period. United Industrial Corporation, Limited recorded a 1.0% decline in its net income from operations S$168.2 million in 2012 to S$167.18 million in 2013. The decrease in net income is mainly due to lower revenues as sale of properties showed a decline of 55.6% in 2013. Since the Group's policy for the valuation of property, plant and equipment is the cost basis method, the equity income taken up by the Group represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets.

Future Plans and Strategies

The growth prospects of the Company and its subsidiaries are very positive given that the Philippine economy has demonstrated a very resilient growth in the past years despite some global financial woes. The main driver of the economic growth of the country is consumption where most of our businesses are anchored on.

Universal Robina, the largest snack foods in the country with PAN ASEAN presence, is in the process of commissioning its bio-ethanol facility and the creamer factory in Vietnam which will augment the requirements of the Philippines. It will finish construction of its factory in Central Vietnam, Myanmar and biomass power cogeneration facility in the Philippines by the fourth quarter of this year. The company will continue to launch exciting new products in snackfoods and beverages across its PAN ASEAN footprint.

Robinsons Land, a major real estate developer, will be opening 7 new malls in fiscal year 2014, 5 of which have been opened to date. It has completed 2 new office buildings in the Ortigas Central Business District, namely, Cyberscape Alpha and Cyberscape Beta. It has started construction of another office building, Tera Tower, in its upcoming mixed use complex, Bridgetowne, in Quezon City. It will continue to roll out its essential services hotel chain, Go Hotels, both organically and through its franchisee. It will continue to be cognizant on the continued strong demand of its residential arm and is earmarking to launch projects approximately amounting to PHP6-8 billion in terms of sales value.

Cebu Pacific, Philippines' leading airline, has increased seat capacity in markets such as Malaysia, Singapore, China and Japan. It started flying to Narita and Nagoya.In 2014, Cebu Pacific will take delivery of 5 Airbus A320, 3 Airbus A330 and will return 4 Airbus A320 leases. In 2015, it will take delivery of 4 Airbus A320 and 1 Airbus A330.

JG Summit's naphtha cracker plant, the first in the country, to be operated by JG Summit Olefins Corporation, is targeted to start its commercial operations in the second half of 2014. The naphtha cracker project will allow backward integration with JG Summit's existing PE and PP polymerization facilities, which have been using imported products since.

With the strategic acquisition of Meralco, the Company will be able to increase significantly its dividend stream from its subsidiaries and investments.

ACKNOWLEDGEMENT

We would like to convey our gratitude and appreciation to our customers, business partners and fellow shareholders on your unceasing support and patronage; to our board, executives and employees on your unwavering dedication; and for all your continued confidence in our commitment to make every Filipino life better.

James L. Go
Chairman and Chief Executive Officer

Lance Y. Gokongwei
President and Chief Operating Officer

JG Summit Businesses

JG SUMMIT HOLDINGS, INC.

Make Life Better For Every Filipino

JG Summit Holdings, Inc. (JG Summit) is one of the leading conglomerates in the Philippines, having established a formidable presence in various sectors of the Philippine economy over the last 60 year with various business interests in food and beverages under Universal Robina Corporation, real estate and hotels under Robinsons Land Corporation, air transportation under Cebu Pacific, banking and financial services under Robinsons Bank Corporation, and petrochemicals under JG Summit Petrochemicals Corporation and JG Summit

Olefins Corporation as well as core investments in real estate through UIC, telecommunications through PLDT and recently in power, through Meralco.

Our businesses have been built on a strong entrepreneurial culture and conservative financial management. From a humble beginning of operating a cornstarch plant through Universal Corn Products, Inc. (now Universal Robina Corporation) in the 1950's, the company has grown into the diverse conglomerate that it is today. Our presence in different sectors of the economy minimizes our exposure to any one particular industry and our gradual expansion into the ASEAN region allows us to take advantage of the strong brand recognition of JG Summit's platform of businesses in the Philippine market.

Armed with a diversified portfolio with broad exposure to the Philippine and Asian economies, an established leadership in core business segments, a strong financial profile and proven track record of consistent and profitable growth and an experienced management team that focuses on complementary businesses to promote synergies, JG Summit is poised to embrace the challenges of global competitiveness with zeal and make life better for every Filipino.

JG Summit acquires 27.1% stake in Meralco

On September 30, 2013, JG Summit Holdings Inc, agreed to purchase 305,689,397 common shares of Manila Electric Company (Meralco) from San Miguel Corporation, San Miguel Purefoods Company, Inc., and SMC Global Power Holdings, Inc. This acquisition represents 27.1% of the Meralco's total outstanding common shares for a total cost of PHP72.0 billion. Meralco is the largest electricity distributor in the country, which provides electricity to over 5.4 million consumers in 34 cities and 77 municipalities. The acquired stake in MER will result in a significant increase in JG Summit's dividend income, derived from Meralco's steady income stream. The sale was completed on December 11, 2013.

POWER MEETING
(L-R) JG Summit Holdings, Inc. Chairman and Chief Executive Officer James L. Go, Chairman Emeritus John L. Gokongwei Sr., San Miguel Corporation President and Chief Operating Officer Ramon S. Ang, and JG Summit President and Chief Operating Officer Lance Y. Gokongwei, sat down to discuss the particulars of JG Summit's purchase of SMC's 27.1% stake in power distributor Manila Electric Co. (Meralco).

JG Summit Holdings, Inc. Issues PHP 30 billion Bonds Due 2019, 2021 and 2024 on the PDEX market

JG Summit returned to the secondary organized market, listing its PHP30 billion fixed rate bonds in three tranches: PHP24.51 billion five-year and six-month bonds with a coupon rate of 5.2317% per annum, PHP5.31 billion seven-year bonds with a coupon rate of 5.2442% per annum, and PHP176.34 million 10-year bonds with a coupon rate of 5.3000% per annum, which is so far the largest listing of the year and the largest since 2010. The bonds have garnered the top credit rating from the Philippine Ratings Services Corp., which cited JG Summit's "strong liquidity, sound capitalization, solid market position of its core business and the good quality of its management."

The event was held in February 27, 2014 at the PDS Group Office at The Enterprise Center, Makati City and was attended by representatives from the Joint Lead Managers and Joint Lead Underwriters including BDO Capital & Investment Corporation President Eduardo V. Francisco, BPI Capital Corporation President Cecilia L. Tan, First Metro Investment Corporation President Roberto Juanchito T. Dispo, The Hongkong and Shanghai Banking Corporation Limited President & CEO Jose Arnulfo A. Veloso and Standard Chartered Bank CEO Mahendra Gursahani as well as representatives from the Co-Lead Underwriters and the Company.

JG Summit Holdings, Inc. President & COO Lance Gokongwei and PDS Group President & CEO Cesar Crisol during the PDEX listing ceremony.

PDS Group President & CEO Cesar B. Crisol said in his welcome remarks, "The entry of the JG Summit bonds provides investors with another highly rated instrument for which to diversify their bond portfolios. And on this note, we salute JG Summit for returning to the market with this issuance. Your endeavors toward the capital market are an additional medium to make life better for every Juan.

"And as a market infrastructure, we assure you of our equal commitment to investor protection, efficient market systems, and responsiveness to your needs. This organized secondary market strives to provide the environment for your bondholders to invest and divest your instruments through licensed intermediaries with confidence, Mr. Crisol concluded."

Channel NewsAsia Honors Gokongwei with Lifetime Achievement Award

Business leader John Gokongwei, Jr has been conferred the 2014 Lifetime Achievement Luminary Award by Channel NewsAsia (CNA) for his contribution to the growth of Philippine industry and the Asian economy. Gokongwei is the first Filipino to receive that recognition from the Asian TV News channel.

In ceremonies at the Fullerton Hotel in Singapore on February 25, the entrepreneur-turned-industrialist and founder of one of the country's largest conglomerates became the fourth recipient of the prestigious award given previously to business leaders from India, Thailand and Indonesia.

During his dialogue with CNA's Timothy Go, Gokongwei said that he never imagined he would one day be one of the wealthiest men in the country. "I knew I could make it in Cebu but I never thought I could make it in Manila," he said.

"Everything was done in accordance to what is right. It takes time and devotion… you rely on your family for help and if they're a dedicated group, they will help you. And that's what happened to me."

To businessmen, he gave this advice: "Do what is right… do it with honesty and vigor. Be creative – that's important. Don't follow what other people are doing."

The Lifetime Achievement Luminary Award honors a business person whose success serves as an inspiration to others and whose achievements are iconic to the success of the Asian region, according to CNA, the broadcasting arm of MediaCorp of Singapore.

The awards ceremony, attended by some 250 guests that included business and industry leaders, coincided with the celebration of the 15th anniversary of the English language Asian TV news channel.

Gokongwei took his first steps in entrepreneurship at age 15 in the family's hometown in Cebu in the central Philippines where he engaged in a buy-and-sell operation using a bicycle.

From these humble beginnings, he grew his fortunes on hard work and frugality while taking calculated risks and embracing competition. Today, Gokongwei's business empire includes JG Summit Holdings, Inc. (JGSHI), Robinsons Retail Holdings, Inc. (RRHI), Universal Robina Corporation (URC), Cebu Pacific Air (CEB) and Robinsons Land Corporation (RLC), with a combined market cap of over USD18 billion.

Channel News Asia's Lifetime Achievement Luminary Award recipient John L. Gokongwei, Jr. (left) with MediaCorp CEO Shaun Seow.

The 87-year-old self-made billionaire now sits as Chairman Emeritus of JGSHI, the family's flagship that was chosen by Forbes as among Asia's Fab 50 best publicly-traded companies in 2011 and 2012. When he turned 80, Gokongwei donated half his shares in JGSHI to the Gokongwei Brothers Foundation (GBF), which in turn, has given significant endowments to various educational institutions in the Philippines.

JG Summit has interests in food and beverage, real estate and hotel, airlines, banking, power, telecommunications, petrochemicals, retail and publishing. The conglomerate earned a net profit of P13.3 billion as of end-September 2013.

The tycoon received a Master's degree in Business Administration from the De La Salle University, Manila, an Honorary Doctorate degree in Humanities from the Ateneo de Manila University and an Honorary Doctorate degree in Science in Business and Enterprise Development from the University of San Carlos in Cebu. He also attended the Advanced Management Program at Harvard University in Boston, Massachusetts.

His wealth and influence notwithstanding, Gokongwei said in one interview that he is proud of his family first and his business only second. He has five daughters and a son who are all involved in running their conglomerate. His son Lance is president and chief operating officer of JGSHI, while his brother James Go is the conglomerate's chairman and chief executive officer.


KROPEK
Hunt's

FOOD, AGRO-INDUSTRIAL & COMMODITIES

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

Candies

Jack 'n Jill Maxx	Jack 'n Jill XO
Jack 'n Jill Dynamite	Jack 'n Jill Star Jells
Jack 'n Jill Star Pops	Jack 'n Jill Wiggles
Jack 'n Jill Lush	Jack 'n Jill Yammy
Jack 'n Jill Star Fruits	Jack 'n Jill Dynamite Chews

Chocolates

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

Biscuits

Jack 'n Jill Cream-O Cookies	Jack 'n Jill Presto Cookies
Jack 'n Jill Dewberry	Jack 'n Jill Fun-O Cookies
Jack 'n Jill Magic	Jack 'n Jill Fun-O Crackers
Jack 'n Jill Wafrets	Jack 'n Jill Cream-O Wafers
Jack 'n Jill Pretzels	Jack 'n Jill Fun-O Pretzels

Bakery

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

Beverage

C2	Refresh
OMJ! Oh My Juice	Refresh Mineral Water
Refresh Purified Water	Hidden Spring
Great Taste	Blend 45
Cream All	Great Taste Ready-to-Drink White
Vitalac	Red Dragon

Noodles

Payless	Mamamee
Pancit ni Mang Juan	

Joint Ventures

Nissin	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.

NEWS

Success Beyond the Borders: URC Vietnam and C2

URC has been a part of the Filipino consumers' lives for decades. However, the company also takes much pride in its successful expansion beyond Philippine shores. Over the past few years, it has steadily built a presence in Southeast Asia and China with URC Vietnam at the forefront.

URC Vietnam only started operations in 2004 but has taken giant steps since then. It is currently the largest (in terms of revenues) among the different country operations, second only to the Philippines. In October 2013, C2 became the #1 Ready-to-drink Tea product in the whole of Vietnam, besting even the strongest local and foreign competitors.

At present, URC Vietnam continues to expand its innovative portfolio of snackfoods and beverages. It also continues to strengthen its operations with plans to build a new factory in Quang Ngai (in central Vietnam) to complement the existing Ho Chi Minh and Hanoi facilities.

It is perhaps hard to believe that a Filipino company can achieve so much success in a country that is more than 900 miles away, speaks an entirely different language, and has very unique influences and tastes. But URC has a couple of things going for it: the ability to 'localize', and a universal vision and core values.

'Localization' can mean many things but for URC, it means the ability to adapt the products and the business operations to an entirely different country or situation but still offering something distinctive. One example in Vietnam is that the company has successfully 'localized' both the product and the marketing for C2. Vietnam has a deep-rooted tea culture and because of this, the company decided to offer and push C2 more than any other product. C2, being freshly brewed from green tea leaves, caters very well to this traditional tea-drinking culture and yet offers something new with its refreshing fruity flavours. Even the way C2 is marketed speaks of this immersion into the Vietnam culture. URC Vietnam has been running their "Only One Love, Only C2" brand message across its advertising and promotional efforts and it has created a strong affinity with the local consumer.

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 Chicharon ni Mang Juan as well as Great Taste White Coffee mixes, a first in the domestic market.

This adaptation also carries over to the way the company runs its operations - from purchasing (e.g. using locally grown green tea leaves) all the way to distribution (e.g. working with local distributors across different regions). Perhaps more importantly, the 'localization; also applies to the people that run the business - URC Vietnam is a cohesive and talented unit of Filipinos, Vietnamese, as well as other nationalities.

Aside from its ability to 'localize', it is URC's universal vision and core values that drive the overseas success. The company's vision is to offer consumers fun, value, and quality through its products. It is a vision that applies to Vietnam (or any other country for that matter) as much as it does to the Philippines. C2 provides the consumer an enjoyable experience through a high quality product at an affordable price. The company also adheres to four core values: passion, dynamism, integrity, and courage. These are values that have helped URC Vietnam and C2 succeed in a very difficult and competitive environment.

URC has found success in places far from home and URC Vietnam is the perfect example of this. The company's success in the country is a testament to its ability to adapt and a testament to how a vision can transcend geographic borders, distances, cultures, and tastes. In the years ahead, URC will continue to build its relationship with Vietnam and its people through C2 and other well-loved products.

- **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 in Negros Occidental. 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.
- **URC** has ventured into renewable energy as it broke ground in 2013 for its USD 35 million ethanol distillery plant and invested USD 62 million into a biomass-fired power cogeneration facility. The ethanol distillery plant, located in Manjuyod, Negros Occidental, is estimated to start operations by June 2014, producing 100,000 liters per day or 30 million liters of fuel grade anhydrous ethanol per year. The biomass-fired power cogeneration facility, located in Kabankalan, Negros Occidental, is expected to provide 46 Megawatts of power to the national grid using bagasse, a by-product of sugar milling, as fuel.
- **URC's** investment license for Myanmar was approved last April 2013. The company has formed a 95-5 joint venture in favor of URC. Currently, URC sells biscuits products out of its Thailand facility, and will commission the factory by the end of 2014.

REAL ESTATE & HOTELS

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 to middle-cost lots and houses in its subdivision developments).

RLC is one of the country's largest mixed-use property developers. It has mixed-use developments such as Robinsons Galleria complex which houses two office towers, two deluxe hotels, and an upscale residential condominium anchored by a flagship shopping mall. The Robinsons Place Manila complex has five residential towers which are fully integrated with another flagship shopping mall. The Robinsons Cybergate Complex houses the Forum Robinsons mall, the flagship Go Hotel, four office buildings, and three residential towers. The Robinsons Magnolia mall is part of the Magnolia Town Center complex in Quezon City, RLC's 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, 2013, RLC operated 32 shopping malls, comprising 7 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, 2013, this division has eight 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 all over the country. As of September 30, 2013, RLC's Hotels Division currently has a portfolio of ten hotel properties, under the three brand segments, namely, internationally branded hotels (Crowne Plaza Manila Galleria and Holiday Inn Manila Galleria), Summit Hotels (Summit Circle Cebu and Tagaytay Summit Ridge Hotel), and Go Hotels (six Go Hotels in Mandaluyong, Palawan, Dumaguete, Tacloban. Bacolod and Otis-Manila).

RESIDENTIAL DIVISION

Develops and sells residential developments including low-, mid-, high-rise condominium buildings and housing divisions. As of September 30, 2013, RLC's Residential Division completed 37 residential projects, and had 25 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 supporting the live-work-play lifestyle. 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. As of September 2013, RLC had 13 mixed-use developments.
- 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 subsidiary to list in the Philippine Stock Exchange in 1989 with 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 1,623 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.
- 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, Philippine Retailers Association awarded Robinsons Magnolia as the Shopping Center of the Year (Medium Malls Category).
- In 2013, the Philippine Property Awards named the Magnolia Town Center as the Best Commercial Development.
- For two years in a row, 2013 and 2014, RLC was awarded as the Overall Best Managed Company in the Philippines by Euromoney, a leading international magazine, in their annual poll. Analysts praised **RLC** for its leading role in promoting transparent communication to investors as well as for its prudent gearing, good governance, visibility and clear articulation of strategy.

NEWS

Robinsons Land Corporation

Mr. Frederick Go, Robinsons Land Corporation President, receive the company's back-to-back "Best Managed Company in the Philippines" award from Mr. Marcus Langston of Euromoney Asia.

The year 2013 was a milestone for Robinsons Land Corporation (RLC), the real estate arm of JG Summit Holdings, Inc., as it ramped up its product offerings while bagging four prestigious awards in the process.

The company's vision and its execution of its plans did not go unnoticed. Robinsons Land Corporation reaped various awards last year as it was recognized for its management, its expertise in developing properties as well as for its relationship with stakeholders.

Robinsons Land was named the Overall Best Managed Company in the Philippines by the leading international magazine, Euromoney two years in a row. From over 207 nominated companies in Asia Pacific, RLC emerged as the top choice of money managers from major investment houses in Euromoney's Best Managed and Governed Companies Asia Poll 2014. According to Euromoney, "the company has a clear strategy and good visibility" while "Robinsons Land senior management continues to demonstrate prudent gearing, transparency, good governance and clear articulation of strategy."

Robinsons Land was also named one of the Top Developers that had the greatest impact on built environment in Southeast Asia by the BCI Asia Top 10. Also last year, the company received the prestigious crystal award for Excellence in Real Estate Property Development Philippines from International Alternative Investment Review magazine, a global independent publication and one of the fastest growing magazines worldwide, with regard to issues on global economy and sustainability.

Meanwhile, RLC's upscale Magnolia Town Center was named the Best Commercial Development (Retail) during the 2013 Philippine Property Award 2013. Robinsons Magnolia has become a much commended and popular family destination with its landscaped al fresco area, wide array of specialty stores and 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.

In fiscal year 2013, Robinsons Land also launched two new residential condominium projects: Radiance Manila Bay and The Sapphire Bloc West Tower which reported brisk sales amid a strong market. Robinsons Place Iloilo also opened a 3-level expansion wing with a 167 room Go Hotel.

In response to strong demand and the government's continued support for the tourism industry, Robinsons Land opened a new Go Hotels branch last year: Go Hotels Otis-Manila. The new hotel added 118 rooms to bring the total to 1,623 rooms for all Robinsons Land hotels under the Summit, Go Hotels, Holiday Inn and Crowne Plaza brands by the end of fiscal year.

As of the end of fiscal year 2013, Robinsons Land's diverse portfolio had 32 shopping malls, 8 office buildings, 10 hotel properties, 60 residential condominiums, and 32 housing subdivisions strategically located across the country. In fiscal year 2014, Robinsons Land targets to open 7 new malls, bringing total leasable space beyond the 1 Million square meter mark. It will also complete 2 new office buildings in the Ortigas central business district and open 2 new Go Hotels in key cities in the country.

AIR TRANSPORTATION

Cebu Pacific (CEB) is the Philippines' leading airline 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 33 local and 24 international destinations as of March 31, 2014. CEB uses a tiered pricing system that provides ultra-low fares through advanced bookings, making air travel a truly viable option for the Filipino.

CEB pioneered many firsts in the Philippine aviation industry--innovations such as e-ticketing, web check-in, self check-in kiosks, seat selection and online booking through www.cebupacificair.com.

In line with its commitment to make air travel more affordable and accessible, CEB operates an extensive route network serving 60 domestic routes and 32 international routes with a total of 2,284 scheduled weekly flights as of December 31, 2013. It has three principal distribution channels: the Cebu Pacific website; direct sales through booking sales offices (reservations call center 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 (MCIA) 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; Iloilo International Airport located in Iloilo City, regional center of the western Visayas region; and Kalibo International Airport in Kalibo, Aklan.

With a fleet of 48 aircraft with an average age of 4.23 years as of December 31, 2013, CEB operates the largest and youngest fleet in the Philippines. To support its growth requirements, CEB will take delivery of 14 more Airbus A320 aircraft between 2014 to 2017. In addition, CEB also expects delivery of four more Airbus A330 wide-body jets from 2014 to 2015, and 30 Airbus A321NEO aircraft between 2017 to 2021. These new aircraft will add range, flexibility and efficiency to CEB's fleet.

CEB defended its dominance in the Philippine 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 50.4% and its competitive performance index (CPI) for the year posted at 1.05, which means our share of market remains higher than our capacity share. Our CPI remains the highest among the domestic players in the Philippines. We also dominate the Philippine cargo market with a market share of 48.3% in 2013.

CEB continued to grow in the international market with 16.3% market share based on full year CAB data. On international routes we operate, CEB captured 23.8% market share. Singapore, Hong Kong and Korea continue to be our largest markets. New international destinations introduced in 2013 include Bali Indonesia, Phuket Thailand and Dubai.

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.

DOMESTIC DESTINATIONS

1. Bacolod
2. Boracay (Caticlan)
3. Busuanga (Coron)
4. Butuan
5. Cagayan de Oro
6. Cauayan (Isabela)
7. Cebu
8. Clark
9. Cotabato
10. Davao
11. Dipolog
12. Dumaguete
13. General Santos
14. Iloilo
15. Kalibo
16. Legazpi
17. Laoag
18. Manila
19. Naga
20. Ozamiz
21. Pagadian
22. Puerto Princesa
23. Roxas
24. San Jose (Mindoro)
25. Siargao
26. Surigao
27. Tacloban
28. Tagbilaran
29. Tawi-Tawi
30. Tuguegarao
31. Virac
32. Zamboanga
33. Camiguin

INTERNATIONAL DESTINATIONS

1. Brunei (Bandar Seri Begawan)
2. Cambodia (Siem Reap)
3. China (Guangzhou)
4. China (Macau)
5. China (Shanghai)
6. China (Beijing)
7. Hong Kong
8. Indonesia (Jakarta)
9. Japan (Osaka)
10. Japan (Tokyo)
11. Japan (Nagoya)
12. Korea (Busan)
13. Korea (Incheon)
14. Macau
15. Malaysia (Kota Kinabalu)
16. Malaysia (Kuala Lumpur)
17. Phuket (Thailand)
18. Singapore
19. Taiwan (Taipei)
20. Thailand (Bangkok)
21. Vietnam (Ho Chi Minh)
22. Vietnam (Hanoi)
23. Bali (Denpasar)
24. Dubai (UAE)

FAST FACTS

- **CEB** was established in August 1988 and was granted a 40-year congressional franchise to operate international and domestic air transport services in 1991. In March 1996, the company launched its domestic operations with its first domestic flight from Manila to Cebu. In 1997, it was granted the status as an official Philippine carrier to operate international services by the Office of the President of the Philippines pursuant to Executive Order No. 219. 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, **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, 2013, 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, **CEB'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.
- 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.
- On January 24, 2012, **CEB**, in partnership with Canada-based CAE, broke ground for the Philippine Academy for Aviation Training (PAAT), its aviation training joint investment in Clark, Pampanga. The new training center is 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.
- **CEB** continue to expand its short-haul international network with the launch of Manila-Bali service, beginning March 2013 and Manila-Phuket service beginning August 2013.

- In August 2013, **CEB** flew its 80th millionth passenger.
- On October 7, 2013, **CEB** launched its first long-haul flight from Manila to Dubai. CEB is the first Philippine carrier to land in Dubai in 15 years.
- **CEB** has been recognized and awarded by a number of travel institutions and groups, affirming our unyielding commitment to excellence:
  - » Featured by Air Transport World Magazine as Asia's Low Fare Success Story in February 2003
  - » Received a gold award for Best Marketing Program from the Air Carrier Domestic Category Pacific Asia Travel Association 2004
  - » Awarded as Domestic Airline of the Year during the Kalakbay Awards in 2004. This is considered as one of the most prestigious awards in the Philippine Travel Industry
  - » Gold award for the Best Established Service Brand Campaign in 2005 and Silver winner for the Best Established Service Brand Campaign in 2007. Awarded by the University of Asia and the Pacific, recognizing CEB as the airline with the most effective brand campaigns across different industries.
  - » A gold awardee in the Readers Digest Trusted Brands in 2010
  - » CEB was awarded by the Changi Airport Group as the top Southeast Asian airline which registered the highest growth in passenger traffic in 2009.
  - » 2010 WWF Partner of the year award. Awarded by the WWF-Philippines for the company that has made the most difference in saving the environment.
  - » Airport Transport World's World Airline Report special feature last July 2011cited CEB as 5th in net profit and 8th in operating profit in a list of international low-cost carriers including USA's Southwest Airlines and Europe's Ryanair.
  - » CEB bested other airlines in the 2011 Digital Filipino Web Awards, when it was recognized as the winner for the airline category.
  - » Budgie$ and Travel Awards 2012 Low-Cost Carrier of the Year and LCC CEO of the Year. Awarded during the Low Cost Airlines World Asia Pacific Congress in Singapore last February 2012.
  - » Recognized as one of Asia's Most Promising Brands for 2012-2013 in the Asian Brand and Leadership Summit held last August 2013 in Dubai.
- Tigerair and **CEB** have entered into a strategic alliance. This allows both companies to leverage on their extensive networks spanning from North Asia, ASEAN, Australia, India, all the way to the Middle East.
- As part of the strategic alliance, on February 10, 2014, **CEB** signed the share purchase agreement to acquire 100% of Tigerair Philippines, including the 40% stake of Tiger Airways Holdings Limited.

Cebu Pacific first Philippine carrier to land in Dubai in 15 years

CEB A330 lands in Dubai

Manila Inaugural Event

The Philippines' leading low-cost carrier, Cebu Pacific (PSE:CEB) sent off its first long-haul flight last October 7, 2013. The daily non-stop 9-hour Manila-Dubai service serves as a milestone for the airline that has made its mark in short-haul regional and domestic operations.

CEB President and CEO Lance Gokongwei said during the flight launch ceremony, "When you, dear guests, land in Dubai later tonight, it will be aboard the first Philippine carrier to land in Dubai in 15 years. We proudly carry the Philippine flag in this historic moment."

"When we say we fly to where Filipinos are, we mean it. This was our mindset when we launched our first international flight to Hong Kong in 2001. This remains our mindset as we launch our 22nd international destination now," he added.

Department of Transportation and Communications Undersecretary and Chairman of the Philippine Air Negotiating Panel Hon. Jose Perpetuo Lotilla and key officials from the Embassy of the United Arab Emirates, Civil Aeronautics Board, Civil Aviation Authority of the Philippines and Manila International Airport Authority sent off the maiden flight passengers from Manila.

In Dubai, the send-off ceremony was graced by Her Excellency Grace Princesa, Ambassador Extraordinary and Plenipotentiary of the Republic of the Philippines in the United Arab Emirates.

The flight also carried 100 Global Filipinos Cebu Pacific is flying home for free, as part of its "100 Lucky Juans" contest. The 100 Lucky Juans, whose length of stay in the Middle East without returning to the Philippines is at least a year, will be welcomed with a homecoming party upon their arrival in Manila.

CEB's Manila-Dubai-Manila service utilizes CEB's brand-new Airbus A330 aircraft, recently delivered from Toulouse, France.

PETROCHEMICALS

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 first half of 2014, was 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 2014, JG Summit's petrochemical complex will 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 prouce, 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 Petrochemicals Group** 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 and commercial operations are scheduled by second half of 2014.

NEWS

JG Summit & Meralco push for globally competitive petrochem industry

As part of its mandate of nation building, Meralco inked an interconnection agreement with JG Summit Petrochemical Corporation (JGSPC) to provide the latter requisite power in its Batangas City operations. The partnership resulted in savings that JGSPC parlayed into producing raw materials for use in various local industries.

For more than a decade, JG Summit Petrochemical Corporation (JGSPC) relied on diesel generators to run its Batangas petrochemical plants. When load requirements grew the company was forced to expand existing gensets to increase power output from 46.9MW to 81.75MW.

Yet, a desire to save on fuel costs led JGSPC to explore an ICA with Meralco. The utility's projections revealed possibilities for substantial savings for JGSPC. Connecting with Meralco would also offer JGSPC opportunities to export surplus power to the grid, acting as a contingency reserve when capacity is low.

"We're achieving economies of scale by expanding the complex's manufacturing capabilities. In addition, we optimize our generator's capacity by exporting excess power," says Patrick Go, JGSPC Executive Vice President.

Based on a 54MW operational demand, tapping the Meralco grid will result in monthly savings of up to P12-million on fuel consumption alone. The petrochem company is investing some P200-million to construct a 69kV substation and equipment to interconnect its generators and electrical system to the grid.

In turn, Meralco is spending more than P190-million to build a 14.2km 69kV line from the tapping point near Bolboc Substation to JGSPC that will link it to the Meralco distribution system.

As a collateral benefit, enterprises including Shell Philippines and San Miguel Mills also stand to gain from this inter-connection facility by having the option to source for reliable power from the Bolboc Substation. The project is also expected to directly employ 500 workers, with support services expanding the workforce to 2,000.

"Having the potential to create jobs, Meralco sees JGSPC's expansion as part of nation-building," says Alfredo S. Panlilio, Meralco Senior Vice President and Head of Customer Retail Services and Corporate Communications. "It's important that we help the industry to be self-sufficient and produce critical raw materials for local industries."

STATE-OF-THE ART NAPHTHA CRACKER PLANT

JG Summit's partnership with Meralco comes at an auspicious time, as the petrochem company is constructing the country's first naphtha cracker plant in Batangas.

JGSPC's US$700-million plant addresses an acute

Partners for a revitalized Philippine petrochem industry. Photo shows symbolic handshake of Meralco President and CEO Oscar S. Reyes (5th from left) and JG Summit Holdings, Inc. (JGSHI) President and COO Lance Y. Gokongwei. Also in photo from left to right: Gee Delfin, Meralco Relationship Manager; Bal N. Guisala, Meralco SAVP Networks Planning and Project Management; Victor S. Genuino, Meralco VP and Head of Corporate Business Group; Alfredo S. Panlilio, Meralco SVP and Head of Customer Retail Services and Corporate Communications; Froi J. Savet, Meralco Senior Manager and Head of Network Asset Planning; Atty. Patricia Ty, JGSHI Corporate Legal; Cecile M. Domingo, Meralco AVP and Head of Private Sector Relationship Management; and Cesar Camaongay, JGSHI GM of Corporate Energy Division.

shortage of quality resin materials. Through its subsidiary, JG Summit Olefins Corp, JGSPC will operate the first and only integrated polyethylene (PE) and polypropylene (PP) resins manufacturer in the country.

When it starts commercial operations next year, it will provide the needed olefin for the local petrochem industry, complete the supply chain and provide stability to the country's petrochemical industry.

"JG Summit's move to connect to the grid will do more than generate savings and income for the company. It will give that much-needed push for the country's petrochem and manufacturing industries as well," says Ricardo V. Buencamino, Meralco Senior Executive Vice President and Head of Networks.

ROAD TO SELF-SUFFICIENCY

By helping supply resin materials, JGSPC creates a self-reliant petrochemical industry in the country. Independence will shield the domestic economy from the volatilities and shocks from increasingly turbulent geo-political global dynamics.

Of 12 countries producing petrochemical products, research from Business Monitor International's (BMI) Asia Petrochemicals Risk/Reward Ratings (RRRs) ranked the Philippines last. In 2012, the country's value of production index (VaPI) rose just 0.3%, while the value of plastics production surged 10.6%. Harnessing the full potential of the entire petrochemical streams of over 2,000 chemical and industrial products helps provide the right path for the country's road to industrialization.

JGSPC's construction of the naphtha cracker plant is part of this scenario. The plant can provide the country vital resin requirements to catalyze sustainable and dynamic manufacturing facilities fueling growth across all user-industries.

A self-sufficient sector will incur foreign savings of up to P25B a year, and P2.5B in value added tax and other taxes paid annually. It is expected to attract investments of P50-75 million in horizontal, backward and forward integration projects. As the leading power utility in the country, Meralco is key to this industrial growth.

"We support the growth of business operations of cross-industries," added Panlilio. "Meralco continuously invests in constructing major substations to provide local companies reliable power supply to sustain operations."

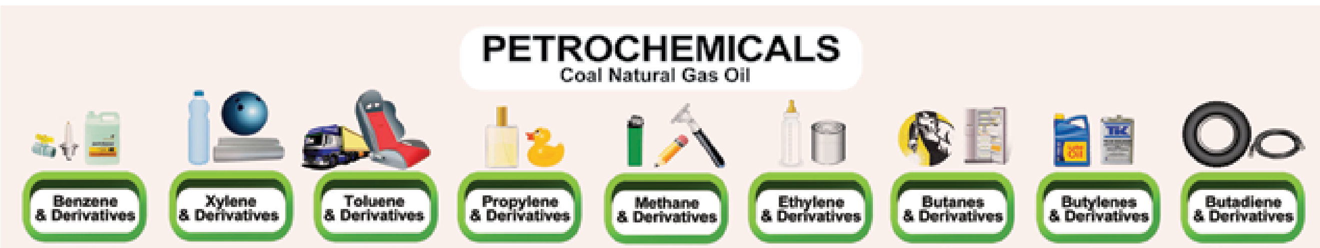
Philippines' petrochemical industry status

Industry analysts believe the country's petrochemical sector is still in its nascent stage, as it lags behind neighboring countries that produce petrochem products. The sector can be a huge contributor to the country's GDP. However, there are urgent steps needed to make the industry self-sufficient.

People are unaware that many common items are made from petrochemical products. Key industries such as food and agriculture, transportation, healthcare, electronics, and telecommunications use the raw material for production of commodities such as mobile phones, food packaging, Kevlar bullet-proof vests, fishing nets, plastic films for greenhouses, synthetic fiber, and rice sacks.

Business Monitor International (BMI) says that what ails the industry is a shortage of domestic olefins, the building-blocks for a wide range of materials such as solvents, detergents and adhesives. Until the lack of this critical chemical component is addressed, the country will continue its dependence on imported ethylene and propylene as well as aromatics and their derivates.

But that could be changing as growth in the domestic resins market is prompting the country's oil and petrochemical producers to consider investment in downstream industries – the last stage of the petrochemical industry structure that involves plastic fabrication and processing.



The petrochemical industry is composed of cross-sector manufacturers which produce resins and derivatives found in everyday goods and items such as cushions, baby bottles, tires, fertilizers, perfume, plastic packaging and lubricants among others.

BANKING & FINANCIAL SERVICES

ROBINSONSBANK

Robinsonsbank is one of the fastest growing commercial banks in the Philippines in terms of capitalization and asset size. The Bank has always been among 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. (JGSHI).

POISED FOR GROWTH. In the second quarter of 2010, JGSHI acquired controlling interest in The Royal Bank of Scotland, Phils. (TRBSP). The merger of Robinsons Savings Bank and Robinsons Bank Corporation (formerly TRBSP) was approved by Bangko Sentral ng Pilipinas (BSP) in December 2010, and the Securities

and Exchange Commission (SEC) in May 2011, whereby Robinsons Bank Corporation (Robinsonsbank) shall be the surviving entity making the bank a full-fledged commercial bank.

In December 2012, the Bank acquired Legazpi Savings Bank (LSB), making it a wholly owned thrift bank subsidiary of Robinsons Bank Corporation. It is an investment to tap a wider market. Robinsonsbank with its controlling interest will utilize Legazpi Savings Bank network of branches in Bicol as a vehicle for microfinancing and countryside banking in the Bicol Region.

SOLID HERITAGE OF ROBINSONSBANK. Robinsonsbank had always been an attractive alternate in the banking industry as it moves forward and transforms into a stronger entity, more capable to meet the demands of the commercial banking market.

In terms of geographic reach, Robinsonsbank continues to expand its branch network nationwide with 79 branches, 4 microbanking offices (MBOs), and 150 strategically located on-site and off-site ATMs under the Bancnet consortium. In addition, LSB has 11 branches in the Bicol Region that complements Robinsonsbank's network. Robinsonsbank is 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. True to JG Summit's aim, Robinsonsbank delivers hallmark value and convenience to its customer through innovative products and services. The Bank offers a broad range of deposit and loans product, trust investments, foreign exchange and securities – all aiming to secure and promote our customers' financial growth.

Products and Services

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

CONSUMER LOAN
- Home Loan
- Auto Loan
- Personal Loan
- PLP-Secured Loan (against Diamond or Jewelry)
- Microfinance
- Motorcycle Financing

COMMERCIAL LOAN PRODUCTS
- Cash Secured Loan
- Revolving Credit Line
- Medium and Long-term Facilitites for small, medium and large industries,
- Receivables Financing,
- Bills Purchased Line for small, medium and large enterprises.

TREASURY PRODUCTS
- Peso Special Savings
- Peso Sovereign Bonds (TBills, FXTNs, RTBs)
- Peso Corporate Bonds
- Spot Foreign Exchange for US$ and Third Currencies (Yuan, Euro, British, Pounds, HK$, Jap Yen, Sing$,)
- US$ Sovereign Bonds (ROPs and Sovereign Bonds)
- US$ Corporate Bonds

TRUST PRODUCTS
- Unit Investment Trust Fund
- Personal Investments
- Corporate Investments
- Escrows
- Retirement Fund Management
- Safekeeping

TRADE SERVICES PRODUCTS
Import
- Letter of credit issuance/amendment (Import/Domestic)
- Non-documentary import collection
- Shipside Bond/Shipping Guaranty Issuance
- Trust Receipt Financing
- Duties and Taxes Collection

Export
- Advising export letter of credit
- Export bills purchase
- Export bills for collection
- Export advances facility

Issuance of Bank Guaranty

OTHER SERVICES
Branch banking Services:
- Bills Payment
- Safety Deposit Box
- Bank Settlement Service
- Deposit Pick-up Service

Electronic Banking Services:
- ATM Service
- Cardless Banking
- CashWeb (Cash Management Service)
- RWeb (Retail Internet Banking)
- Payroll Crediting Service
- Remittance

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.
- In December 2012, **Robinsons Bank Corporation** 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 7th largest commercial bank in the Philip-pines, and 25th among all commercial and universal banks combined as of end December 2013.

NEWS

Robinsons Bank Continues to Expand

Robinsonsbank continues to grow bigger and better. Branch expansion and relocation provided necessary link to our customer based and better access to our products and services. With 65 branch network for the year 2012, Robinsonsbank added 14 branches to its branches network.

Fourteen (14) branches were opened in 2013, namely:

1. Calapan, Oriental Mindoro
2. Roosevelt Ave., Quezon City
3. West Avenue, Quezon City
4. NS Amoranto Avenue, Quezon City
5. P. Rada, Manila
6. D. Guevarra, Mandaluyong
7. E. Rodriguez Avenue, Quezon City
8. BetterLiving, Paranaque
9. Paseo de Roxas, Makati
10. Shaw Blvd., Pasig
11. Sedeño, Makati
12. Ozamis, Misamis Occidental
13. Kabankalan, Negros Occidental
14. Chino Roces, Makati

With the acquisition of Legazpi Savings Bank (LSB), Robinsonsbank was awarded 31 branch licenses in restricted areas. LSB has 11 branches. As of December 2013, the opening of 14 branches brought Robinsonsbank network to a total of 79 branches nationwide.

Robinsonsbank targets to expand the branch network by opening more branches in the year 2014.

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 69% share of the fixed line market as of December 31, 2013. Smart Communications Inc, the leading cellular service provider in the country, together with Digitel Mobile Phils. Inc.'s Sun Cellular, accounted for approximately 66% of the country's total reported cellular subscribers in 2013. 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 Electric Asset Holdings Inc, which is 50% owned by PLDT Communications and Energy Ventures, a 99.8%-owned subsidiary of Smart Communications Inc.

JG Summit currently holds 8.0% stake in PLDT.

UNITED INDUSTRIAL CORPORATION LIMITED (UIC)

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.

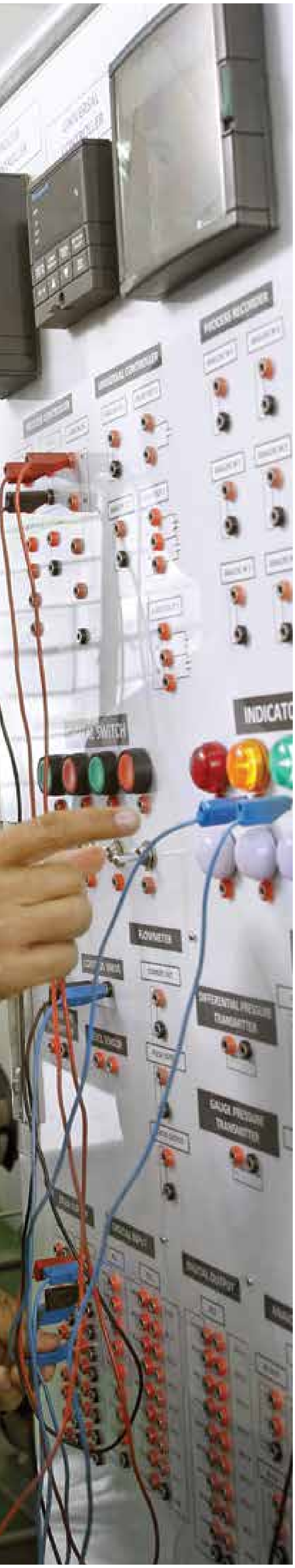
UIC's properties include some of Singapore's best known commercial and retail landmarks as well as residential projects in prime and suburban areas: V on Shenton (UIC Building Redevelopment), Singapore Land Tower, SGX Centre, Clifford Centre, The Gateway, Stamford Court, Marina Square, a massive shopping and hotel complex in the Marina Bay, and West Mall, a suburban shopping complex. Overseas investments include properties in Beijing and Tianjin, China and Hong Kong. The Group is actively pursuing investment opportunities in overseas markets like China, Malaysia and Vietnam.

JG Summit is one of the largest individual shareholders in UIC at 37.0% stake.

MANILA ELECTRIC COMPANY (MERALCO)

MERALCO is the largest electric distribution utility in the Philippines, which provides electricity to over 5.4 million consumers in 34 cities and 77 municipalities, which include Metro Manila, the provinces of Rizal, Cavite, Bulacan and parts of the provinces of Pampanga, Batangas, Laguna and Quezon. MERALCO Group's power business segments consist primarily of the electricity distribution through Meralco and its subsidiary Clark Electric Distribution Corporation, power generation through MGen and subsidiaries and retail electricity supply through MPower business unit. Other services segments consist principally of electro-mechanical engineering, construction, consulting and related manpower as well as light rail maintenance services, e-transaction and bills collection, insurance and e-business development and energy systems management.

JG Summit currently holds 27.1% stake in MERALCO.



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's Scholarship Programs

Currently, GBF, JG Summit Holdings, Inc's corporate social responsibility arm, sponsors 20 Engineering students under its Gokongwei Brothers Foundation – Scholarship For Excellence program. These scholars attend nine of the top Engineering universities around the Philippines, taking up Engineering courses that include Civil, Mechanical, Electrical, Chemical and Electronics. The program is already on its fourth year of implementation.

GBF's Gokongwei Brothers Foundation – University Scholarship Program, which is on its fifth year, also sponsors 42 students taking up various college courses in different universities. These scholars are all dependents of JG Summit employees.

In addition, 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. . A Cadet Engineer position will be given to the scholars once they render service for JGSPC.

For secondary school students, GBF offers 10 full scholarships to the best and the brightest students of St. Stephen's High School. 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.

Educational Projects

GBF 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. 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.

BOARD OF DIRECTORS

John L. Gokongwei, Jr.
Chairman Emeritus and Founder

James L. Go
Chairman and Chief Executive Officer

Lance Y. Gokongwei
President and Chief Operating Officer

Robina Y. Gokongwei – Pe
Director

Lily G. Ngo Chua
Director

Gabriel C. Singson
Director

Patrick Henry C. Go
Director

Johnson Robert G. Go, Jr.
Director

Cornelio T. Peralta
Director

Jose T. Pardo
Director

Ricardo J. Romulo
Director

BOARD OF ADVISERS

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

Aloysius B. Colayco
Country Chairman,
Jardine Matheson Group – Philippines

Jimmy T. Tang
President and Chairman of the Board,
Avesco Group of Companies

HEAD OF SUBSIDIARIES

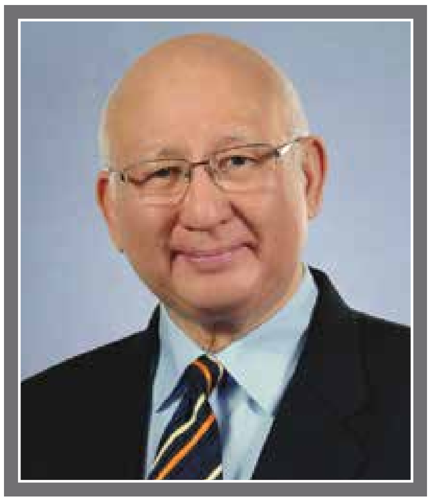
Universal Robina Corporation

Cornelio S. Mapa, Jr.
Branded Consumer Foods Group
Philippines

Vincent Henry C. Go
Agro-Industrial Group

Ellison Dean C. Lee
Flour Division

Renato P. Cabati
Sugar Division



Patrick O. Ng †
International

Robinsons Land Corporation

Frederick D. Go

JG Summit Petrochemical Corporation

Patrick Henry C. Go

Robinsons Bank Corporation

Reynold Y. Gerongay

ADVISER

Cebu Air, Inc.

Garry R. Kingshott

Executive Officers

James L. Go
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Lance Y. Gokongwei
PRESIDENT AND CHIEF OPERATING OFFICER

Constante T. Santos
SENIOR VICE PRESIDENT

Bach Johann M. Sebastian
SENIOR VICE PRESIDENT

Nicasio L. Lim
SENIOR VICE PRESIDENT

Aldrich T. Javellana
VICE PRESIDENT AND TREASURER

Rosalinda F. Rivera
CORPORATE SECRETARY

Chona R. Ferrer
DEPUTY TREASURER

Financial Statements

JG SUMMIT
HOLDINGS, INC.

43rd FLOOR ROBINSONS EQUITABLE TOWER ADB AVE. COR. POVEDA RD. ORTIGAS CENTER, PASIG CITY
TEL. NO.: 633-76-31,637-1670, 240-8801 FAX NO.: 633-9387 OR 633-9207

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of JG Summit Holdings, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the year(s) ended December 31, 2013, 2012 and 2011, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submit the same to the stockholders.

SyCip Gorres Velayo & Co. (SGV), the independent auditors, appointed by the stockholders, has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

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

APR 1 1 2014

Subscribed and Sworn to before me this April ___, 2014 affiants(s) exhibiting to me his/her Residence Certificates, as follows:

Names	CTC No.	Date of Issue	Place of Issue
James L. Go	27977247	January 20, 2014	Pasig City
Lance Y. Gokongwei	27977246	January 20, 2014	Pasig City
Constante T. Santos	06359910	March 10, 2014	Pasig City

Doc. No. 459
Book No. 21
Page No. 92
Series of 2014

ATTY. STEVE CUDAL
NOTARY PUBLIC
Until December 31, 2014
IBP Lifetime Member No. 01512
PTR No. 9042384; 1-02-14; Q.C.

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (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, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City

We have audited the accompanying consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, 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, 2013, 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.

SGV
Building a better working world

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, 2013 and 2012, and their financial performance and cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Aris C. Malantic
Partner
CPA Certificate No. 90190
SEC Accreditation No. 0326-AR-2 (Group A),
March 15, 2012, valid until March 14, 2015
Tax Identification No. 152-884-691
BIR Accreditation No. 08-001998-54-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225187, January 2, 2014, Makati City

March 13, 2014

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

	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 7)	**₱34,996,008,637**	₱19,698,072,507	₱33,895,343,005
Financial assets at fair value through profit or loss (Note 9)	**15,468,905,018**	15,230,438,363	10,957,955,084
Derivative assets (Note 8)	**166,456,897**	302,748,695	110,790,850
Available-for-sale investments (Note 10)	**10,641,373,483**	12,604,430,408	12,271,628,856
Receivables (Note 11)	**18,162,895,487**	16,320,725,310	13,422,264,265
Inventories (Note 12)	**24,538,009,593**	23,010,504,841	20,443,884,662
Biological assets (Note 17)	**1,081,035,283**	1,057,007,658	911,265,129
Other current assets (Note 13)	**7,327,973,560**	5,875,282,425	7,518,161,626
Total Current Assets	**112,382,657,958**	94,099,210,207	99,531,293,477
Noncurrent Assets			
Available-for-sale investments (Note 10)	**46,109,741,682**	43,757,557,795	43,475,735,940
Derivative asset under hedged accounting (Note 8)	**171,850,204**	–	–
Receivables (Note 11)	**14,632,898,885**	14,362,509,117	11,413,317,152
Held-to-maturity investment (Note 10)	**75,000,000**	–	–
Investments in associates and joint ventures (Note 14)	**108,303,222,343**	33,497,292,680	32,055,963,868
Property, plant and equipment (Note 16)	**120,964,719,647**	101,211,948,034	81,298,330,172
Investment properties (Note 15)	**51,669,900,362**	45,423,932,675	41,883,671,246
Goodwill (Note 19)	**1,042,954,782**	1,042,954,782	798,627,776
Biological assets (Note 17)	**483,025,181**	428,961,591	459,053,688
Intangible assets (Note 18)	**1,345,290,816**	1,341,022,581	905,540,502
Other noncurrent assets (Note 20)	**6,636,891,865**	5,212,967,406	1,896,944,740
Total Noncurrent Assets	**351,435,495,767**	246,279,146,661	214,187,185,084
	₱463,818,153,725	₱340,378,356,868	₱313,718,478,561

LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 21)	**₱88,549,091,936**	₱37,619,383,555	₱24,978,223,074
Short-term debts (Note 23)	**33,097,645,087**	19,397,079,998	19,092,634,264
Derivative liabilities (Note 8)	**–**	41,178,211	85,244,646
Income tax payable	**1,379,293,705**	630,203,421	524,843,024
Current portion of long-term debts (Note 23)	**22,674,078,899**	19,553,919,868	13,622,011,230
Other current liabilities (Note 22)	**7,738,769,835**	8,489,075,643	6,711,208,267
Total Current Liabilities	**153,438,879,462**	85,730,840,696	65,014,164,505
Noncurrent Liabilities			
Long-term debts - net of current portion (Note 23)	**66,601,852,906**	42,129,366,111	57,895,483,064
Deferred tax liabilities (Note 38)	**1,717,961,193**	1,817,031,704	1,003,083,336
Other noncurrent liabilities (Note 24)	**10,255,711,926**	12,225,545,479	9,581,369,676
Total Noncurrent Liabilities	**78,575,526,025**	56,171,943,294	68,479,936,076
Total Liabilities	**₱232,014,405,487**	₱141,902,783,990	₱133,494,100,581

(Forward)

	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Equity			
Equity attributable to equity holders of the Parent Company:			
Paid-up capital (Note 25)	**₱22,015,337,650**	₱14,085,731,314	₱12,896,988,094
Retained earnings (Note 25)	**131,246,026,508**	122,379,208,072	109,920,633,303
Equity reserve (Note 25)	**27,306,459,166**	17,619,600,043	17,845,476,796
Other comprehensive income (Note 36)	**3,408,824,213**	1,613,242,324	1,480,529,112
Treasury shares (Note 25)	**–**	(721,848,289)	(974,690,819)
	183,976,647,537	154,975,933,464	141,168,936,486
Non-controlling interests (Note 25)	**47,827,100,701**	43,499,639,414	39,055,441,494
Total Equity	**231,803,748,238**	198,475,572,878	180,224,377,980
	₱463,818,153,725	₱340,378,356,868	₱313,718,478,561

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2013	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)
REVENUE			
Sale of goods and services:			
Foods	**₱80,995,215,642**	₱71,201,677,779	₱67,167,630,481
Air transportation	**41,004,096,281**	37,904,453,623	33,935,402,775
Real estate and hotels	**15,884,506,498**	13,496,159,940	12,789,785,121
Petrochemicals	**1,023,417,781**	4,912,723,947	4,781,883,298
Banking (Note 26)	**2,749,898,312**	2,533,727,931	2,359,933,505
Dividend income (Note 28)	**3,333,030,657**	3,196,108,759	244,958,962
Equity in net earnings of associates and joint ventures (Note 14)	**2,279,851,037**	2,008,411,939	2,217,599,783
Supplementary businesses	**362,638,775**	338,194,349	435,576,529
	147,632,654,983	135,591,458,267	123,932,770,454
COST OF SALES AND SERVICES			
Cost of sales (Note 30)	**59,062,047,388**	57,787,209,949	55,446,703,746
Cost of services (Note 30)	**38,394,624,981**	34,891,962,310	31,264,544,266
	97,456,672,369	92,679,172,259	86,711,248,012
GROSS INCOME	**50,175,982,614**	42,912,286,008	37,221,522,442
OTHER OPERATING EXPENSES			
General and administrative expenses (Note 31)	**25,776,132,892**	21,672,607,106	19,070,652,676
Impairment losses and others (Note 34)	**124,685,876**	271,254,229	329,638,645
	25,900,818,768	21,943,861,335	19,400,291,321
OPERATING INCOME	**24,275,163,846**	20,968,424,673	17,821,231,121
OTHER INCOME (LOSSES)			
Foreign exchange gains (losses)	**(4,098,377,297)**	1,399,125,794	(245,881,638)
Financing costs and other charges (Note 35)	**(3,989,380,241)**	(4,136,768,731)	(5,359,183,945)
Finance income (Note 27)	**1,769,865,570**	2,479,635,046	3,217,619,657
Market valuation gains on derivative financial instruments (Note 8)	**237,930,143**	361,470,480	498,667,680
Market valuation gains (losses) on financial assets at fair value through profit or loss (Note 9)	**71,063,277**	1,504,427,749	(1,147,579,612)
Others (Note 29)	**403,399,960**	207,276,636	638,935,591
INCOME BEFORE INCOME TAX	**18,669,665,258**	22,783,591,647	15,423,808,854
PROVISION FOR INCOME TAX (Note 38)	**2,714,003,637**	2,847,413,989	1,973,441,385
INCOME FROM CONTINUING OPERATIONS	**15,955,661,621**	19,936,177,658	13,450,367,469
DISCONTINUED OPERATIONS (Note 44)			
Income after tax from discontinued operations	**–**	–	1,541,710,759
Gain from sale of a subsidiary, net of tax	**–**	–	11,570,087,639
	–	–	13,111,798,398
NET INCOME	**15,955,661,621**	19,936,177,658	26,562,165,867

(Forward)

	Years Ended December 31		
	2013	2012	2011 (As Restated - Note 2)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 36)			
Item that may be reclassified subsequently to profit or loss:			
Net gains on available-for-sale investments (Note 10)	**₱1,390,210,488**	₱619,164,921	₱3,032,890,203
Cumulative translation adjustments	**415,000,772**	(222,092,683)	(136,058,643)
Net gains from cash flow hedges (Note 8)	**171,850,204**	–	364,294,311
Net unrealized gains on available-for-sale investments of an associate (Notes 10 and 14)	**(11,597,069)**	10,100,452	4,508,521
Item that will not be reclassified to profit or loss:			
Remeasurements of the net defined benefit liability (Note 37)	**(471,470,010)**	(308,918,090)	(144,027,312)
	1,493,994,385	98,254,600	3,121,607,080
TOTAL COMPREHENSIVE INCOME	**₱17,449,656,006**	₱20,034,432,258	₱29,683,772,947
NET INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company:			
Income from continuing operations	**₱10,097,512,934**	₱13,552,525,434	₱8,493,466,526
Income from discontinued operations (Note 44)	**–**	–	13,035,501,339
	10,097,512,934	13,552,525,434	21,528,967,865
Non-controlling interests (Note 25):			
Income from continuing operations	**5,858,148,687**	6,383,652,224	4,956,900,943
Income from discontinued operations	**–**	–	76,297,059
	5,858,148,687	6,383,652,224	5,033,198,002
	₱15,955,661,621	₱19,936,177,658	₱26,562,165,867
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company:			
Comprehensive income from continuing operations	**₱11,893,094,823**	₱13,685,238,646	₱11,820,474,368
Comprehensive income from discontinuing operations (Note 44)	**–**	–	13,035,501,339
	11,893,094,823	13,685,238,646	24,855,975,707
Non-controlling interests (Note 25):			
Comprehensive income from continuing operations	**5,556,561,183**	6,349,193,612	4,751,500,181
Comprehensive income from discontinuing operations	**–**	–	76,297,059
	5,556,561,183	6,349,193,612	4,827,797,240
	₱17,449,656,006	₱20,034,432,258	₱29,683,772,947
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 39)			
Basic/diluted earnings per share	**₱1.48**	₱1.99	₱3.19
Earnings Per Share Attributable to Equity Holders of the Parent Company from continuing operations (Note 39)			
Basic/diluted earnings per share	**₱1.48**	₱1.99	₱1.26

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, 2013, 2012 and 2011

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY															
	Paid-up Capital (Note 25)			**Retained Earnings** (Note 25)				**Other Comprehensive Income** (Note 36)								
	Capital Stock	**Additional Paid-in Capital**	**Total Paid-up Capital**	**Unrestricted Retained Earnings**	**Restricted Retained Earnings**	**Total Retained Earnings**	**Equity Reserve** (Note 25)	**Cumulative Translation Adjustments** (Note 25)	**Net Unrealized Gains on Available-for-Sale Investments** (Note 10)	**Net Unrealized Losses on Cash Flow Hedge** (Note 8)	**Remeasurements of the Net Defined Benefit Liabilitiy** (Note 37)	**Total Other Comprehensive Income (Loss)**	**Treasury Shares** (Note 25)	**Total**	**NON-CONTROLLING INTERESTS** (Note 25)	**TOTAL EQUITY**
Balance at January 1, 2013, as previously reported	**₱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**
Effect of the adoption of Philippine Accounting Standards (PAS) 19 (Revised), *Employee Benefits* (Note 2)	–	–	–	**4,054,606**	–	**4,054,606**	–	–	–	–	**(293,600,200)**	**(293,600,200)**	–	**(289,545,594)**	**(161,796,166)**	**(451,341,760)**
Balance at January 1, 2013, (As Restated)	**6,935,273,657**	**7,150,457,657**	**14,085,731,314**	**63,318,878,673**	**59,060,329,399**	**122,379,208,072**	**17,619,600,043**	**(2,033,901,486)**	**3,940,744,010**	–	**(293,600,200)**	**1,613,242,324**	**(721,848,289)**	**154,975,933,464**	**43,499,639,414**	**198,475,572,878**
Total comprehensive income	–	–	–	**10,097,512,934**	–	**10,097,512,934**	–	**246,212,174**	**1,676,919,786**	**171,850,204**	**(299,400,275)**	**1,795,581,889**	–	**11,893,094,823**	**5,556,561,183**	**17,449,656,006**
Cash dividends (Note 25)	–	–	–	**(1,230,694,498)**	–	**(1,230,694,498)**	–	–	–	–	–	–	–	**(1,230,694,498)**	–	**(1,230,694,498)**
Cash dividends paid to non-controlling interests (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**(3,089,045,925)**	**(3,089,045,925)**
Acquisition of non-controlling interest by a subsidiary	–	–	–	–	–	–	**(50,056,472)**	–	–	–	–	–	–	**(50,056,472)**	**(147,541,401)**	**(197,597,873)**
Incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**24,500,000**	**24,500,000**
Sale of shares of a subsidiary (Note 25)	–	–	–	–	–	–	**9,736,915,595**	–	–	–	–	–	–	**9,736,915,595**	**1,982,987,430**	**11,719,903,025**
Issuance of new shares and reissuance of treasury shares through top-up transaction (Note 25)	**121,918,000**	**7,807,688,336**	**7,929,606,336**	–	–	–	–	–	–	–	–	–	**721,848,289**	**8,651,454,625**	–	**8,651,454,625**
Balance at December 31, 2013	**₱7,057,191,657**	**₱14,958,145,993**	**₱22,015,337,650**	**₱72,185,697,109**	**₱59,060,329,399**	**₱131,246,026,508**	**₱27,306,459,166**	**(₱1,787,689,312)**	**₱5,617,663,796**	**₱171,850,204**	**(₱593,000,475)**	**₱3,408,824,213**	**₱–**	**₱183,976,647,537**	**₱47,827,100,701**	**₱231,803,748,238**
Balance at January 1, 2012, as previously reported	₱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
Effect of the adoption of Philippine Accounting Standards (PAS) 19 (Revised), *Employee Benefits* (Note 2)	–	–	–	(15,576,445)	–	(15,576,445)	–	–	–	–	(98,801,943)	(98,801,943)	–	(114,378,388)	(60,063,610)	(174,441,998)
Balance at January 1, 2012, as restated	6,935,273,657	5,961,714,437	12,896,988,094	51,343,565,904	58,577,067,399	109,920,633,303	17,845,476,796	(1,885,140,097)	3,464,471,152	–	(98,801,943)	1,480,529,112	(974,690,819)	141,168,936,486	39,055,441,494	180,224,377,980
Total comprehensive income, as restated	–	–	–	13,552,525,434	–	13,552,525,434	–	(148,761,389)	476,272,858	–	(194,798,257)	132,713,212	–	13,685,238,646	6,349,193,612	20,034,432,258
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	₱63,318,878,673	₱59,060,329,399	₱122,379,208,072	₱17,619,600,043	(₱2,033,901,486)	₱3,940,744,010	₱–	(₱293,600,200)	₱1,613,242,324	(₱721,848,289)	₱154,975,933,464	₱43,499,639,414	₱198,475,572,878

(Forward)

For the Years Ended December 31, 2013, 2012 and 2011

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY															
	Paid-up Capital (Note 25)			**Retained Earnings** (Note 25)				**Other Comprehensive Income** (Note 36)								
	Capital Stock	**Additional Paid-in Capital**	**Total Paid-up Capital**	**Unrestricted Retained Earnings**	**Restricted Retained Earnings**	**Total Retained Earnings**	**Equity Reserve** (Note 25)	**Cumulative Translation Adjustments** (Note 25)	**Net Unrealized Gains on Available-for-Sale Investments** (Note 10)	**Net Unrealized Losses on Cash Flow Hedge** (Note 8)	**Remeasurements of the Net Defined Benefit Liabilitiy** (Note 37)	**Total Other Comprehensive Income**	**Treasury Shares** (Note 25)	**Total**	**NON-CONTROLLING INTERESTS** (Note 25)	**TOTAL EQUITY**
Balance at January 1, 2011, as previously reported	₱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
Effect of the adoption of Philippine Accounting Standards (PAS) 19 (Revised), *Employee Benefits* (Note 2)	–	–	–	(31,683,149)	–	(31,683,149)	–	–	–	–	–	–	–	(31,683,149)	(24,184,997)	(55,868,146)
Balance at January 1, 2011, as restated	6,895,273,657	5,961,714,437	12,856,988,094	33,299,755,507	55,638,885,264	88,938,640,771	18,563,003,092	(1,798,631,669)	316,447,250	(364,294,311)	–	(1,846,478,730)	(974,690,819)	117,537,462,408	31,867,066,799	149,404,529,207
Total comprehensive income, as restated	–	–	–	21,528,967,865	–	21,528,967,865	–	(86,508,428)	3,148,023,902	364,294,311	(98,801,943)	3,327,007,842	–	24,855,975,707	4,827,797,240	29,683,772,947
Reversal of appropriation (Note 25)	–	–	–	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	₱51,343,565,904	₱58,577,067,399	₱109,920,633,303	₱17,845,476,796	(₱1,885,140,097)	₱3,464,471,152	₱–	(₱98,801,943)	₱1,480,529,112	(₱974,690,819)	₱141,168,936,486	₱39,055,441,494	₱180,224,377,980

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱18,669,665,258**	₱22,783,591,647	₱15,423,808,854
Income before income tax from discontinued operations (Note 44)	**–**	–	13,124,496,302
Income before income tax	**18,669,665,258**	22,783,591,647	28,548,305,156
Adjustments for:			
Depreciation and amortization of:			
Property, plant and equipment (Note 16)	**7,796,584,298**	6,692,688,674	6,195,057,338
Investment properties (Note 15)	**2,097,012,340**	1,875,597,172	1,777,866,356
Intangible assets (Note 18)	**2,688,024**	3,548,311	5,176,189
Market valuation losses (gains) on:			
Financial assets at fair value through profit or loss (Note 9)	**(71,063,277)**	(1,504,427,749)	1,147,579,612
Derivative instruments (Note 8)	**(237,930,143)**	(361,470,480)	(498,667,680)
Interest expense (Note 35)	**3,869,216,221**	3,964,265,552	5,144,211,881
Dividend income (Note 28)	**(3,333,030,657)**	(3,196,108,759)	(244,958,962)
Interest income (Notes 27 and 44)	**(1,769,865,570)**	(2,479,635,046)	(3,217,619,657)
Equity in net earnings of associates and joint ventures (Note 14)	**(2,279,851,037)**	(2,008,411,939)	(2,217,599,783)
Foreign exchange losses (gains)	**4,098,377,297**	(1,399,125,794)	245,881,638
Inventory obsolescence and market decline (Notes 12 and 34)	**28,694,879**	1,408,536	63,784,807
Provision for impairment losses on (Note 34):			
Intangible assets	**–**	190,223,400	84,014,765
Receivables (Note 11)	**95,990,997**	63,864,521	102,517,878
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)	**(69,895,371)**	15,524,660	128,310,166
Loss (gain) on sale of:			
Available-for-sale investments (Note 29)	**(13,269,386)**	(54,592,830)	(69,390,963)
Property, plant and equipment	**(35,224,165)**	(30,157,395)	(20,421,141)
Investment properties	**61,965,839**	(110,039)	(26,115,273)
Disposal of a 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
Operating income before changes in working capital accounts	**28,910,065,547**	24,572,430,214	25,834,955,279
Changes in operating assets and liabilities:			
Decrease (increase) in the amounts of:			
Derivative assets	**504,893,934**	125,446,200	1,303,994,907
Financial assets at fair value through profit or loss	**671,863,827**	(3,402,410,052)	(1,839,785,644)
Receivables	**(1,937,417,344)**	(6,076,952,899)	(2,773,503,329)
Inventories	**(1,664,036,329)**	(1,866,234,354)	(4,343,996,577)
Biological assets	**(8,195,844)**	(131,175,092)	(203,051,947)
Other current assets	**(1,452,691,135)**	1,642,879,201	(452,742,999)

(Forward)

	Years Ended December 31		
	2013	2012	2011
Increase (decrease) in the amounts of:			
Accounts payable and accrued expenses	**₱19,481,631,779**	₱11,152,347,643	(₱2,740,763,852)
Unearned revenue	**(642,278,677)**	981,363,611	185,330,969
Other current liabilities	**(108,027,131)**	1,019,404,806	530,013,458
Net cash generated from operations	**43,755,808,627**	28,017,099,278	15,500,450,265
Interest paid	**(3,611,468,458)**	(4,155,907,693)	(4,998,215,065)
Interest received	**1,892,212,299**	2,330,748,055	2,986,040,277
Income taxes paid	**(2,250,912,470)**	(1,911,347,895)	(1,838,068,705)
Net cash provided by operating activities	**39,785,639,998**	24,280,591,745	11,650,206,772
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Available-for-sale investments (Note 10)	**(6,559,392,478)**	(21,887,407,653)	(27,629,769,590)
Property, plant and equipment (Notes 16 and 49)	**(27,459,241,905)**	(20,901,070,620)	(17,719,764,211)
Investment properties (Note 15)	**(8,472,943,388)**	(5,932,228,635)	(11,658,048,371)
Investments in associates and joint ventures (Note 14)	**(41,737,620,890)**	(105,283,416)	(172,144,748)
Intangible assets (Note 18)	**(7,021,507)**	(8,939,647)	(900,000)
Held-to-maturity investments (Note 10)	**(75,000,000)**	–	–
Cash acquired from business combination, net of cash paid (Note 46)	**–**	249,157,091	–
Proceeds from sale of:			
Available-for-sale investments	**7,745,955,884**	21,708,247,000	24,957,489,920
Property, plant and equipment	**95,350,003**	70,873,393	76,338,289
Investment properties	**30,223,072**	7,785,165	124,178,837
Net assets of disposal group classified as held for sale (Note 45)	**–**	–	107,920,453
Increase in the amounts of other noncurrent assets (Note 20)	**(1,603,804,537)**	(3,312,495,359)	(157,036,463)
Return of investment from an associate (Note 14)	**12,000,000**	–	20,522,040
Dividends received (Note 28)	**3,333,030,657**	3,196,108,759	244,958,962
Dividends received on investments in associates and joint ventures (Note 14)	**672,678,496**	647,461,127	575,078,473
Net proceeds from partial disposal of interest in a subsidiary (Note 25)	**11,884,012,917**	–	–
Net proceeds from disposal of a subsidiary (Note 44)	**–**	–	21,094,437,319
Net cash used in investing activities	**(62,141,773,676)**	(26,267,792,795)	(10,136,739,090)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of:			
Short-term debts	**42,209,510,562**	19,376,024,107	21,733,209,557
Long-term debts	**48,057,315,000**	–	–
Settlements of:			
Short-term debts	**(28,657,681,458)**	(18,651,456,380)	(17,588,328,230)
Long-term debts (Note 23)	**(25,859,315,668)**	(13,357,232,304)	(15,650,333,104)
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

(Forward)

	Years Ended December 31		
	2013	2012	2011
Increase (decrease) in other noncurrent liabilities (Note 24)	**(₱2,254,374,957)**	₱2,198,364,607	(₱145,525,007)
Purchase of subsidiaries' treasury shares and others (Note 25)	**–**	–	(288,849,407)
Proceeds from sale of treasury and top up transaction	**8,651,454,625**	–	–
Dividends paid to non-controlling interests (Note 25)	**(3,089,045,925)**	(2,268,172,563)	(2,579,518,135)
Acquisition of non-controlling interests in subsidiaries	**(197,597,873)**	(7,200,000,000)	–
Dividends paid on:			
Common shares (Note 25)	**(1,223,494,498)**	(1,087,550,665)	(543,775,333)
Preferred shares (Note 25)	**(7,200,000)**	(6,400,000)	(3,200,000)
Cash received from non-controlling interest for newly incorporated subsidiary (Note 25)	**24,500,000**	–	–
Net cash provided by (used in) financing activities	**37,654,069,808**	(12,210,069,448)	(9,728,128,199)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**15,297,936,130**	(14,197,270,498)	(8,214,660,517)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**19,698,072,507**	33,895,343,005	42,110,003,522
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱34,996,008,637**	₱19,698,072,507	₱33,895,343,005

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 (see 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).

The accompanying financial statements provide comparative information in respect of the previous years. An additional statement of financial position at the beginning of the earliest year presented is included when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. A statement of financial position as at January 1, 2012 is presented in the 2013 financial statements due to the retrospective application of certain accounting policies as discussed in this Note.

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-
Telegraph Development, Ltd.	-do-	-do-
Summit Top Investment, Ltd.	-do-	-do-
JG Summit Capital Markets Corporation. and a Subsidiary		
Multinational Finance Group, 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	Principal place of business	Effective Percentage of Ownership December 31 **2013**	2012	2011
Food					
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	110 E. Rodriguez Avenue, Bagumbayan, Quezon City, Philippines	**55.83**	60.64	64.17
CFC Clubhouse Property, Inc (CCPI).	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**55.53**	60.64	64.17
CFC Corporation	-do-	-do-	**55.83**	60.64	64.17
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	**55.83**	60.64	64.17
Southern Negros Development Corporation (SONEDCO)	-do-	Kabankalan City, Negros Occidental	**53.48**	57.00	60.32
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**9.17**	39.42	41.71
URC Philippines, Limited (URCPL)	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	**55.83**	60.64	64.17
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	**55.83**	46.69	49.41
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands, British West Indies	**55.83**	60.64	64.17
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	**55.83**	60.64	64.17
Air Transportation					
CP Air Holdings, Inc. (CPAHI) and Subsidiaries	-do-	2nd Floor, Doña Juanita Marquez Lim Building, Osmeña Boulevard, Cebu City	**100.00**	100.00	100.00
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	-do-	**67.23**	67.23	67.23
Pacific Virgin Islands Holdings, Co., Ltd.	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	**100.00**	100.00	100.00
Real Estate and Hotels					
Robinsons Land Corporation (RLC) and Subsidiaries	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**60.97**	60.97	60.97
Robinson's Inn, Inc.	-do-	-do-	**60.97**	60.97	60.97
Robinsons Realty and Management Corporation	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**60.97**	60.97	60.97
Robinsons (Cayman) Limited	-do-	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	**60.97**	60.97	60.97
Robinsons Properties Marketing and Management Corporation	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**60.97**	60.97	60.97
Altus Angeles, Inc.	-do-	McArthur Highway, Balibago, Angeles City, Pampanga	**31.09**	31.09	31.09

(Forward)

Subsidiaries	Country of Incorporation	Principal place of business	Effective Percentage of Ownership December 31 2013	2012	2011
Altus San Nicolas Corporation	-do-	Brgy. 1 San Francisco, San Nicolas, Ilocos Norte	**60.97**	48.78	48.78
GoHotels Davao, Inc.	-do-	Lanang, Davao City	**31.09**	–	–
Petrochemicals					
JG Summit Petrochemical Corporation (JGSPC)	-do-	Ground Floor, Cybergate Tower 1, EDSA corner, Pioneer Street, Mandaluyong City	**100.00**	100.00	100.00
JG Summit Olefins Corporation (JGSOC)	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**100.00**	100.00	100.00
Banking					
Robinsons Bank Corporation (RBC) and a Subsidiary	-do-	17th floor, Galleria Corporate Center EDSA corner Ortigas Avenue, Quezon City	**60.00**	60.00	60.00
Legazpi Savings Bank, Inc. (LSB)	-do-	Rizal Street, Barangay Sagpon, Albay, Legazpi City	**60.00**	60.00	60.00
Supplementary Businesses					
Express Holdings, Inc. (EHI) and a Subsidiary	-do-	29th Floor, Galleria Corporate Center, EDSA, Quezon City	**100.00**	100.00	100.00
Summit Forex Brokers Corporation	-do-	41st Floor, Robinsons-Equitable Tower, ADB Avenue, Corner Poveda Road, Pasig City	**100.00**	100.00	100.00
JG Summit Capital Services Corp. (JGSCSC) and Subsidiaries	-do-	40th Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City	**100.00**	100.00	100.00
JG Summit Capital Markets Corporation (JGSMC)	-do-	-do-	**100.00**	100.00	100.00
Summit Point Services Ltd.	-do-	-do-	**100.00**	100.00	100.00
Summit Internet Investments, Inc.	-do-	-do-	**100.00**	100.00	100.00
JG Summit Cayman, Ltd. (JGSCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	**100.00**	100.00	100.00
JG Summit Philippines Ltd. (JGSPL) and Subsidiaries	-do-	-do-	**100.00**	100.00	100.00
JGSH Philippines, Limited	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	**100.00**	100.00	100.00
Multinational Finance Group, Ltd.	-do-	-do-	**100.00**	100.00	100.00
Telegraph Development, Ltd.	-do-	-do-	**100.00**	100.00	100.00
Summit Top Investment, Ltd.	-do-	-do-	**100.00**	100.00	100.00
JG Summit Limited (JGSL)	-do-	-do-	–	100.00	100.00
Unicon Insurance Brokers Corporation (UIBC)	Philippines	CFC Bldg., E. Rodriguez Avenue, Bagong Ilog, Pasig City	**100.00**	100.00	100.00

(Forward)

Subsidiaries	Country of Incorporation	Principal place of business	Effective Percentage of Ownership December 31 2013	2012	2011
Batangas Agro-Industrial Development Corporation (BAID) and Subsidiaries	-do-	5th Floor Citibank Center, Makati	**100.00**	100.00	100.00
Fruits of the East, Inc.	-do-	Citibank Center, Paseo de Roxas, Makati	**100.00**	100.00	100.00
Hometel Integrated Management Corporation	-do-	-do-	**100.00**	100.00	100.00
King Leader Philippines, Inc.	-do-	5th Floor Citibank Center, Makati	**100.00**	100.00	100.00
Samar Commodities Trading and Industrial Corporation	-do-	-do-	**100.00**	100.00	100.00
Tropical Aqua Resources	-do-	-do-	**100.00**	100.00	100.00
United Philippines Oil Trading, Inc.	-do-	-do-	**100.00**	100.00	100.00

* *Certain subsidiaries are located in other countries, such as China, Malaysia, Singapore, Thailand, Vietnam, etc.*
** *In December 2012, RBC acquired 100.0% controlling interest in LSB.*

PFRS 10, prescribes guidance on the consolidation of SPE. Under PFRS 10, special purpose entities (SPE) should be consolidated when the substance of the relationship between the company and the SPE indicates that the SPE is controlled by the company. Control over an entity may exist when one entity is exposed, or has the rights to variable returns from its involvement with the SPE and has the ability to affect those returns through its power over the SPE. In accordance with PFRS 10, 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 is exposed, or has the rights to variable returns from its involvement with the SPE and has the ability to affect those returns through its power over the SPE. 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 PFRS 10, *Consolidated 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-

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 PFRS. 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 period 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 Group applied, for the first time, the following applicable new and revised accounting standards. Unless otherwise indicated, these new and revised accounting standards have no impact to the Group. Except for these standards and amended PFRS which were adopted as of January 1, 2013, the accounting policies adopted are consistent with those of the previous financial year.

New Standards and Interpretations

- PAS 1*, Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)* (Amendments)
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  PAS 19, (Revised) has been applied retrospectively from January 1, 2011. PAS 19 includes a number of amendments to the accounting for defined benefit plan, including actuarial gains and losses that are now recognized in other comprehensive income and excluded permanently from the consolidated profit or loss; expected returns on plan assets of defined benefit plans that are not recognized in consolidated profit or loss, instead, there is a requirement to recognize interest on net defined retirement obligation (asset) in the consolidated profit or loss, calculated using the discount rate used to measure the net defined retirement obligation.

  Also, unvested past service costs can no longer be deferred and recognized over the future vesting period. Instead, all past service costs are recognized at the earlier of when the amendment occurs and when the Group recognizes related restructuring or termination costs. Until 2012, the Group's unvested past service costs were recognized as an expense on a straight-line basis over the average period until the benefits become vested. Other amendment includes new disclosures, such as quantitative sensitivity disclosures.

The adoption of PAS 19 (Revised), which required retrospective application, resulted in the restatement of previously reported retirement obligation/asset of the Group. The adjustment amounts were determined by the Group with the assistance of an external actuary. The Parent Company and certain subsidiaries had chosen to close to 'Retained earnings' the net effect of all transition adjustments as at January 1, 2012 (the transition date) upon retrospective application of PAS 19 (Revised). After the transaction date, the Group will retain the remeasurements recognized in other comprehensive income and will not transfer these to other items in equity. The effects of the adoption of PAS 19 (Revised) have been reflected in the financial statements as of and for the year ended December 31, 2013 and disclosed in Note 37. The effects of the retroactive application of PAS 19 (Revised) are detailed below:

	December 31, 2012	December 31, 2011	January 1, 2011
Consolidated statement of financial position			
Increase (decrease) in:			
Net defined benefit liability	₱639,184,204	₱252,349,358	(₱55,868,146)
Deferred tax assets	116,967,091	75,704,807	−
Other comprehensive income	(293,600,200)	(98,801,945)	−
Retained earnings	4,054,606	(15,576,445)	(31,683,149)
Non-controlling interests	(161,796,166)	(60,063,610)	(24,184,997)

	Year ended December 31	
	2012	2011
Consolidated statement of comprehensive income		
Increase (decrease) in:		
General and administrative expenses	(₱66,485,215)	(₱51,265,186)
Finance cost	20,008,872	7,283,413
	(46,476,343)	(43,981,773)
Provision for income tax	13,942,903	13,194,532
Increase in net income	(32,533,440)	(30,787,241)
Increase (decrease) in:		
Remeasurement loss of defined benefit obligation	(405,183,460)	(171,428,601)
Income tax effect	121,555,038	51,428,580
Other comprehensive income for the year, net of tax	(283,628,422)	(120,000,021)
Decrease in total comprehensive income for the year	(₱316,161,862)	(₱150,787,262)
Net income attributable to:		
Equity holders of the parent	(₱19,631,051)	(₱16,106,704)
Non-controlling interests	(12,902,389)	(14,680,537)
	(₱32,533,440)	(₱30,787,241)
Total comprehensive income attributable to:		
Equity holders of the parent	(₱214,429,306)	(₱114,908,649)
Non-controlling interests	(101,732,556)	(35,878,613)
	(₱316,161,862)	(₱150,787,262)

The adoption did not have any impact on the Group's cash flows.

- PFRS 7*, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  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.

  The additional disclosures required by the amendments are presented in Note 4 to the financial statements.

- 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. Management made an assessment based on PFRS 10 and concluded that the Group continues to have control over its subsidiaries and special purpose entities and therefore continue to consolidate the said entities.

- 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. Management made an assessment and concluded that its joint arrangements meet the definition of joint venture and therefore continue to be accounted for under the equity method.

- 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. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The required disclosures are presented in Note 14.

- PFRS 13*, Fair Value Measurement*
  PFRS 13 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. The required disclosures are presented in Note 5.

- *Annual Improvements to PFRS* (2009-2011 cycle)
  - 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 following new and amended PFRS, Philippine Interpretations and PAS did not have any impact on the financial position or performance of the Group:

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans (Amendments)*
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
- *Annual Improvements to PFRS* (2009-2011 cycle)
  - PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  - PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
  - PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*
  - PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*

Significant Accounting Policies

<u>Fair Value Measurement</u>
For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

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

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

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

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.

'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.

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 the next two fiscal years after the year of reclassification.

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 carrying value of the related 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.

<u>Reclassification of Financial Assets</u>
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 ability and intention 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 to maturity.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized 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 amortized cost and the expected cash flows is also amortized 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.

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

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the 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 20.0% 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.

Derecognition of Financial Instruments

Financial assets

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

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

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

Financial liabilities

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

Noncurrent Assets (Disposal Group) Held for Sale
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.

Investments in Associates and Joint Ventures
Associates pertain to all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In the consolidated financial statements, investment in associates is accounted for under the equity method of accounting.

The Group also has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

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.

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
Leasehold improvements	15 years
Passenger aircraft	15 years
Other flight equipment	5 years
Transportation, furnishing and other equipment	3 to 5 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 event that gives rise to the obligation is the actual flying hours of the asset as used, as the usage determines the timing and nature of the entity completes the overhaul and restoration. Regular aircraft maintenance is accounted for as expense when incurred, while overhaul and restoration are accounted on an accrual basis.

If there is a commitment related to maintenance of aircraft held under operating lease arrangements, a provision is made during the lease term for the lease return obligations specified within those lease agreements. The provision is made based on historical experience, manufacturers' advice and if relevant, contractual obligations, to determine the present value of the estimated future major airframe inspections cost and engine overhauls. Advance payment for materials for the restoration of the aircraft is initially recorded as 'Advances to Supplier.' This is recouped when the expenses for restoration of aircraft have been incurred.

The Group recognizes the present value of these costs as ARO asset and ARO 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 a 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 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 follows:

	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

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 costs
For property, plant and equipment, investment properties, intangible assets with definite useful lives, 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.

Equity
Common and preferred 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.

Retained earnings represent the cumulative balance of periodic net income/loss, dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

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.

<u>Provisions</u>
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense under 'Financing costs and other charges' account in 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
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<u>Income Taxes</u>
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 future 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 future 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 future 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 extent that it is no longer probable that sufficient future 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 equity.

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

Leases

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

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

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

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

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and is included in the consolidated statement of financial position under ‘Property, plant and equipment’ 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 of the 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.

Standards Issued but not yet Effective
Standards and Interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This is the list of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS, and Philippine Interpretations to have significant impact on its financial statements. The Group will assess the impact of these amendments on its financial position or performance when they become effective.

Effective in 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. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The Group is currently assessing impact of the amendments to PAS 32. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- Investment Entities *(Amendments to PFRS 10, PFRS 12 and PAS 27)*
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRS (2010-2012 cycle)
The annual improvements to the following PFRS 2010 - 2012 contain non-urgent but necessary amendments to the following standards. These standards will become effective for annual periods beginning on or after January 1, 2014, with earlier application permitted:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16*, Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

Annual Improvements to PFRS (2011-2013 cycle)
The Annual Improvements to PFRS (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRS'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace 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 liabilities designated as at FVPL using the fair value option, 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 relating to the entity's own 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 to PFRS 9, including the embedded derivative bifurcation 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.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- 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 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.

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3. Significant Accounting Judgments and Estimates

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

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

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

a. Going concern
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*
Starting October 1, 2012, the Group decided to change its basis of estimating on when the buyers’ investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group and warrant revenue recognition. Marketing and selling statistics and experiences over the past several years which include, among others, buyers’ credit standings and sales returns prompted the Group to revisit and accordingly revise the basis of the level of buyers’ payments that is highly probable that the buyer will commit to the sale transaction, and thus, it is probable that economic benefits will flow to the Group. The change increased the revenue from real estate sales by ₱1.0 billion, operating income by ₱449.0 million and net income by ₱339.0 million for the year. The effect of this change in the future periods is not disclosed because it cannot be estimated as it is dependent on future sales transactions.

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:

	2013	2012	2011
Revenue	**₱5,300,508,087**	₱4,105,106,260	₱4,307,396,547
Cost and expenses	**3,060,144,718**	2,360,585,729	2,664,371,840

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 SPE*
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 SPE 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 its 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 (see Note 43).

<u>Estimates</u>

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:

	2013	2012	2011
Revenue	**₱5,300,508,087**	₱4,105,106,260	₱4,307,396,547
Cost and expenses	**3,060,144,718**	2,360,585,729	2,664,371,840

- 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' is 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.

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 2013, 2012 and 2011, 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 2013, 2012 and 2011, 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. *Impairment of goodwill and intangible assets*
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.

Value-in-use is the most sensitive to changes in discount rate and growth rate.

d. *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.

e. *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.

f. *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 2013, 2012 and 2011, the Group recognized the amortization of ARO asset amounting to ₱353.2 million, ₱369.1 million and ₱317.5 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.

g. *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, 2013 and 2012, the balance of the Group's depreciable assets are disclosed in the respective notes to the consolidated financial statements.

h. *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 gains 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 ₱69.9 million in 2013 and losses amounting to ₱15.5 million and ₱128.3 million in 2012 and 2011, respectively (see 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.

i. *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 and salary increase rates (see 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, 2013 and 2012, the balance of the Group's present value of defined benefit obligations and other employee benefits is shown in Note 37.

j. *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 2013, 2012 and 2011 is disclosed in Note 34 to the consolidated financial statements.

As of December 31, 2013 and 2012, the balance of the Group's nonfinancial assets, net of accumulated depreciation, amortization and impairment loss follow:

	2013	2012
Property, plant and equipment (Note 16)	**₱120,964,719,647**	₱101,211,948,034
Investment properties (Note 15)	**51,669,900,362**	45,423,932,675
Investments in associates and joint ventures (Note 14)	**108,303,222,343**	33,497,292,680
Goodwill (Note 19)	**1,042,954,782**	1,042,954,782
Intangible assets (Note 18)	**1,345,290,816**	1,341,022,581

k. 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, 2013 and 2012, 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 (see Note 38).

As of December 31, 2013 and 2012, the total amount 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:

	2013			
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**
Loans and receivables:				
Trade receivables	**₱3,099,000,000**	**₱3,102,512,904**	**₱3,099,000,000**	**₱–**
Finance receivables:				
Commercial	**1,062,505,512**	**2,053,685,344**	**937,796,150**	**124,709,361**
Real estate	**2,877,470,046**	**5,254,030,943**	**2,870,831,561**	**6,638,485**
Consumption	**1,571,244,293**	**918,046,844**	**1,300,018,089**	**271,226,204**
Other receivables	**86,020,863**	**129,030,344**	**14,346,456**	**71,674,407**
Total credit risk exposure	**₱8,696,240,714**	**₱11,457,306,379**	**₱8,221,992,256**	**₱474,248,457**

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

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, 2013 and 2012, before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

	December 31, 2013					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents**	₱29,923,155,559	₱3,842,904,019	₱–	₱–	₱–	₱33,766,059,578
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	2,535,606,923	2,081,197,477	1,212,363,875	3,603,177,847	670,310,200	10,102,656,322
Government	2,078,667,302	552,009,161	–	–	8,490,433	2,639,166,896
	4,614,274,225	2,633,206,638	1,212,363,875	3,603,177,847	678,800,633	12,741,823,218
Equity securities:						
Quoted	413,732,312	632,913,370	426,034,264	1,198,985,693	55,412,831	2,727,078,470
Unquoted	–	3,330	–	–	–	3,330
	413,732,312	632,916,700	426,034,264	1,198,985,693	55,412,831	2,727,081,800
	5,028,006,537	3,266,123,338	1,638,398,139	4,802,163,540	734,213,464	15,468,905,018
Derivative assets:						
Not designated as accounting hedges	–	–	–	166,456,897	–	166,456,897
Designated as accounting hedges	–	–	171,850,204	–	–	171,850,204
	–	–	171,850,204	166,456,897	–	338,307,101
AFS investments:						
Debt securities:						
Government	5,326,801,439	–	–	–	156,585,604	5,483,387,043
Private	1,737,172,156	1,084,327,403	198,553,184	548,513,544	287,363,415	3,855,929,702
	7,063,973,595	1,084,327,403	198,553,184	548,513,544	443,949,019	9,339,316,745

(Forward)

	December 31, 2013					
	Philippines	**Asia (excluding Philippines)**	**United States**	**Europe**	**Others***	**Total**
Equity securities:						
Quoted	**₱46,310,372,924**	**₱–**	**₱–**	**₱1,047,859,625**	**₱–**	**₱47,358,232,549**
Unquoted	**53,565,871**	**–**	**–**	**–**	**–**	**53,565,871**
	46,363,938,795	**–**	**–**	**1,047,859,625**	**–**	**47,411,798,420**
	53,427,912,390	**1,084,327,403**	**198,553,184**	**1,596,373,169**	**443,949,022**	**56,751,115,168**
Held-to-maturity investment	**75,000,000**	**–**	**–**	**–**	**–**	**75,000,000**
Receivables:						
Finance receivables	**17,927,289,691**	**–**	**–**	**–**	**–**	**17,927,289,691**
Trade receivables	**8,944,590,159**	**2,187,988,929**	**13,566,679**	**197,084,469**	**11,205,410**	**11,354,435,646**
Due from related parties	**1,377,902,741**	**26,131,869**	**–**	**–**	**–**	**1,404,034,610**
Interest receivable	**318,935,660**	**69,089,311**	**20,651,626**	**48,328,319**	**31,268,964**	**488,273,880**
Other receivables	**1,527,700,387**	**94,060,158**	**–**	**–**	**–**	**1,621,760,545**
	30,096,418,638	**2,377,270,267**	**34,218,305**	**245,412,788**	**42,474,374**	**32,795,794,372**
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	**511,068,720**	**523,574,034**	**–**	**228,857,751**	**–**	**1,263,500,505**
Other financial assets (included under 'Other current assets' in the consolidated statements of financial position)	**1,670,875,877**	**–**	**–**	**–**	**–**	**1,670,875,877**
	₱120,732,437,721	**₱11,094,199,061**	**₱2,043,019,832**	**₱7,039,264,145**	**₱1,220,636,860**	**₱142,129,557,619**

* *Others include South American countries (i.e., Argentina and Mexico)*
** *Excludes cash on hand amounting to ₱1,229,949,059.*

	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
Total	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
Receivables:						
Finance receivables	17,199,408,241	–	–	–	–	17,199,408,241
Trade receivables	8,019,236,787	2,025,557,950	22,611,964	4,085,966	10,364,942	10,081,857,609
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

(Forward)

	December 31, 2012					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
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.*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2013 and 2012, before taking into account any collateral held or other credit enhancements.

	2013											
	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**	**₱–**	**₱–**	**₱–**	**₱–**	**₱33,766,059,578**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱33,766,059,578**
Financial assets at FVPL:												
Held-for-trading:												
Debt securities:												
Private	**67,538,247**	**60,322,816**	**9,452,583**	**–**	**5,899,777,212**	**421,022,895**	**–**	**–**	**838,544,008**	**–**	**2,805,998,561**	**10,102,656,322**
Government	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,639,166,896**	**2,639,166,896**
	67,538,247	**60,322,816**	**9,452,583**	**–**	**5,899,777,212**	**421,022,895**	**–**	**–**	**838,544,008**	**–**	**5,445,165,4517**	**12,741,823,218**
Equity securities:												
Quoted	**193,008,778**	**36,584,046**	**–**	**–**	**1,483,859,997**	**362,690,623**	**–**	**–**	**101,587,322**	**–**	**549,347,704**	**2,727,078,470**
Unquoted	**–**	**–**	**–**	**–**		**–**	**–**	**–**	**–**	**–**	**3,330**	**3,330**
	193,008,778	**36,584,046**	**–**	**–**	**1,483,859,997**	**362,690,623**	**–**	**–**	**101,587,322**	**–**	**549,351,034**	**2,727,081,800**
	260,547,025	**96,906,862**	**9,452,583**	**–**	**7,383,637,209**	**783,713,518**	**–**	**–**	**940,131,330**	**–**	**5,994,516,491**	**15,468,905,018**
Derivative financial assets:												
Not designated as accounting hedges	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**166,456,897**	**–**	**–**	**166,456,897**
Designated as accounting hedges	**–**	**–**	**–**	**–**	**171,850,204**	**–**	**–**	**–**	**–**	**–**	**–**	**171,850,204**
	–	**–**	**–**	**–**	**171,850,204**	**–**	**–**	**–**	**166,456,897**	**–**	**–**	**338,307,101**
AFS investments:												
Debt securities:												
Government	**–**	**–**	**–**	**–**	**119,866,500**	**–**	**–**	**–**	**–**	**–**	**5,363,520,544**	**5,483,387,044**
Private	**–**	**–**	**–**	**–**	**2,405,108,385**	**98,414,836**	**–**	**–**	**237,643,239**	**–**	**1,114,763,244**	**3,855,929,704**
	–	**–**	**–**	**–**	**2,524,974,885**	**98,414,836**	**–**	**–**	**237,643,239**	**–**	**6,478,283,788**	**9,339,316,748**
Equity securities:												
Quoted	**–**	**–**	**–**	**–**	**155,304,732**	**46,115,082,082**	**–**	**–**	**–**	**–**	**1,087,845,735**	**47,358,232,549**
Unquoted	**–**	**–**	**–**	**–**	**52,878,200**	**–**	**–**	**–**	**–**	**–**	**687,671**	**53,565,871**
	–	**–**	**–**	**–**	**208,182,932**	**46,115,082,082**	**–**	**–**	**–**	**–**	**1,088,533,406**	**47,411,798,420**
	–	**–**	**–**	**–**	**2,733,157,817**	**46,213,496,918**	**–**	**–**	**237,643,239**		**7,566,817,194**	**56,751,115,168**
Held-to-maturity investment	**–**	**–**	**–**	**–**	**75,000,000**	**–**	**–**	**–**	**–**	**–**	**–**	**75,000,000**

(Forward)

2013

	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:												
Finance receivables	**₱572,878,197**	**₱4,915,492,691**	**₱2,580,703,242**	**₱–**	**₱–**	**₱1,302,012,545**	**₱935,903,676**	**₱661,868,632**	**₱1,748,434,379**	**₱–**	**₱5,209,996,329**	**₱17,927,289,691**
Trade receivables	**4,915,671,009**	**4,909,395,424**	**–**	**–**	**39,597,965**	**1,250,301,848**	**–**	**212,879,181**	**–**	**–**	**26,590,219**	**11,354,435,646**
Due from related parties	**96,011,405**	**65,021,572**	**47,832,814**	**–**	**5,225,638**	**556,530,331**	**–**	**–**	**–**	**–**	**633,412,850**	**1,404,034,610**
Interest receivable	**76,701**	**1,021,640**	**78,431**	**–**	**183,472,023**	**6,198,772**	**–**	**–**	**7,239,147**	**–**	**290,187,166**	**488,273,880**
Other receivables	**610,218,480**	**120,387,130**	**–**	**–**	**555,000,000**	**43,112,461**	**–**	**11,573,308**	**–**	**–**	**281,469,166**	**1,621,760,545**
	6,194,855,792	**10,011,318,457**	**2,628,614,487**	**–**	**783,295,626**	**3,158,155,957**	**935,903,676**	**886,321,121**	**1,755,673,527**	**–**	**6,441,655,731**	**32,885,838,635**
Refundable security deposits (included under ‘Other current’ and ‘Other noncurrent assets’ in the consolidated statements of financial position)	**646,729,911**	**327,920,805**	**–**	**–**	**33,326,499**	**228,857,751**	**–**	**5,983,177**	**–**	**–**	**20,682,362**	**1,263,500,505**
Other financial assets (included under ‘Other noncurrent assets’ in the consolidated statements of financial position)	**–**	**–**	**–**	**–**	**1,670,875,877**	**–**	**–**	**–**	**–**	**–**	**–**	**1,670,875,877**
	₱7,102,132,727	**₱10,436,146,124**	**₱2,638,067,070**	**₱–**	**₱46,617,202,810**	**₱50,384,224,143**	**₱935,903,676**	**₱892,304,298**	**₱3,099,904,993**	**₱–**	**₱20,023,671,776**	**₱142,129,557,617**

* *Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.*
** *Excludes cash on hand amounting to ₱1,229,949,059.*

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

(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
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:												
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
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
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
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.*

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:

	2013					
	Neither Past Due Nor Individually Impaired				**Past Due**	
	High Grade	**Standard Grade**	**Substandard Grade**	**Unrated**	**or Individually Impaired**	**Total**
Cash and cash equivalents*	**₱17,156,033,463**	**₱16,610,026,115**	**₱–**	**₱–**	**₱–**	**₱33,766,059,578**
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	**10,102,656,322**	**–**	**–**	**–**	**–**	**10,102,656,322**
Government	**1,544,184,581**	**1,094,982,315**	**–**	**–**	**–**	**2,639,166,896**
	11,646,840,903	**1,094,982,315**	**–**	**–**	**–**	**12,741,823,218**
Equity securities:						
Quoted	**2,727,078,470**	**–**	**–**	**–**	**–**	**2,727,078,470**
Unquoted	**3,330**	**–**	**–**	**–**	**–**	**3,330**
	2,727,081,800	**–**	**–**	**–**	**–**	**2,727,081,800**
	14,373,922,703	**1,094,982,315**	**–**	**–**	**–**	**15,468,905,018**
Derivative financial assets:						
Not designated as accounting hedges	**166,456,897**	**–**	**–**	**–**	**–**	**166,456,897**
Designated as accounting hedges	**171,850,204**	**–**	**–**	**–**	**–**	**171,850,204**
	338,307,101	**–**	**–**	**–**	**–**	**338,307,101**
AFS investments:						
Debt securities:						
Government	**1,410,278,207**	**4,073,108,836**	**–**	**–**	**–**	**5,483,387,043**
Private	**2,118,757,546**	**1,737,172,156**	**–**	**–**	**–**	**3,855,929,702**
	3,529,035,753	**5,810,280,992**	**–**	**–**	**–**	**9,339,316,745**
Equity securities:						
Quoted	**47,358,232,549**	**–**	**–**	**–**	**–**	**47,358,232,549**
Unquoted	**687,671**	**–**	**–**	**52,878,200**	**–**	**53,565,871**
	47,358,920,220	**–**	**–**	**52,878,200**	**–**	**47,411,798,420**
	50,887,955,973	**5,810,280,992**	**–**	**52,878,200**	**–**	**56,751,115,165**
Held to maturity investments	**–**	**75,000,000**	**–**	**–**	**–**	**75,000,000**
Receivables:						
Finance receivables	**5,090,249,577**	**9,907,704,149**	**2,234,830,253**	**339,935,945**	**693,760,071**	**18,266,479,995**
Trade receivables	**7,600,708,396**	**1,405,007,960**	**62,446,954**	**–**	**2,806,396,853**	**11,874,560,163**
Due from related parties	**1,404,034,610**	**–**	**–**	**–**	**–**	**1,404,034,610**
Interest receivable	**278,261,330**	**181,012,550**	**–**	**–**	**29,000,000**	**488,273,880**
Other receivables	**214,712,157**	**1,123,414,074**	**83,882,968**	**–**	**388,480,804**	**1,810,490,003**
	14,587,966,070	**12,617,138,733**	**2,381,160,175**	**339,935,945**	**3,917,637,728**	**33,843,838,651**
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	**667,482,013**	**562,691,993**	**–**	**33,326,499**	**–**	**1,263,500,505**
Other financial assets (included under 'Other noncurrent assets' in the consolidated statements of financial position)	**1,670,875,877**	**–**	**–**	**–**	**–**	**1,670,875,877**
	₱99,682,543,200	**₱36,770,120,148**	**₱2,381,160,175**	**₱426,140,644**	**₱3,917,637,728**	**₱143,177,601,895**

* *Excludes cash on hand amounting to ₱1,229,949,059.*

	2012					
	Neither Past Due Nor Individually Impaired				Past Due	
	High Grade	Standard Grade	Substandard Grade	Unrated	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

(Forward)

	2012					
	Neither Past Due Nor Individually Impaired				Past Due	
	High Grade	Standard Grade	Substandard Grade	Unrated	or Individually Impaired	Total
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:						
Finance receivables	6,362,600,773	8,744,020,368	653,871,036	548,063,175	1,361,433,373	17,669,988,725
Trade receivables	6,263,469,650	2,250,623,299	94,653,505	–	1,978,419,681	10,587,166,135
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 .*

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.

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, 2013 and 2012 follow:

	2013						
		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**
Finance receivables	**₱17,572,719,924**	**₱–**	**₱59,954,289**	**₱294,615,478**	**₱–**	**₱339,190,304**	**₱18,266,479,995**
Trade receivables	**9,068,163,310**	**427,587,054**	**354,854,030**	**140,598,898**	**1,363,232,354**	**520,124,517**	**11,874,560,163**
Due from related parties	**1,404,034,610**	–	–	–	–	–	**1,404,034,610**
Interest receivable	**459,273,880**	**24,000,000**	**5,000,000**	–	–	–	**488,273,880**
Others	**1,422,009,199**	**40,538,943**	**8,240,217**	**2,578,723**	**148,393,463**	**188,729,458**	**1,810,490,003**
	₱29,926,200,923	**₱492,125,997**	**₱428,048,536**	**₱437,793,099**	**₱1,511,625,817**	**₱1,048,044,279**	**₱33,843,838,651**

	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
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
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
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

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 the applicable undiscounted contractual payments as of December 31, 2013 and 2012:

	2013					
	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	**₱13,179,368,470**	**₱21,703,911,082**	**₱–**	**₱90,299,084**	**₱32,954,436**	**₱35,006,533,072**
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	**–**	**–**	**10,102,656,322**	**–**	**–**	**10,102,656,322**
Government	**1,094,982,315**	**–**	**1,544,184,581**	**–**	**–**	**2,639,166,896**
	1,094,982,315	**–**	**11,646,840,903**	**–**	**–**	**12,741,823,218**
Equity securities:						
Quoted	**413,732,312**	**–**	**2,313,346,158**	**–**	**–**	**2,727,078,470**
Unquoted	**–**	**–**	**3,330**	**–**	**–**	**3,330**
	413,732,312	**–**	**2,313,349,488**	**–**	**–**	**2,727,081,800**
	1,508,714,627	**–**	**13,960,190,391**	**–**	**–**	**15,468,905,018**
Derivative financial assets:						
Not designated as accounting hedges	**–**	**–**	**166,456,897**	**–**	**–**	**166,456,897**
Designated as accounting hedges	**–**	**–**	**–**	**171,850,204**	**–**	**171,850,204**
	–	**–**	**166,456,897**	**171,850,204**	**–**	**338,307,101**
AFS investments:						
Debt securities:						
Government	**–**	**–**	**5,483,387,043**	**–**	**4,161,128,521**	**9,644,515,564**
Private	**–**	**122,153,295**	**3,733,776,407**	**–**	**1,774,712,363**	**5,630,642,065**
	–	**122,153,295**	**9,217,163,450**	**–**	**5,935,840,884**	**15,275,157,629**
Equity securities:						
Quoted	**21,720,000**	**–**	**1,269,835,389**	**46,109,741,682**	**–**	**47,401,297,071**
Unquoted	**–**	**52,878,200**	**687,671**	**–**	**–**	**53,565,871**
	21,720,000	**52,878,200**	**1,270,523,060**	**46,109,741,682**	**–**	**47,454,862,942**
	21,720,000	**175,031,495**	**10,487,686,510**	**46,109,741,682**	**5,935,840,884**	**62,730,020,571**
Held to maturity investments	**–**	**954,975**	**2,864,925**	**15,279,600**	**83,520,499**	**102,619,999**
Receivables:						
Trade receivables	**4,136,081,828**	**3,918,422,681**	**947,819,418**	**2,238,991,314**	**113,120,405**	**11,354,435,646**
Finance receivables	**762,584,121**	**3,120,775,334**	**2,960,911,426**	**9,993,320,938**	**9,247,227,129**	**26,084,818,948**
Due from related parties	**1,404,034,610**	**–**	**–**	**–**	**–**	**1,404,034,610**
Interest receivable	**4,904,684**	**483,369,196**	**–**	**–**	**–**	**488,273,880**
Other receivables	**68,333,687**	**618,186,745**	**905,288,720**	**29,951,394**	**–**	**1,621,760,546**
	6,375,938,930	**8,140,753,956**	**4,814,019,564**	**12,262,263,646**	**9,360,347,534**	**40,953,323,630**
Refundable security deposits	**293,295,893**	**386,312,922**	**228,258,427**	**263,195,121**	**92,438,142**	**1,263,500,505**
Other financial assets (included under 'Other current assets' in the consolidated statement of financial position)	**1,670,875,877**	**–**	**–**	**–**	**–**	**1,670,875,877**
	₱23,049,913,797	**₱30,406,964,430**	**₱29,659,476,714**	**₱58,912,629,337**	**₱15,505,101,495**	**₱157,534,085,773**

	2013					
	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')	**₱40,408,527,946**	**₱7,112,442,258**	**₱6,550,557,528**	**₱1,239,726,180**	**₱1,431,219,355**	**₱56,742,473,267**
Short-term debt	**–**	**10,055,489,141**	**24,253,094,569**	**–**	**–**	**34,308,583,710**
Redeemable preferred shares	**–**	**–**	**1,700,000**	**–**	**–**	**1,700,000**
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	**26,460,573,309**	**3,875,658,159**	**1,150,378,677**	**2,097,091,989**	**–**	**33,583,702,134**
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	**531,211,961**	**–**	**–**	**1,027,535,597**	**–**	**1,558,747,558**
Deposits from lessees (included under 'Other current liabilities'and 'Other noncurrent liabilities' in the consolidated statement of financial position)	**197,324,431**	**275,604,060**	**84,986,948**	**2,022,067,035**	**17,985,841**	**2,597,968,315**
Long-term debt (including current portion)	**–**	**1,164,953,714**	**22,370,227,358**	**28,421,044,615**	**38,767,942,597**	**90,724,168,284**
Commitments and contingent liability	**2,519,653,529**	**–**	**–**	**–**	**–**	**2,519,653,529**
	₱70,117,291,176	**₱22,484,147,332**	**₱54,410,945,080**	**₱34,807,465,416**	**₱40,217,147,793**	**₱222,036,996,797**

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

	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

	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.*

The table below summarizes the undiscounted and discounted amounts of the Group's derivative assets which will mature within 1 to 5 years:

	Undiscounted	Discounted
Receive (Asset)*	₱609,523,405	₱577,574,652
Pay (Liability)**	(413,421,038)	(405,724,448)
	₱196,102,367	₱171,850,204***

* *Gross carrying amount before offsetting*

** *Gross amount offset in accordance with the offsetting criteria*

*** *Net amount presented in the statement of financial position*

The Group has currently enforceable legal right to offset the recognized amounts of derivative assets and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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 (see 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, 2013, 2012 and 2011, approximately 27.4%, 31.8% and 32.2%, respectively, of the Group's total sales are denominated in currencies other than the functional currency. In addition, approximately 67.3% and 35.6% of total debt are denominated in US Dollar as of December 31, 2013 and 2012, 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, 2013 and 2012:

	2013		
	US Dollar	**Other Currencies***	**Total**
Assets			
Cash and cash equivalents	**₱10,183,329,830**	**₱2,304,216,656**	**₱12,487,546,486**
Financial assets at FVPL	**13,960,190,391**	**–**	**13,960,190,391**
AFS investments	**4,576,895,377**	**–**	**4,576,895,377**
Receivables	**1,393,364,459**	**2,779,361,070**	**4,172,725,529**
Derivative assets	**274,532,966**	**–**	**274,532,966**
Other noncurrent assets	**33,499,743**	**–**	**33,499,743**
	30,421,812,766	**5,083,577,726**	**35,505,390,492**
Liabilities			
Accounts payable and accrued expenses	**4,758,117,001**	**4,113,595,883**	**8,871,712,884**
Short-term debt	**10,076,746,470**	**1,945,430,681**	**12,022,177,151**
Long-term debt (including current portion)	**63,816,109,228**	**–**	**63,816,109,228**
Other noncurrent liabilities	**424,276,778**	**–**	**424,276,778**
	79,075,249,477	**6,059,026,564**	**85,134,276,041**
Net Foreign Currency-Denominated Liabilities	**(₱48,653,436,711)**	**(₱975,448,838)**	**(₱49,628,885,549)**

**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*

	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*

The exchange rates used to convert the Group's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2013 and 2012 follow:

	2013	2012
US dollar-Philippine peso exchange rate	**₱44.40 to US$1.00**	₱41.05 to US$1.00

Foreign currency borrowings of certain subsidiaries with fiscal year ending September 30 were converted at ₱43.54 and ₱41.70 to US$1.00 as of September 30, 2013 and 2012, 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, 2013, 2012 and 2011.

	2013	
Reasonably Possible Changes in US Dollar-Philippine Peso Exchange Rates	**Change in Income Before Income Tax**	**Change in Equity**
11.3%	**(₱6,454,602,449)**	**(₱2,435,340,000)**
(11.3)	**6,454,602,449**	**2,435,340,000**

	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)

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 2013, 2012 and 2011, 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 ₱3.1 million, ₱29.1 million and ₱16.1 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 ₱608.5 million, ₱569.6 million and ₱793.1 million as of December 31, 2013, 2012 and 2011, 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:

	2013										
	<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$19,921,813**	**US$18,735,555**	**US$19,024,326**	**US$19,334,251**	**US$269,645,376**	**US$105,045,591**	**US$451,706,912**	**₱20,053,528,358**	**₱186,486,914**	**₱19,867,041,444**	**₱20,659,647,488**
Interest rate (London Interbank Offered Rate (LIBOR) plus margin)											
Fixed rate											
US Dollar loans	**99,442,969**	–	–	–	–	**679,700,000**	**779,142,969**	**34,505,028,370**	**195,794,557**	**34,309,233,813**	**34,309,233,813**
Interest rate (3.4% to 8.3%)											
Local currencies:											
Fixed rate											
Philippine Peso loans	**9,000,000,000**	–	–	–	–	–	–	**9,000,000,000**	**22,283,896**	**8,977,716,104**	**8,977,716,104**
Interest rate (6.4% to 8.8%											
							US$1,230,849,881	**₱63,558,556,728**	**₱404,565,367**	**₱63,153,991,361**	**₱63,946,597,405**

	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

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	
	2013	2012
+150 basis points (bps)	**(₱148,399,702)**	(₱143,149,958)
-150 bps	**148,399,702**	143,149,958

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.

		2013	
	Reasonably Possible Changes in Market Prices	**Change in Income Before Income Tax**	**Change in Equity**
FVPL	1.5%	**₱16,757,313**	**₱–**
	(1.5)	**(17,483,290)**	**–**
AFS	1.5	**–**	**6,644,201**
	(1.5)	**–**	**(7,018,324)**

		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

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 ₱1.4 billion in 2013, ₱1.3 billion in 2012 and ₱1.1 billion in 2011, 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 limitations 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):

	2013			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	**₱38.39**	**₱53.02**	**₱13.73**	**₱36.30**
Instruments sensitive to foreign interest rates	**1.77**	**3.08**	**1.31**	**2.88**

	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

	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

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):

	2013			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	**₱20.49**	**₱44.27**	**₱3.40**	**₱16.56**
Instruments sensitive to foreign interest rates	**0.02**	**0.04**	**0.01**	**0.04**

	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

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.

	2013		
		Profit or loss	Other comprehensive income
+10% USD appreciation	USD	26,037,177	(36,739,536)
	Other Foreign Currencies*	1,911,036	
-10% USD depreciation	USD	(26,037,177)	36,739,536
	Other Foreign Currencies*	(1,911,036)	

**significant positions held in EUR and AUD*

	2012		
		Profit or loss	Other comprehensive income
+10% USD appreciation	USD	(20,274,585)	708,830
	Other Foreign Currencies*	22,147,403	
-10% USD depreciation	USD	20,274,585	(708,830)
	Other Foreign Currencies*	(22,147,403)	

**significant positions held in EUR and AUD*

5. Fair Value Measurement

The following methods and assumptions were used to estimate the fair value of each asset and liability 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 5.9% to 10.2% in 2013 and 5.5% to 7.0% in 2012.

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.

Noninterest-bearing refundable security deposits
The fair values are determined as the present value of estimated future cash flows using prevailing market rates.

Biological assets
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, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

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.

Investment properties
The carrying amount of the investment properties approximates its fair value as of reporting date. Fair value of investment properties are based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group's investment properties have been determined by appaisers, including independent external appraisers, in the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

The Group has determined that the highest and best use of the property used for the land and building is its current use.

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.

Customers' deposits
The fair value of customers' deposits is based on the discounted value of future cash flows using the applicable rates for similar types of loans and receivables as of reporting date. The discount rates used range from 5.9% to 10.2% in 2013 and 5.5% to 7.0% in 2012.

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 2.0% to 6.0% in 2013 and 0.6% to 4.4% in 2012.

Fair Value Hierarchy Assets and Liabilities
Assets and liabilities carried at far value are those whose fair values are required to be disclosed.

(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 assets and liabilities carried at fair value:

	December 31, 2013				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
Assets measured at fair value					
Financial assets at FVPL:					
Held-for-trading:					
Debt securities:					
Private	₱10,102,656,322	₱10,102,656,322	₱–	₱–	₱10,102,656,322
Government	2,639,166,896	–	2,639,166,896	–	2,639,166,896
	12,741,823,218	10,102,656,322	2,639,166,896	–	12,741,823,218
Equity securities:					
Quoted	2,727,078,470	2,727,078,470	–	–	2,727,078,470
	15,468,901,688	12,829,734,792	2,639,166,896	–	15,468,901,688
Derivative financial assets:					
Not designated as accounting hedges	166,456,897	–	166,456,897	–	166,456,897
Designated as accounting hedges	171,850,204	–	171,850,204	–	171,850,204
	15,807,208,789	12,829,734,792	2,977,473,997	–	15,807,208,789

(Forward)

	December 31, 2013				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**
AFS investments:					
Debt securities:					
Government	**₱5,483,387,043**	**₱–**	**₱5,483,387,043**	**₱–**	**₱5,483,387,043**
Private	**3,855,929,702**	**3,855,929,702**	**–**	**–**	**3,855,929,702**
	9,339,316,745	**3,855,929,702**	**5,483,387,043**	**–**	**9,339,316,745**
Equity securities:					
Quoted	**47,358,232,549**	**47,358,232,549**	**–**	**–**	**47,358,232,549**
	56,697,549,294	**51,214,162,251**	**5,483,387,043**	**–**	**56,697,549,294**
Held-to-maturity investment	**75,000,000**	**75,000,000**	**–**	**–**	**75,000,000**
Biological assets	**1,391,798,109**	**1,391,798,109**	**–**	**–**	**1,391,798,109**
Assets for which fair values are disclosed					
Receivables:					
Trade receivables	**11,354,435,646**	**–**	**–**	**11,138,931,873**	**11,138,931,873**
Finance receivables	**17,927,289,691**	**–**	**–**	**19,666,684,733**	**19,666,684,733**
Other receivables	**1,621,760,545**	**–**	**–**	**1,627,896,908**	**1,627,896,908**
Refundable deposits	**1,263,500,505**	**–**	**–**	**1,259,433,982**	**1,259,433,982**
Investment properties	**51,669,900,362**		**–**	**108,294,004,222**	**108,294,004,222**
	₱157,787,012,142	**₱65,435,695,152**	**₱8,460,861,040**	**₱141,986,951,718**	**₱215,937,077,111**
Deposit liabilities	**₱33,583,702,134**	**₱–**	**₱–**	**₱33,583,762,532**	**₱33,583,762,532**
Customer's deposits	**2,597,968,315**	**–**	**–**	**2,440,601,693**	**2,440,601,693**
Long-term debt	**89,275,931,805**	**–**	**–**	**92,128,851,704**	**92,128,851,704**
	₱125,457,602,254	**₱–**	**₱–**	**₱128,153,215,929**	**₱128,153,215,929**

	December 31, 2012				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
Financial Assets					
Assets measured at fair value					
Financial assets at FVPL:					
Held-for-trading:					
Debt securities:					
Private	₱9,490,640,714	₱9,490,640,714	₱–	₱–	₱9,490,640,714
Government	3,601,933,831	–	3,601,933,831	–	3,601,933,831
	13,092,574,545	9,490,640,714	3,601,933,831	–	13,092,574,545
Equity securities:					
Quoted	2,137,860,739	2,137,860,739	–	–	2,137,860,739
	15,230,435,284	11,628,501,453	3,601,933,831	–	15,230,435,284
Derivative financial assets:					
Not designated as accounting hedges	302,748,695	–	302,748,695	–	302,748,695
	15,533,183,979	11,628,501,453	3,904,682,526	–	15,533,183,979
AFS investments:					
Debt securities:					
Government	8,038,973,592	8,038,973,592	–	–	8,038,973,592
Private	3,087,495,880	3,087,495,880	–	–	3,087,495,880
	11,126,469,472	11,126,469,472	–	–	11,126,469,472
Equity securities:					
Quoted	45,218,452,860	45,218,452,860	–	–	45,218,452,860
	56,344,922,332	56,344,922,332	–	–	56,344,922,332
Biological assets	1,303,264,896	1,303,264,896	–	–	1,303,264,896
Assets for which fair values are disclosed					
Receivables:					
Trade receivables	10,081,857,609	–	–	9,937,549,146	9,937,549,146
Finance receivables	17,199,408,241	–	–	18,194,425,860	18,194,425,860
Other receivables	1,462,893,256	–	–	1,462,893,256	1,462,893,256
Refundable deposits	853,951,456	–	–	853,951,456	853,951,456
Investment properties	45,423,932,675	–	–	59,237,256,669	59,237,256,669
	₱148,203,414,444	₱–	₱–	₱89,686,076,387	₱162,867,447,594
Financial Liabilities					
Deposit liabilities	₱19,461,932,760	₱–	₱–	₱19,507,017,212	₱19,507,017,212
Customer's deposits	2,343,073,329	–	–	2,151,225,512	2,151,225,512
Long-term debt	61,683,285,979	–	–	62,922,126,449	62,922,126,449
	₱83,488,292,068	₱–	₱–	₱84,580,369,173	₱84,580,369,173

In 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial asset determined under Level 3 includes investment properties. 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.

Description of significant unobservable inputs to valuation:

Account	**Valuation Technique**	**Significant Unobservable Inputs**
Loans and receivables	Discounted cash flow method	4% - 5% risk premium rate
Investment properties	Market data approach	Price per square meter, size, shape, location, time element and discount
Long term debt	Discounted cash flow method	1.44% risk premium rate

Significant increases (decreases) in price per square meter and size of investment properties would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount would result in a significantly lower (higher) fair value of the properties.

Significant Unobservable Inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Risk premium	The return in excess of the risk-free rate of return that an investment is expected to yield.

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. Beginning 2013, other supplementary businesses also include equity in the net earnings of Meralco (see Note 14).

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

The Group does not have a single external major customer.

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, 2013, 2012 and 2011. 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, 2013							
	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	₱80,995,215,642	₱41,004,096,281	₱15,884,506,498	₱1,023,417,781	₱2,749,898,312	₱362,638,775	₱–	₱142,019,773,289
Intersegment revenue	–	–	–	215,796,343	–	–	(215,796,343)	–
	80,995,215,642	41,004,096,281	15,884,506,498	1,239,214,124	2,749,898,312	362,638,775	(215,796,343)	142,019,773,289
Dividend income (Note 28)	100,954,333	14,348,975	–	–	–	3,217,727,349	–	3,333,030,657
Equity in net earnings of associates and joint ventures (Note 14)	19,244,938	119,360,469	1,714,503,857	–	–	408,036,645	18,705,128	2,279,851,037
Total revenue	81,115,414,913	41,137,805,725	17,599,010,355	1,239,214,124	2,749,898,312	3,988,402,769	(197,091,215)	147,632,654,983
Cost of sales and services (Note 30)	57,776,004,285	30,075,334,423	7,720,048,632	1,610,507,803	599,241,926	–	(324,464,700)	97,456,672,369
Gross income (loss)	₱23,339,410,628	₱11,062,471,302	₱9,878,961,723	(₱371,293,679)	₱2,150,656,386	₱3,988,402,769	₱127,373,485	₱50,175,982,614
General and administrative expenses (Note 31)								25,776,132,892
Impairment losses and others (Note 34)								124,685,876
Operating income								24,275,163,846
Financing cost and other charges (Note 35)								(3,989,380,241)
Finance income (Note 27)								1,769,865,570
Other operating income (Note 29)								403,399,960
Core earnings								22,459,049,135
Market valuation gain on financial assets at FVPL								71,063,277
Market valuation gain on derivative financial instruments								237,930,143
Foreign exchange gains								(4,098,377,297)
Income before income tax								18,669,665,258
Provision for income tax (Note 38)								2,714,003,637
Net income								₱15,955,661,621
Net income attributable to equity holders of the Parent Company	₱6,090,919,415	₱344,191,788	₱4,444,388,484	(₱639,906,753)	₱271,401,962	(₱19,805,946)	(₱393,676,016)	₱10,097,512,934
EBIT	₱10,399,246,763	₱2,538,121,354	₱5,950,268,098	(₱682,306,399)	₱618,252,661	₱5,451,581,369	₱–	₱24,275,163,846
Depreciation and amortization (Notes 15, 16, 18 and 33)	3,621,603,376	3,454,641,115	2,458,900,922	165,562,179	157,492,273	38,084,797	–	9,896,284,662
EBITDA	₱14,020,850,139	₱5,992,762,469	₱8,409,169,020	(₱516,744,220)	₱775,744,934	₱5,489,666,166	–	₱34,171,448,508
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱205,469	₱–	₱167,188	₱–	₱95,618,340	₱–	₱–	₱95,990,997
Inventory obsolescence and market decline (Note 12)	28,694,879	–	–	–	–	–	–	28,694,879
	₱28,900,348	₱–	₱167,188	₱–	₱95,618,340	₱–	₱–	₱124,685,876

	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	₱338,194,349	₱–	₱130,386,937,569
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	338,194,349	(186,113,022)	130,386,937,569
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	3,457,860,955	(192,094,657)	135,591,458,267
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	₱3,457,860,955	₱91,163,753	₱42,912,286,008
General and administrative expenses (Note 31)								21,672,607,106
Impairment losses and others (Note 34)								271,254,229
Operating income								20,968,424,673
Financing cost and other charges (Note 35)								(4,136,768,731)
Finance income (Note 27)								2,479,635,046
Other operating income (Note 29)								207,276,636
Core earnings								19,518,567,624
Market valuation gain on financial assets at FVPL								1,504,427,749
Market valuation gain on derivative financial instruments								361,470,480
Foreign exchange gains								1,399,125,794
Income before income tax								22,783,591,647
Provision for income tax (Note 38)								2,847,413,989
Net income								₱19,936,177,658
Net income attributable to equity holders of the Parent Company	₱4,707,333,657	₱ 2,401,628,293	₱4,381,392,209	(₱523,734,964)	₱234,350,744	₱2,490,723,625	(₱139,168,130)	₱13,552,525,434
EBIT	₱8,085,567,345	₱2,722,149,333	₱5,214,880,264	(₱528,074,716)	₱579,539,354	₱4,894,558,834	₱–	₱20,968,620,414
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	39,797,090	–	8,571,638,416
EBITDA	₱11,504,595,021	₱5,490,013,193	₱7,298,765,324	(₱370,928,217)	₱683,457,585	₱4,934,355,924	₱–	₱29,540,258,830
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	–	68,542,210	–	–	71,971,118
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	₱68,542,210	₱–	₱–	₱271,254,230

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	₱435,576,529	₱–	₱121,470,211,709	₱4,524,649,269	₱125,994,860,978
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	435,576,529	(990,764,289)	121,470,211,709	4,524,649,269	125,994,860,978
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	557,047,546	(996,745,924)	123,932,770,454	4,524,649,269	128,457,419,723
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	₱557,047,546	(₱5,981,635)	₱37,221,522,442	₱4,028,113,291	₱41,249,635,733
General and administrative expenses (Note 31)								19,070,652,676	3,625,943,506	22,696,596,182
Impairment losses and others (Note 34)								329,638,645	59,401,794	389,040,439
Operating income								17,821,231,121	342,767,991	18,163,999,112
Financing cost and other charges (Note 35)								(5,359,183,945)	1,277,286,253	(4,081,897,692)
Finance income (Note 27)								3,217,619,657	4,549,707	3,222,169,364
Other operating income (Note 29)								638,935,591	7,713,286	646,648,877
Core earnings								16,318,602,424	1,632,317,237	17,950,919,661
Market valuation loss on financial assets at FVPL								(1,147,579,612)	(43,945,006)	(1,191,524,618)
Market valuation loss on derivative financial instruments								498,667,680	–	498,667,680
Foreign exchange loss								(245,881,638)	(33,963,568)	(279,845,206)
Income before income tax								15,423,808,854	1,554,408,663	16,978,217,517
Provision for income tax (Note 38)								1,973,441,385	12,697,904	1,986,139,289
Income after income tax								13,450,367,469	1,541,710,759	14,992,078,229
Gain on sale of subsidiary								–	11,570,087,639	11,570,087,638
Net income								₱13,450,367,469	₱13,111,798,398	₱26,562,165,867
Net income attributable to equity holders of the Parent Company	₱2,987,120,284	₱2,436,369,647	₱4,464,894,082	(₱383,972,661)	₱271,582,246	₱722,558,485	(₱2,005,085,557)	₱8,493,466,526	₱13,035,501,339	₱21,528,967,865
EBIT	₱7,150,752,577	₱3,409,224,173	₱4,508,841,960	(₱327,797,733)	₱579,539,354	₱2,500,670,791	₱–	₱17,821,231,122	₱342,767,991	₱18,163,999,112
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	₱10,416,897,045	₱5,724,178,300	₱6,621,962,048	(₱181,635,589)	₱663,178,815	₱2,554,750,386	₱–	₱25,799,331,005	₱1,889,319,035	₱27,688,650,039

(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

Other information on the Group's operating segments follow:

	December 31, 2013								
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Olefins**	**Banking**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**Consolidated**
Investments in associates and joint ventures (Note 14)	**₱85,384,000**	**₱578,824,453**	**₱34,814,569,121**	**₱–**	**₱–**	**₱–**	**₱72,824,444,769**	**₱–**	**₱108,303,222,343**
Segment assets	**₱66,544,967,530**	**₱67,673,974,204**	**₱74,886,052,696**	**₱10,088,351,859**	**₱25,072,032,797**	**₱46,073,637,482**	**₱250,740,299,630**	**(₱77,261,162,473)**	**₱463,818,153,725**
Short-term debt (Note 23)	**₱4,329,746,880**	**₱–**	**₱2,678,400,000**	**₱549,718,370**	**₱25,539,779,837**	**₱–**	**₱–**	**₱–**	**₱33,097,645,087**
Long-term debt (Note 23)	**₱–**	**₱29,406,465,672**	**₱10,000,000,000**	**₱–**	**₱49,869,466,133**	**₱–**	**₱–**	**₱–**	**₱89,275,931,805**
Segment liabilities	**₱15,714,937,888**	**₱46,543,628,035**	**₱25,581,026,205**	**₱3,239,911,173**	**₱289,676,937**	**₱40,740,793,585**	**₱141,000,070,185**	**(₱41,095,638,521)**	**₱232,014,405,487**
Capital expenditures (Notes 15 and 16)	**₱5,545,756,692**	**₱12,694,267,310**	**₱9,102,397,750**	**₱3,085,317,474**	**₱5,258,439,693**	**₱242,603,524**	**₱3,402,850**	**₱–**	**₱35,932,185,293**

	December 31, 2012								
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Olefins	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	₱70,095,325,159	₱61,521,043,733	₱70,646,747,635	₱25,987,138,741	₱–	₱41,329,045,734	₱140,494,674,584	(₱69,695,618,718)	₱340,378,356,868
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	₱23,730,796,698	₱40,249,949,832	₱24,138,369,037	₱4,715,736,472	₱–	₱35,597,637,450	₱53,280,675,538	(₱39,810,381,037)	₱141,902,783,990
Capital expenditures (Notes 15 and 16)	₱5,129,191,994	₱10,455,747,815	₱6,300,441,090	(₱80,207,625)	₱10,808,602,962	₱361,907,302	₱26,201,817	₱–	₱32,782,945,441

	December 31, 2011										
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Olefins	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	₱68,408,609,960	₱54,774,890,217	₱64,966,007,031	₱12,744,910,648	₱–	₱31,515,878,991	₱153,366,824,241	(₱72,058,642,527)	₱313,718,478,561	₱–	₱313,718,478,561
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	₱26,463,592,603	₱36,834,400,679	₱25,952,260,397	₱4,316,475,638	₱–	₱26,170,627,184	₱70,060,170,409	(₱56,303,426,329)	₱133,494,100,581	₱–	₱133,494,100,581
Capital expenditures (Notes 15 and 16)	₱4,559,453,861	₱9,405,733,815	₱11,082,104,773	₱1,443,281,712	₱6,790,649,643	₱166,238,050	₱1,103,993,948	₱–	₱34,831,382,569	₱1,280,729,400	₱70,663,567,771

Reconciliation of Income Before Income Tax to EBITDA and Core Earnings

	2013	2012	2011
Income before income tax	**₱18,669,665,258**	₱22,783,591,647	₱16,978,217,518
Finance income	**(1,769,865,570)**	(2,479,635,046)	(3,222,169,364)
Financing cost and other charges	**3,989,380,241**	4,136,768,731	4,081,897,692
Other operating income	**(403,399,960)**	(207,276,636)	(646,648,877)
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**(308,993,420)**	(1,865,898,229)	692,856,938
Foreign exchange losses (gains)	**4,098,377,297**	(1,399,125,794)	279,845,206
EBIT	**24,275,163,846**	20,968,424,673	18,163,999,113
Depreciation and amortization	**9,896,284,663**	8,571,834,157	9,524,650,927
EBITDA	**₱34,171,448,509**	₱29,540,258,830	₱27,688,650,040
Income before income tax	**₱18,669,665,258**	₱22,783,591,647	₱16,978,217,518
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**(308,993,420)**	(1,865,898,229)	692,856,938
Foreign exchange losses (gains)	**4,098,377,297**	(1,399,125,794)	279,845,206
Core earnings	**₱22,459,049,135**	₱19,518,567,624	₱17,950,919,662

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:

	2013	2012	2011
Domestic	**₱107,219,938,055**	₱92,306,425,530	₱83,688,946,042
Foreign	**40,412,716,928**	42,946,838,388	39,808,247,883
	₱147,632,654,983	₱135,253,263,918	₱123,497,193,925

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:

	2013	2012
Domestic	**₱245,619,583,787**	₱143,520,689,912
Foreign	**41,945,977,046**	41,945,977,046
	₱287,565,560,833	₱185,466,666,958

7. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand	**₱1,229,949,059**	₱1,109,973,269
Cash in banks	**16,963,336,247**	13,542,523,264
Cash equivalents	**16,802,723,331**	5,045,575,974
	₱34,996,008,637	₱19,698,072,507

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 0.1% to 4.3%, from 0.2% to 3.9% and from 0.2% to 4.9% in 2013, 2012 and 2011, 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, 2013 and 2012. The notional amount is the basis upon which changes in the value of derivatives are measured.

	December 31, 2013		
	Notional Amounts		
	US Dollar	Philippine Peso Equivalent	Derivative Assets
Derivatives Not Designated as Accounting Hedges			
Freestanding:			
Commodity swaps*	**US$–**		**₱166,456,897**
Derivatives Designated as Accounting Hedges			
Interest rate swaps	**US$250,000,000**		**₱171,850,204**
Presented in the consolidated statements of financial position as:			
Current			**₱166,456,897**
Noncurrent			**171,850,204**

**Nominal quantity amounted to 240,000 US barrels as of December 31, 2013.*

	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 600,000 US barrels as of December 31, 2012.*

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, 2013 and 2012, the positive fair values of this interest rate swap agreement amounted to nil and ₱90.1 million, respectively. The loan was settled in 2013.

  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 profit or loss.

  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 was settled on June 16, 2013, its maturity. As of December 31, 2013 and 2012, the outstanding notional amount is nil and US$20.0 million, respectively, and the negative fair values of this interest rate swap amounted to nil and ₱12.2 million, respectively. The interest rate swap was settled in 2013.

- 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, 2013 and 2012, 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.

In February 2013, the Group has pre-terminated its existing fuel derivative contracts with its counterparties. The Group recognized realized mark-to-market gain amounting ₱162.7 million from the transaction. As of December 31, 2013 and 2012, the Group recognized unrealized gain of ₱166.5 million and ₱102.7 million respectively, from the positive fair value change from its fuel derivatives. In 2013 and 2012, the Group realized ₱123.9 million and ₱155.9 million respectively as net realized gain from the transaction. For the year ended December 31, 2013, these are recognized in the "Fuel hedging gains" under the statement of comprehensive income.

- 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, 2013 and 2012. The positive and negative fair values of these currency options amounted is nil as of December 31, 2013 and ₱0.8 million and ₱4.7 million, respectively, as of December 31, 2012.

- 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, 2013 and 2012, the positive fair value of the currency swaps amounted to nil and ₱109.1 million, respectively. As of December 31, 2013 and 2012, 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 (see 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.

On December 18, 2012, the Group entered into an interest rate swap transaction with a notional amount of US$250.0 million effective January 16, 2013. Under the swap transaction, the Group would pay a fixed rate quarterly on the 16th of April, July, October and January in each year commencing on April 16, 2013, up to and including the termination date, January 16, 2018, subject to adjustment in accordance with the Modified Following Business Day Convention.

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 (see 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 (see 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 in 2011.

As of December 31, 2013, the positive fair value of the swap amounted to ₱171.9 million with an outstanding notional amount of US$250.0 million.

As of December 31, 2012, the negative fair value of the swaps amounted to ₱24.3 million with an outstanding notional amount is US$40.0 million.

Fair value changes in derivatives

Fair value of changes in derivatives designated as accounting hedges

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

	2013	2012	2011
Beginning balance	₱–	₱–	(₱364,294,311)
Net changes shown in other comprehensive income (Note 36):			
Net changes in fair value of derivatives taken to other comprehensive income	171,850,204	–	175,838,098
Amounts recycled to profit or loss	–	–	188,456,213
	171,850,204	–	364,294,311
	₱171,850,204	₱–	₱–

Fair value of changes in derivatives not designated as accounting hedges

The net movements in fair value of the Group's derivative financial instruments not designated as accounting hedges follow:

	2013	2012
Balance at beginning of year:		
Derivative assets	**₱302,748,695**	₱283,287,725
Derivative liabilities	**(41,178,211)**	(303,930,885)
	261,570,484	(20,643,160)
Net changes in fair value of derivatives taken to profit or loss	**237,930,143**	361,470,480
Fair value of settled instruments	**(333,043,730)**	(79,256,836)
	(95,113,587)	282,213,644
	₱166,456,897	₱261,570,484

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:

	2013	2012
Debt securities:		
Private	**₱10,102,656,322**	₱9,490,640,714
Government	**2,639,166,896**	3,601,933,831
	12,741,823,218	13,092,574,545
Equity securities:		
Quoted	**2,727,078,470**	2,137,860,739
Unquoted	**3,330**	3,079
	2,727,081,800	2,137,863,818
	₱15,468,905,018	₱15,230,438,363

In 2013 and 2012, the Group recognized net market valuation gains on financial assets at FVPL and derivative assets totaling to ₱71.1 million and ₱1.5 billion, respectively. In 2011, the Group recognized net market valuation losses on financial assets amounting to ₱1.1 billion.

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

	2013	2012	2011
Debt securities:			
Private	**₱704,707,040**	₱606,351,348	₱658,507,026
Government	**187,671,721**	189,857,833	94,821,394
	₱892,378,761	₱796,209,181	₱753,328,420

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*
Private bonds	₱1,984,850,194	₱2,451,989,177	₱3,238,990,528	₱3,851,715,862
Government securities	1,862,178,302	2,165,354,695	2,543,989,688	2,559,491,290
Equity securities	929,128,125	872,487,250	943,694,250	896,441,088
	₱4,776,156,621	₱5,489,831,122	₱6,726,674,466	₱7,307,648,240

**URC and Subsidiaries' financial year-end*

As of December 31, 2013, the Group has no outstanding AFS investments reclassified from FVPL.

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 and an additional market valuation loss of ₱437.9 million in 2011.

After reclassification, the reclassified financial assets contributed the following amounts to consolidated income before income taxes for the years ended December 31, 2013, 2012 and 2011, respectively:

	2013	2012	2011
Increase (reduction) in:			
Interest income	**₱11,263,031**	₱9,004,095	₱7,474,245
Foreign exchange losses	**5,255,824**	(19,198,021)	(23,298,431)

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 and Held-to-Maturity Investments**

Available-for-Sale Investments

This account consists of investments in:

	2013	2012
Debt securities:		
Government	**₱5,483,387,043**	**₱8,038,973,592**
Private	**3,855,929,702**	**3,087,495,880**
	9,339,316,745	**11,126,469,472**
Equity securities:		
Quoted	**47,358,232,549**	**45,218,452,860**
Unquoted	**53,565,871**	**17,065,871**
	47,411,798,420	**45,235,518,731**
	₱56,751,115,165	**₱56,361,988,203**

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

	2013	2012
Current portion	**₱10,641,373,483**	**₱12,604,430,408**
Noncurrent portion	**46,109,741,682**	**43,757,557,795**
	₱56,751,115,165	**₱56,361,988,203**

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 (see 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 (see Note 44). The Group has classified the remaining PLDT shares representing 8.0% ownership interest as AFS investments which have a carrying value of ₱46.1 billion and ₱43.8 billion as of December 31, 2013 and 2012, respectively.

In 2013, 2012 and 2011, the Group did not recognize any permanent decline in value on its AFS investments.

Interest income on AFS debt investments follows (see Note 27):

	2013	2012	2011
Debt securities:			
Government	₱341,114,330	₱520,370,550	₱536,727,522
Private	352,480,063	275,016,991	254,549,893
	₱693,594,393	₱795,387,541	₱791,277,415

The movements in net unrealized gains on AFS investments follow:

	2013		
	Parent Company	**Non-controlling Interests**	**Total**
Balance at beginning of year	**₱3,940,744,010**	**₱245,457,483**	**₱4,186,201,493**
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	**1,680,470,430**	**(303,529,328)**	**1,376,941,102**
Realized gain on sale of AFS investments (Note 29)	**8,046,425**	**5,222,961**	**13,269,386**
	5,629,260,865	**(52,848,884)**	**5,576,411,981**
Net changes in fair value of AFS investments of an associate (Notes 14 and 36)	**(11,597,069)**	**–**	**(11,597,069)**
	(11,597,069)	**–**	**(11,597,069)**
Balance at end of year	**₱5,617,663,796**	**(₱52,848,884)**	**₱5,564,814,912**

	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)
	3,930,643,558	245,457,483	4,176,101,041
Net changes in fair value of AFS investments of an associate (Notes 14 and 36)	10,100,452	–	10,100,452
	10,100,452	–	10,100,452
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

Held-to-Maturity Investment

As of December 31, 2013, the HTM investment of the Group consists of investment in private debt security with interest of 5.1% which will mature on February 15, 2021.

11. **Receivables**

This account consists of:

	2013	2012
Finance receivables	**₱18,266,479,995**	₱17,669,988,725
Trade receivables	**11,874,560,163**	10,587,166,135
Due from related parties (Note 40)	**1,404,034,610**	1,328,454,712
Interest receivable	**488,273,880**	610,620,609
Other receivables	**1,810,490,003**	1,651,622,714
	33,843,838,651	31,847,852,895
Less allowance for impairment losses	**1,048,044,279**	1,164,618,468
	₱32,795,794,372	₱30,683,234,427

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

	2013	2012
Current portion	**₱18,162,895,487**	₱16,320,725,310
Noncurrent portion	**14,632,898,885**	14,362,509,117
	₱32,795,794,372	₱30,683,234,427

Noncurrent receivables consist of:

	2013	2012
Trade receivables	**₱2,162,008,724**	₱1,125,870,844
Finance receivables	**12,470,890,161**	13,236,638,273
	₱14,632,898,885	₱14,362,509,117

Finance Receivables

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

	2013	2012
Receivables from customers:		
Commercial	**₱11,261,164,733**	₱11,657,063,483
Consumption	**3,405,099,647**	3,433,721,943
Real estate	**2,883,406,449**	2,093,735,426
Domestic bills purchased	**717,356,029**	495,138,146
	18,267,026,858	17,679,658,998
Less unearned interest and discounts	**546,863**	9,670,273
	₱18,266,479,995	₱17,669,988,725

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 (see Notes 26 and 27):

	2013	2012	2011
Receivables from customers:			
Commercial	**₱646,821,887**	₱617,186,555	₱531,137,224
Real estate	**471,751,970**	387,519,795	231,570,335
Consumption	**371,328,374**	247,371,993	368,913,374
Domestic bills purchased	**822,235**	983,346	754,832
Unquoted debt securities	**36,476,080**	48,543,639	43,563,929
Sales contract receivable	**5,846,594**	3,796,013	1,034,341
Finance lease receivables	**1,048,367**	−	−
	₱1,534,095,507	₱1,305,401,341	₱1,176,974,035

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, 2013 and 2012 amounted to ₱273.4 million and ₱111.8 million, respectively.

Trade Receivables

Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱4.0 billion and ₱3.4 billion as of December 31, 2013 and 2012. 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 ₱477.3 million, ₱253.6 million and ₱227.6 million in 2013, 2012 and 2011, respectively (see 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 as of December 31, 2013 and 2012, pertain to investments in private bonds with local companies. Unquoted debt securities earn interest at annual fixed rates ranging from 5.7% to 8.9% in 2013 and 2012.

As of December 31, 2013 and 2012, claims receivables amounted to ₱277.6 million and ₱243.6 million, respectively.

Allowance for Impairment Losses on Receivables

Changes in the allowance for impairment losses on receivables follow:

	December 31, 2013					
	Individual Assessment			**Collective Assessment**		
	Trade Receivables	**Finance Receivables**	**Other Receivables**	**Trade Receivables**	**Finance Receivables**	**Total**
Balance at beginning of year	**₱441,786,979**	**₱335,091,739**	**₱188,729,458**	**₱63,521,547**	**₱135,488,745**	**1,164,618,468**
Provision for impairment losses	**372,657**	**41,494,110**	**–**	**–**	**54,124,230**	**95,990,997**
Recovery of accounts previously written-off	**–**	**(70,563,609)**	**–**	**–**	**109,024,228**	**38,460,619**
Accounts written-off	**(2,757,066)**	**(213,003,795)**	**–**	**–**	**(52,465,344)**	**(268,226,205)**
Unrealized foreign exchange gains	**17,200,400**	**–**	**–**	**–**	**–**	**17,200,400**
Balance at end of year	**₱456,602,970**	**₱93,018,445**	**₱188,729,458**	**₱63,521,547**	**₱246,171,859**	**₱1,048,044,279**

	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

Breakdown of provision for impairment losses on receivables follow:

	2013	2012	2011
Continuing operations (Note 34)	**₱95,990,997**	₱63,864,521	₱102,517,878
Discontinued operations	**–**	–	59,401,794
	₱95,990,997	₱63,864,521	₱161,919,672

12. **Inventories**

This account consists of inventories held as follows:

	2013	2012
At cost:		
Raw materials	**₱3,527,250,471**	₱3,639,758,183
Finished goods	**2,269,944,229**	3,218,174,006
Total	**5,797,194,700**	6,857,932,189
At NRV:		
Subdivision land, condominium and residential units for sale	**12,019,619,818**	10,991,157,298
Spare parts, packaging materials and other supplies	**3,912,756,439**	3,106,211,006
Work-in-process	**507,288,929**	371,702,619
By-products	**36,997,673**	26,646,141
	16,476,662,859	14,495,717,064
Materials in-transit	**2,264,152,034**	1,656,855,588
	₱24,538,009,593	₱23,010,504,841

Summary of the movements in real estate inventory follows:

	2013	2012
Balance at beginning of year	**₱10,991,157,298**	₱8,491,028,487
Construction and development costs incurred	**4,088,607,238**	3,814,411,829
Land acquired during the year	**–**	315,364,663
Land cost transferred from investment property	**–**	701,794,361
Borrowing costs capitalized	**–**	29,143,687
Costs of real estate sales (Note 30)	**(3,060,144,718)**	(2,360,585,729)
Balance at end of year	**₱12,019,619,818**	₱10,991,157,298

In 2013, no borrowing costs are capitalized to inventory as the related borrowed funds to finance the acquisition and construction of condominium and residential units has already matured in May 2012.

Under the terms of agreements covering liabilities under trust receipts amounting to ₱3.0 billion and ₱4.9 billion as of December 31, 2013 and 2012, respectively, inventories of equivalent amount with the liabilities under trust receipts have been released to the Group in trust for the creditor banks (see 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 ₱726.0 million, ₱673.6 million and ₱470.1 million in 2013, 2012 and 2011, respectively.

The Group recognized inventory obsolescence and market decline included under 'Impairment losses and others'amounting to ₱28.7 million, ₱1.4 million and ₱63.8 million in 2013, 2012 and 2011, respectively.

13. Other Current Assets

This account consists of:

	2013	2012
Funds under escrow	**₱2,600,728,260**	₱1,639,198,798
Input value-added tax (VAT)	**1,584,726,667**	2,025,479,885
Advances to suppliers	**1,510,631,174**	793,640,671
Advances to lot owners	**650,040,326**	144,951,759
Prepaid expenses	**633,866,731**	505,045,569
Utility deposits	**5,726,084**	4,065,390
Others	**342,254,318**	762,900,353
	₱7,327,973,560	₱5,875,282,425

Input VAT

As of December 31, 2013 and 2012, the gross amount of output VAT deducted from input VAT amounted to ₱13.9 billion and ₱8.3 billion, respectively. The Group believes that the amount of input VAT is fully realizable in the future.

Funds under Escrow

Funds under escrow consists of:

	2013	2012
Funds under escrow	**₱1,670,853,930**	₱1,639,198,798
Restricted cash	**929,874,330**	−
	₱2,600,728,260	₱1,639,198,798

Funds under escrow

As part of the SPA entered into by the Parent Company and PLDT (the Parties), 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. 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 ₱2.8 billion from the Escrow Agent. As of December 31, 2012, the balance of ₱1.6 billion remains outstanding. The Parent Company through its letter to PLDT on December 4, 2013 has already requested for the release of the funds following the completion of the post-closing review of the accounts of Digitel.

In 2013 and 2012, total interest income recognized by the Parent Company from the funds under escrow amounted to ₱31.7 million and ₱110.1 million, respectively.

Restricted cash
In 2013, RLC has restricted cash - escrow amounting to ₱929.8 million earmarked for the acquisition of parcels of land, pursuant to the memorandum of agreement (MOA) with various sellers. Said amount shall be released to the sellers upon fulfillment of certain conditions set forth in MOA.

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 account consists of prepayments on the following:

	2013	2012
Rent	**₱297,877,445**	₱168,229,184
Insurance	**142,647,994**	106,325,200
Office supplies	**93,711,758**	72,823,109
Advertising	**30,121,756**	46,474,942
Taxes	**15,417,679**	39,711,334
Others	**54,090,099**	71,481,800
	₱633,866,731	₱505,045,569

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 back the deposit in full in January 2013.

Also included under 'Others' account are creditable withholding taxes amounting to ₱327.5 million and ₱262.2 million as of December 31, 2013 and 2012, respectively.

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

Details of this account follow:

	2013	2012
Acquisition cost:		
Balance at beginning of year	**₱19,691,511,885**	₱19,586,228,469
Additional investments	**73,174,629,185**	105,283,416
Return of investment from an associate	**(12,000,000)**	–
Balance at end of year	**92,854,141,070**	19,691,511,885
Accumulated equity in net earnings:		
Balance at beginning of year	**14,045,214,777**	12,684,263,965
Equity in net earnings	**2,279,851,037**	2,008,411,939
Cash dividends received	**(672,678,496)**	(647,461,127)
Balance at end of year	**15,652,387,318**	14,045,214,777
Share in net unrealized gain on AFS investments of an associate:		
Balance at beginning of year	**16,145,309**	6,044,857
Share in net changes in fair value of AFS investments of an associate (Note 36)	**(11,597,069)**	10,100,452
Balance at end of year	**4,548,240**	16,145,309
Cumulative translation adjustment	**89,596,112**	41,871,106
	108,600,672,740	33,794,743,077
Less allowance for impairment losses	**297,450,397**	297,450,397
	₱108,303,222,343	₱33,497,292,680

The composition of the carrying value of the Group's investments in associates and joint ventures and the related percentages of ownership interest are shown below:

	Percentage of Ownership		Carrying Value	
	2013	2012	**2013**	2012
			(In Million Pesos)	
Associates				
Foreign:				
United Industrial Corp., Limited (UICL)	**37.00**	36.08	**₱34,814.6**	₱32,321.7
Domestic:				
Manila Electric Company (Meralco)	**27.10**	–	**72,127.8**	–
OPMC	**19.40**	19.40	**547.7**	439.1
Cebu Light Industrial Park, Inc. (CLIPI)	**20.00**	20.00	**126.6**	99.1
Jobstreet.com Philippines, Inc. (JPI)	**40.00**	40.00	**18.5**	29.5
Sterling Holdings and Security Corporation (SHSC)	**49.00**	49.00	**–**	–
Bauang Private Power Corporation (BPPC)/First Private Power Corporation (FPPC)	**18.66**	18.66	**–**	–
			107,635.2	32,889.4
Joint Ventures				
Domestic:				
SIA Engineering (Philippines) Corp. (SIAEP)	**23.53**	23.53	**280.4**	258.5
Aviation Partnership (Philippines) Corp. (APPC)	**32.94**	32.94	**167.1**	129.1
Hunt-Universal Robina Corporation (HURC)	**27.91**	30.32	**85.4**	96.1
Philippine Academy for Aviation Training (PAAT)	**33.62**	33.62	**131.3**	124.2
MPIC-JGS Airport Holdings, Inc.	**41.25**	–	**3.8**	–
			668.0	607.9
			₱108,303.2	₱33,497.3

Acquisition of Associate
On December 11, 2013, the Parent Company completed the acquisition of 305,689,397 common shares of Manila Electric Company (Meralco) from San Miguel Corporation, San Miguel Purefoods Company, Inc., and SMC Global Power Holdings, Inc. (collectively referred to as "Sellers") for a total cost of ₱71.9 billion. As of December 31, 2013, the Parent Company has paid ₱40.4 billion to the Sellers and the balance amounting to ₱31.4 billion was reported under 'Accounts payable'. This acquisition represents 27.1% of Meralco's total outstanding common shares.

Additions also include ₱1.3 billion representing the total additional investment made in United Industrial Corp., Limited (UICL) on January 18, 2013 and May 9, 2013.

As of December 31, 2013, the purchase price allocation relating to the Group's additional investment in UICL and acquisition of Meralco shares has been provisionally determined. Given the size and complexity of these transactions, the preliminary allocation is subject to revision to reflect the final determination of fair values. The preliminary accounting will be completed based on further valuations and studies carried out within twelve months from acquisition date. As of December 31, 2013, the difference between the carrying value of the investment in Meralco and the equity in net assets of Meralco pertains to the difference between the fair value and carrying value of Meralco including any notional goodwill.

Investment in UICL
UICL follows the fair value model in measuring investment properties while the Group follows the cost model in 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.

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, 2013 and 2012, the Group's investments in the following listed investee companies have fair values of:

	Exchange Listed	**2013**	2012
UICL	Singapore Exchange Limited	**₱53,038,755,408**	₱47,632,797,263
OPMC	Philippine Stock Exchange	**680,526,568**	767,153,503
Meralco	Philippine Stock Exchange	**76,728,038,647**	−

As of December 31, 2013 and 2012, the breakdown of the total fair market value of the Group's investment in OPMC follows:

	2013	2012
Class A Common Stock	**₱144,168,505**	₱171,200,099
Class B Common Stock	**536,358,064**	595,953,404
	₱680,526,569	₱767,153,503

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, 2013 and 2012.

In 2013, the Company's investment in preferred shares of CLIPI was redeemed.

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

	2013						
	Statement of Financial Position				**Statement of Comprehensive Income**		
Associate	**Current Assets**	**Noncurrent Assets**	**Current Liabilities**	**Noncurrent Liabilities**	**Revenue**	**Costs and Expenses**	**Net Income**
Meralco	**₱107,486,000,000**	**₱156,518,000,000**	**₱94,626,000,000**	**₱94,043,000,000**	**₱298,636,000,000**	**₱274,486,000,000**	**₱17,273,000,000**
UICL	**43,136,895,035**	**244,480,203,635**	**28,402,887,197**	**20,362,998,500**	**20,761,189,707**	**11,364,361,250**	**16,452,803,943**
OPMC	**1,873,835,570**	**1,657,615,493**	**28,954,641**	**131,193,884**	**702,612,913**	**302,344,253**	**225,321,448**
CLIPI	**434,768,958**	**293,897,213**	**103,874,511**	**3,462,551**	**463,704,901**	**260,404,079**	**189,885,578**
JPI	**356,369,778**	**24,564,590**	**325,753,989**	**8,797,827**	**491,746,932**	**227,780,744**	**146,962,547**

	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
UICL	33,189,998,686	222,486,998,809	28,495,079,327	12,448,606,530	24,567,480,712	14,195,581,838	1,305,919,774
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

Investment in SHSC

The investment in SHSC is fully provided with allowance amounting to ₱113.4 million as of December 31, 2013 and 2012.

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.

CAI 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, 2013 and 2012, CAI's investment in PAAT amounted to ₱131.3 million and ₱124.2 million, net of subscription payable of ₱101.3 million, respectively.

Summarized financial information in respect of the Group’s material joint venture is set out below. The summarized financial information below represents amounts shown in the joint ventures financial statements prepared in accordance with PFRS.

	2013						
	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	**₱542,350,932**	**₱106,362,888**	**₱307,723,673**	**₱–**	**₱709,880,406**	**₱446,875,215**	**₱184,323,928**
HURC	**477,896,123**	**3,138,129**	**393,103,148**	**17,337,892**	**662,499,617**	**613,401,436**	**–**
SIAEP	**772,860,471**	**1,079,620,021**	**671,766,913**	**379,409,528**	**717,485,690**	**646,728,360**	**62,760,042**
PAAT	**176,354,588**	**821,101,107**	**734,889,967**	**–**	**186,914,210**	**169,604,534**	**14,151,457**

	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	₱411,578,768	₱70,704,644	₱217,093,296	₱–	₱421,014,182	₱296,728,032	₱82,639,006
HURC	500,908,909	2,212,510	411,507,298	–	650,234,298	570,038,598	62,344,204
SIAEP	416,322,433	603,943,740	377,439,493	–	365,748,943	345,521,139	17,767,060
PAAT	62,520,432	432,932,869	249,999,035	–	239,828	28,059,759	(21,333,018)

As of December 31, 2013 and 2012, the Group has no unrecognized share of losses, share on commitments and contingencies of its associates and joint ventures.

Investment in MPIC-JGS Airport Consortium, Inc.

On February 22, 2013, Metro Pacific Investments Corporation (MPIC) and the Parent Company signed a memorandum of agreement to form an exclusive strategic partnership to jointly pursue and bid for Mactan-Cebu International Airport (MCIA) Passenger Terminal Project. In March 2013, a joint venture, MPIC-JGS Airport Consortium, Inc. was incorporated by MPIC, the Parent Company and an airport operator partner to bid for the rehabilitation and expansion of the Mactan-Cebu International Airport and to explore the other airport projects that may be rolled out by the government in the future. On December 13, 2013, the MCIA Passenger Terminal Project was awarded to another bidder.

Investment in Subsidiaries

As of December 31, 2013 and 2012, the Parent Company has the following percentage ownership of shares in its wholly-owned and partially-owned subsidiaries as follows:

Name of Subsidiaries	Country of Incorporation	Effective Percentage of Ownership **December 31, 2013**	 December 31, 2012
Food			`
Universal Robina Corporation and Subsidiaries	Philippines	**55.83**	60.64
Air Transportation			
CP Air Holdings, Inc and Subsidiaries	-do-	**100.00**	100.00
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	**67.23**	67.23
Pacific Virgin Islands Holdings, Co., Ltd.	British Virgin Islands	**100.00**	100.00
Real Estate and Hotels			
Robinsons Land Corporation and Subsidiaries	Philippines	**60.97**	60.97
Petrochemicals			
JG Summit Petrochemical Corporation (JGSPC)	-do-	**100.00**	100.00
JG Summit Olefins Corporation	-do-	**100.00**	100.00
Banking			
Robinsons Bank Corporation	-do-	**60.00**	60.00
Supplementary Businesses			
Express Holdings, Inc and Subsidiaries	-do-	**100.00**	100.00
Summit Forex Brokers Corporation	-do-	**100.00**	100.00
JG Summit Capital Services Corp. and Subsidiaries	-do-	**100.00**	100.00
JG Summit Capital Markets Corp.	-do-	**100.00**	100.00
Summit Point Services, Ltd.	-do-	**100.00**	100.00
Summit Internet Investments, Inc.	-do-	**100.00**	100.00
JG Summit Cayman, Ltd. (JGSCL)	Cayman Islands	**100.00**	100.00
JG Summit Philippines, Ltd. And Subsidiaries	-do-	**100.00**	100.00
JG Summit Holdings Philippines, Ltd.	British Virgin Islands	**100.00**	100.00
Multinational Finance Group, Ltd.	-do-	**100.00**	100.00
Telegraph Development, Ltd.	-do-	**100.00**	100.00
Summit Top Investment, Ltd.	-do-	**100.00**	100.00
JG Summit Limited (JGSL)	-do-	**100.00**	100.00
Batangas Agro-Industrial Development Corporation (BAID and Subsidiaries.)	Philippines	**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	Philippines	**100.00**	100.00
Tropical Aqua Resources	-do-	**100.00**	100.00
United Philippines Oil Trading, Inc.	-do-	**100.00**	100.00
Unicon Insurance Brokers Corporation	-do-	**100.00**	100.00

The summarized financial information of subsidiaries with material non-controlling interest are provided below. This information is based on amounts before inter-company eliminations.

	As of and for the year ended December 31, 2013			
	URC	**RLC**	**CPAHI**	**JGSCSC**
Total Assets	**₱66,544,967,530**	**₱74,886,052,696**	**₱65,862,485,786**	**₱45,987,370,120**
Total Liabilities	**15,714,937,888**	**25,491,283,673**	**44,226,730,807**	**36,490,203,311**
Revenue	**80,995,215,642**	**7,720,048,632**	**30,581,860,423**	**2,135,747,165**
Net Income	**10,117,329,610**	**4,468,444,171**	**664,067,321**	**511,879,537**

	As of and for the year ended December 31, 2012			
	URC	RLC	CPAHI	JGSCSC
Total Assets	₱70,095,325,159	₱70,646,747,635	₱61,336,318,905	₱45,707,903,578
Total Liabilities	23,730,796,698	24,073,545,864	39,201,506,121	35,886,632,969
Revenue	71,201,677,779	6,373,057,083	37,904,453,623	2,135,747,165
Net Income	8,185,048,099	4,244,741,442	3,569,612,563	398,628,437

The percentage of equity interest held by non-controlling interest in subsidiaries with material non-controlling interest follows:

Name of Subsidiary	Country of Incorporation and Operation	**December 31, 2013**	December 31, 2012
Universal Robina Corporation	Philippines	**44.17**	39.36
Robinsons Land Corporation	Philippines	**39.03**	39.03
CP Air Holdings, Inc.	Philippines	**32.77**	32.77
JG Summit Capital Services Corp.	Philippines	**40.00**	40.00

The accumulated non-controlling interest of these subsidiaries as of December 31, 2013 and 2012 follows:

Name of Subsidiary	**2013**	2012
Universal Robina Corporation	**₱22,031,402,685**	₱18,267,544,955
Robinsons Land Corporation	**19,324,885,057**	18,289,877,750
CP Air Holdings, Inc.	**6,907,402,854**	7,220,494,788
JG Summit Capital Services Corporation	**1,387,128,806**	1,539,559,482

The profit or loss allocated to non-controlling interest of these subsidiaries for the year ended December 31, 2013 and 2012 follow:

Name of Subsidiary	**2013**	2012
Universal Robina Corporation	**₱3,763,711,073**	₱3,396,005,622
Robinsons Land Corporation	**1,745,763,207**	1,161,038,227
CP Air Holdings, Inc.	**167,739,766**	1,170,374,546
JG Summit Capital Services Corporation	**180,934,641**	156,233,829

15. **Investment Properties**

Movements in this account follow:

	2013			
	Land and Land Improvements	**Buildings and Improvements**	**Construction In-Progress**	**Total**
Cost				
Balance at beginning of year	**₱19,707,797,653**	**₱35,878,733,201**	**₱4,788,778,156**	**₱60,375,309,010**
Additions	**2,333,299,537**	**977,846,798**	**5,161,797,053**	**8,472,943,388**
Retirement/disposals	**(38,645,100)**	**(133,480,632)**	**–**	**(172,125,732)**
Transfers/other adjustments	**6,602,743**	**16,319,876**	**(74,474,633)**	**(51,552,014)**
Balance at end of year	**22,009,054,833**	**36,739,419,243**	**9,876,100,576**	**68,624,574,652**
Accumulated Depreciation and Amortization				
Balance at beginning of year	**76,014,193**	**14,873,710,469**	**–**	**14,949,724,662**
Depreciation and amortization	**22,936,751**	**2,074,075,589**	**–**	**2,097,012,340**
Retirements/disposals	**(8,459,956)**	**(70,077,332)**	**–**	**(78,537,288)**
Transfers/other adjustments	**(49,252)**	**(16,167,091)**	**–**	**(16,216,343)**
Balance at end of year	**90,441,736**	**16,861,541,635**	**–**	**16,951,983,371**
Allowance for Impairment Losses				
Balance at beginning of year	**1,651,673**	**–**	**–**	**1,651,673**
Retirements/disposals	**(1,399,533)**	**–**	**–**	**(1,399,533)**
Transfers/other adjustments	**2,438,779**	**–**	**–**	**2,438,779**
Balance at end of the year	**2,690,919**	**–**	**–**	**2,690,919**
Net Book Value at End of Year	**₱21,915,922,178**	**₱19,877,877,608**	**₱9,876,100,576**	**₱51,669,900,362**

	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	67,162,644	13,007,726,942	–	13,074,889,586
Depreciation and amortization	9,613,645	1,865,983,527	–	1,875,597,172
Retirements/disposals	(762,096)	–	–	(762,096)
Transfers/other adjustments	–	–	–	–
Balance at end of year	76,014,193	14,873,710,469	–	14,949,724,662
Allowance for Impairment Losses				
Balance at beginning of year	1,720,159	–	–	1,720,159
Provision for impairment losses	(68,486)	–	–	(68,486)
Balance at the end of the year	1,651,673	–	–	1,651,673
Net Book Value at End of Year	₱19,630,131,787	₱21,005,022,732	₱4,788,778,156	₱45,423,932,675

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 ₱1.0 billion and ₱1.1 billion in 2013 and 2012, respectively. These amounts were included in the consolidated statements of cash flows under additions to investment properties. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2013 and 2012 is 8.46% and 8.15% respectively.

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 ₱7.6 billion, ₱6.9 billion and ₱6.2 billion in 2013, 2012 and 2011, 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 ₱2.79 billion, ₱2.3 billion and ₱2.2 billion in 2013, 2012 and 2011, respectively.

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

	2013	2012	2011
Depreciation and amortization expense included under:			
Cost of services (Note 30)	**₱2,070,834,337**	₱1,860,033,478	₱1,756,889,603
General and administrative expenses (Note 31)	**26,178,003**	15,563,694	20,976,753
	₱2,097,012,340	₱1,875,597,172	₱1,777,866,356

Collaterals
As of December 31, 2013 and 2012, 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, 2013							
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost								
Balance at beginning of year	₱4,140,788,932	₱16,785,517,733	₱47,917,715,037	₱5,558,842,914	₱51,778,558,320	₱30,535,577,626	₱598,954,245	₱157,315,954,807
Additions	561,144,491	563,465,439	1,875,370,641	636,077,887	9,721,431,828	12,889,097,648	1,212,653,971	27,459,241,905
Transfers, disposals and other adjustments	4,711,814	351,932,885	965,467,982	84,050,893	1,993,481,535	(3,662,912,782)	(666,389,426)	(929,657,099)
Balance at end of year	4,706,645,237	17,700,916,057	50,758,553,660	6,278,971,694	63,493,471,683	39,761,762,492	1,145,218,790	183,845,539,613
Accumulated Depreciation and Amortization								
Balance at beginning of year	640,732,856	7,706,846,036	31,469,974,817	3,447,344,460	12,821,392,131	–	–	56,086,290,300
Depreciation and amortization	55,785,458	824,190,621	3,009,572,904	510,330,215	3,396,705,100	–	–	7,796,584,298
Disposals and other adjustments	(11,225,347)	(153,506,245)	(573,774,199)	(78,887,635)	(202,377,679)	–	–	(1,019,771,105)
Balance at end of year	685,292,967	8,377,530,412	33,905,773,522	3,878,787,040	16,015,719,552	–	–	62,863,103,493
Allowance for impairment losses								
Balance at beginning of year	–	–	17,716,473	–	–	–	–	17,716,473
Transfers, disposals and other adjustments	–	–	–	–	–	–	–	–
	–	–	17,716,473	–	–	–	–	17,716,473
Net Book Value at End of Year	₱4,021,352,270	₱9,323,385,645	₱16,835,063,665	₱2,400,184,654	₱47,477,752,131	₱39,761,762,492	₱1,145,218,790	120,964,719,647

	December 31, 2012							
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost								
Balance at beginning of year	₱3,583,341,664	₱15,764,840,796	₱46,120,306,383	₱5,109,129,782	₱43,147,431,487	₱17,455,179,925	₱102,358,702	₱131,282,588,739
Additions	545,809,668	1,098,460,557	2,101,351,567	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)	6,184,400	23,656,402	–	14,069,849	–	–	–	43,910,651
Transfers, disposals and other adjustments	5,453,200	(101,440,022)	(303,942,913)	(39,643,866)	1,994,633,409	(2,224,629,100)	(191,692,097)	(861,261,389)
Balance at end of year	4,140,788,932	16,785,517,733	47,917,715,037	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	592,380,326	7,174,374,689	28,934,288,756	3,177,631,384	10,105,583,412	–	–	49,984,258,567
Depreciation and amortization	50,887,612	643,108,748	2,843,779,239	431,591,756	2,723,321,319	–	–	6,692,688,674
Provision for impairment losses (Note 34)	–	–	7,651,176	–	–	–	–	7,651,176
Disposals and other adjustments	(2,535,082)	(110,637,401)	(298,027,881)	(161,878,680)	(7,512,600)	–	–	(580,591,644)
Balance at end of year	640,732,856	7,706,846,036	31,487,691,290	3,447,344,460	12,821,392,131	–	–	56,104,006,773
Net Book Value at End of Year	₱3,500,056,076	₱9,078,671,697	₱16,430,023,747	₱2,111,498,454	₱38,957,166,189	₱30,535,577,626	₱598,954,245	₱101,211,948,034

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, 2013 and 2012, the Group's capitalized pre-delivery payments as construction in-progress amounted to ₱8.4 billion.

JGSOC

Construction in-progress amounting to ₱22.7 billion and ₱16.4 billion as of December 31, 2013 and 2012, 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.

In 2013, compensation and benefits amounting to ₱61.0 million in relation to the expansion of the PE and PP plants were capitalized under construction in-progress (see Note 32).

JGSPC

Construction in-progress amounting to ₱2.8 billion and ₱0.5 billion as of December 31, 2013 and 2012, respectively, represents the expansion and rehabilitation of PE and PP plant.

RLC

Construction in-progress amounting to ₱9.9 billion and ₱4.8 billion as of December 31, 2013 and 2012, 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 2013 and 2012.

Depreciation and Amortization

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

	2013	2012	2011
Continuing operations:			
Cost of sales (Note 30)	**₱3,549,645,081**	₱3,366,426,009	₱3,178,652,452
Cost of services (Note 30)	**388,066,585**	223,851,582	356,230,485
General and administrative expenses (Note 31)	**3,858,872,632**	3,102,411,083	2,660,174,401
Discontinued operations	**–**	–	1,170,981,868
	₱7,796,584,298	₱6,692,688,674	₱7,366,039,206

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 (see 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, 2013 and 2012, the carrying amounts of the securing assets (included under the 'Property, plant and equipment' in the consolidated statements of financial position) amounted to ₱43.1 billion and ₱35.6 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 (see Note 23).

Operating Fleet
As of December 31, 2013 and 2012, the Group's operating fleet follows:

	2013	2012
Owned (Note 23):		
Airbus A319	**10**	10
Airbus A320	**17**	12
ATR 72-500	**8**	8
Under operating lease (Note 42):		
Airbus A320	**11**	11
Airbus A330	**2**	–
	48	41

17. Biological Assets

The composition and movements in this account follow:

	December 31, 2013						
	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	₱405,775,162	₱954,545,605	₱1,360,320,767	₱178,199,767	₱102,462,053	₱280,661,820	₱1,640,982,587
Additions	404,941,993	1,969,284,233	2,374,226,226	182,490,212	618,616,695	801,106,907	3,175,333,133
Disposal	(335,182,939)	(2,003,325,583)	(2,338,508,522)	(175,435,516)	(641,775,397)	(817,210,913)	(3,155,719,435)
Balance at end of year	475,534,216	920,504,255	1,396,038,471	185,254,463	79,303,351	264,557,814	1,660,596,285
Accumulated Depreciation							
Balance at beginning of year	57,055,871	–	57,055,871	97,957,467	–	97,957,467	155,013,338
Depreciation	47,420,646	–	47,420,646	142,424,452	–	142,424,452	189,845,098
Disposal	(30,340,784)	–	(30,340,784)	(148,086,460)	–	(148,086,460)	(178,427,244)
Balance at end of year	74,135,733	–	74,135,733	92,295,459	–	92,295,459	166,431,192
Gains (losses) arising from changes in fair value less estimated costs to sell	(11,332,306)	81,227,677	69,895,371	–	–	–	69,895,371
Net Book Value at End of Year	₱390,066,177	₱1,001,731,932	₱1,391,798,109	₱92,959,004	₱79,303,351	₱172,262,355	₱1,564,060,464

	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

As of December 31, 2013 and 2012, the Group has about 240,579 and 217,760 heads of swine, respectively, and about 602,773 and 652,556 heads of poultry, respectively.

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

	2013	2012
Current portion	**₱1,081,035,283**	₱1,057,007,658
Noncurrent portion	**483,025,181**	428,961,591
	₱1,564,060,464	₱1,485,969,249

18. **Intangible Assets**

The composition and movements in this account follow:

	2013					
	Technology Licenses	**Licenses**	**Software Costs**	**Trademarks**	**Product Formulation**	**Total**
Cost						
Balance at beginning of year	**₱552,331,752**	**₱857,992,879**	**₱78,700,782**	**₱251,524,581**	**₱425,000,000**	**₱2,165,549,994**
Additions	**–**	**5,400,000**	**1,621,507**	**–**	**–**	**7,021,507**
Disposals	**–**	**–**	**(244,453)**	**–**	**–**	**(244,453)**
Balance at end of year	**552,331,752**	**863,392,879**	**80,077,836**	**251,524,581**	**425,000,000**	**2,172,327,048**
Accumulated Amortization and Impairment Losses						
Balance at beginning of year	**552,331,752**	**–**	**70,671,080**	**201,524,581**	**–**	**824,527,413**
Amortization	**–**	**–**	**2,688,024**	**–**	**–**	**2,688,024**
Reclassification	**–**	**–**	**(179,205)**	**–**	**–**	**(179,205)**
Balance at end of year	**552,331,752**	**–**	**73,179,899**	**201,524,581**	**–**	**827,036,232**
Net Book Value at End of Year	**₱–**	**₱863,392,879**	**₱6,897,937**	**₱50,000,000**	**₱425,000,000**	**₱1,345,290,816**

	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

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.

Bank Licenses
This pertains to RBC's bank licenses amounting to ₱329.7 million and ₱324.3 million in 2013 and 2012, 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 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 7.0% 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:

	2013	2012
Cost		
Balance at beginning of year	**₱1,291,094,486**	₱1,046,767,480
Additions due to business combination (Note 46)	**–**	244,327,006
Balance at end of year	**1,291,094,486**	1,291,094,486
Accumulated Impairment Losses		
Balance at beginning and end of year	**248,139,704**	248,139,704
Net Book Value at End of Year	**₱1,042,954,782**	₱1,042,954,782

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.

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 (see 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) (see Note 45).

20. **Other Noncurrent Assets**

This account consists of:

	2013	2012
Advances to suppliers	**₱2,158,529,077**	₱2,015,979,514
Input VAT	**2,124,810,685**	1,662,032,457
Security and miscellaneous deposits	**700,668,899**	459,619,840
Deferred tax assets (Note 38)	**539,058,792**	180,494,269
Utility deposits	**322,194,721**	284,792,491
Advances to lot owners	**43,078,577**	172,366,647
Others	**748,551,114**	437,682,188
	₱6,636,891,865	₱5,212,967,406

<u>Advances to Suppliers</u>
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 deposit to joint venture and 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 nil and ₱8.1 million in 2013 and 2012, respectively (see Note 34).

21. Accounts Payable and Accrued Expenses

This account consists of:

	2013	2012
Deposit liabilities	**₱31,639,552,259**	₱15,499,122,740
Equity investment acquisition payable (Notes 14 and 48)	**31,437,008,295**	–
Trade payables	**12,075,593,138**	10,295,094,173
Accrued expenses	**10,019,999,529**	8,890,668,489
Airport and other related fees payable	**742,614,823**	534,436,035
Due to related parties (Note 40)	**531,211,961**	691,151,836
Withholding taxes payable	**169,136,974**	149,295,632
Output VAT	**11,905,913**	16,461,637
Dividends payable	**10,020,929**	9,483,026
Other payables	**1,912,048,115**	1,533,669,987
	₱88,549,091,936	₱37,619,383,555

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, 2013 and 2012, 62.6% and 67.2% respectively, are subject to periodic interest repricing. Remaining deposit liabilities of the RBC and LSB 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 2.0% and liquidity reserve of 6.0%.

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 18.0% and 6.0%, 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 represent Due from BSP amounting to ₱6.7 billion in 2013 and ₱5.8 billion in 2012 (see Note 2).

As of December 31, 2013 and 2012, 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 (see Note 30):

	2013	2012	2011
Savings	**₱306,021,071**	₱533,822,581	₱500,579,872
Time	**247,514,827**	192,751,001	145,802,586
Demand	**4,572,333**	18,897,859	15,092,128
	₱558,108,231	₱745,471,441	₱661,474,586

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

This account consists of accruals for the following:

	2013	2012
Advertising and promotions	**₱2,153,698,913**	₱1,298,057,610
Landing and take-off, navigational charges, and other aircraft-related expenses	**1,863,356,108**	1,847,497,977
Import bills payable	**1,379,012,016**	769,081,650
Accrued interest payable	**1,165,728,619**	998,588,995
Compensation and benefits	**1,284,222,925**	1,108,962,258
Taxes and licenses	**780,624,751**	1,306,611,012
Rental expense	**411,512,425**	348,824,688
Contracted services	**309,132,027**	457,174,349

(Forward)

	2013	2012
Utilities	**₱197,458,794**	₱208,419,893
Freight and handling costs	**136,011,568**	191,287,113
Insurance	**88,116,037**	77,014,438
Royalties	**10,284,711**	7,328,644
Other accrued expenses	**240,840,635**	271,819,862
	₱10,019,999,529	₱8,890,668,489

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 consist mostly of management bonus and royalty payables.

22. Other Current Liabilities

This account consists of:

	2013	2012
Unearned transportation revenue	**₱5,338,917,236**	₱5,981,195,913
Deposits from real estate buyers (Note 24)	**1,327,569,314**	1,226,426,595
Advances from agents and others	**291,742,288**	251,878,844
Customer’s deposits	**220,925,558**	274,974,831
Redeemable preference shares	**1,700,000**	30,700,000
Deposits from lessees (Note 24)	**557,915,439**	313,399,460
Deposit from foreign carrier	**–**	410,500,000
	₱7,738,769,835	₱8,489,075,643

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:

	2013	2012
Parent Company:		
Foreign currency - unsecured with interest rate ranging from 3.3% to 2.2% in 2013 and 1.0% to 1.1% in 2012	**₱18,400,000,000**	₱958,928,000
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 0.4% to 4.8% in 2013 and 0.4% to 4.3% in 2012	**9,634,928,888**	16,031,471,023
Philippine Peso - with interest rates of 2.0% in 2013 and 3.0% to 4.5% in 2012	**5,062,716,199**	2,406,680,975
	14,697,645,087	18,438,151,998
	₱33,097,645,087	₱19,397,079,998

As of December 31, 2013 and 2012, short-term debt of certain subsidiaries denominated in foreign currency and peso include trust receipts and acceptances payable amounting to ₱2.9 billion and ₱4.9 billion, respectively. The trust receipts and acceptances payable are secured by the trusteed inventories for the same amount (see Note 12).

In 2013, 2012 and 2011, the Group has incurred interest expense on short-term notes amounting to ₱225.0 million, ₱631.9 million and ₱264.3 million, respectively (see Note 35).

Long-term Debts

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

	Maturities	Interest Rates	**2013**	2012	Condition
Parent Company:					
Fixed Rate Retail Bonds	2014	8.25%	**₱8,977,716,104**	₱8,954,500,971	Unsecured
Fixed Rate Corporate Notes	2013	8.00%	–	4,303,314,929	- do -
			8,977,716,104	13,257,815,900	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US$750.0 million guaranteed notes	2023	4.375%	**29,979,486,943**	–	
US$250.0 million guaranteed notes	2018	US$ LIBOR plus 2.2% margin	**10,912,263,086**	–	
US$300.0 million guaranteed notes	2013	8.00%	–	10,510,654,954	Unsecured
CAI					
ECA loans (Note 16)	Various dates through 2023	3.37% to 5.83%	**20,211,786,630**	13,725,647,413	Secured
		0.85% to 2.05% in 2013 and 2012 (US Dollar LIBOR 6 months + margin or 3 months + margin)	–	7,420,307,510	- do -
Commercial loan from foreign banks	Various dates through 2017	4.11% to 5.67% in 2012 and in 2011	**9,194,679,042**	1,655,381,256	- do -
		1.65% to 1.71% in 2013 and 2012 (US Dollar LIBOR 6 months plus margin)	–	123,023,020	- do -
			₱70,298,215,701	₱33,435,014,153	

(Forward)

	Maturities	Interest Rates	2013	2012	Condition
Philippine Peso:					
URC					
₱3.0 billion loan facility	2014	8.75%	**₱–**	₱2,990,455,926	Unsecured
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 -
₱2.0 billion bonds	2013	15.70% - PDST-F rate	**–**	2,000,000,000	- do -
			10,000,000,000	14,990,455,926	
			80,298,215,701	48,425,470,079	
			89,275,931,805	61,683,285,979	
Less current portion			**22,674,078,899**	19,553,919,868	
			₱66,601,852,906	₱42,129,366,111	

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 ₱44.40 to US$1.00 and ₱41.05 to US$1.00 on December 31, 2013 and 2012, respectively. The foreign exchange rates used by the subsidiaries reporting at fiscal year end were ₱43.54 to US$1.00 and ₱41.70 to US$1.00 on September 30, 2013 and 2012, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱382.3 million (US$8.6 million) and ₱0.7 million (US$17.8 thousand) as of December 31, 2013 and 2012, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱22.3 million and ₱61.7 million as of December 31, 2013 and 2012, respectively.

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

	2013	2012
Due in:		
2013	**₱–**	₱19,561,336,135
2014	**22,674,078,899**	24,797,954,494
2015	**3,689,793,573**	2,766,637,278
2016	**3,761,519,831**	2,832,764,395
Thereafter	**59,150,539,502**	11,787,053,047
	₱89,275,931,805	₱61,745,745,349

Certain loan agreements contain provisions which, among others, require the maintenance of specified financial ratios at certain levels and impose negative covenants which, among others, prohibit a merger or consolidation with other entities, dissolution, liquidation or winding-up except with any of its subsidiaries; and prohibit the purchase or redemption of any issued shares or reduction of registered and paid-up capital or distribution of assets resulting in capital base impairment.

The following significant transactions affected the Group's long-term debt:

<u>Parent Company ₱4.3 Billion Fixed Rate Corporate Notes</u>
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 2013, 2012 and 2011, the interest expense recognized related to this loan, including amortization of bond issue costs, amounted to ₱92.4 million, ₱353.6 million and ₱353.0 million, respectively. As of December 31, 2012, the carrying value of the corporate notes amounted to ₱4.3 billion, net of unamortized bond issue costs of ₱6.7 million. The Corporate Notes were pre-terminated on February 28, 2013.

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 time times without preference with all outstanding unsubordinated debt and unsecured obligations of the Parent Company, except for any statutory preference or priority established under Philippine law. The Bonds bears fixed interest rate of 8.25% calculated based on 30/360 day count and payable semiannually every 20th of May and November until November 20, 2014.

The Bonds were used to finance the operations of the Air transportation and Telecommunications segment of the Group.

The capitalized transaction costs related to the issuance of the retail bonds amounted to ₱106.5 million.

Subsidiaries' Foreign Currency Loans
JGSPL 4.375% Senior Unsecured Notes Due 2023
On January 24, 2013, JGSHPL issued US$750.0 million, 4.375% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

JGSPL 5-year Guaranteed Notes
On January 16, 2013, JGSHPL, 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.

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.

On January 16, 2013, JGSPL fully settled the notes with a total payment of US$266.3 million including interest.

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.

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 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 twelve-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 ₱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.

On February 28, 2013, URC redeemed the loan under Section 3.07 of the Loan Agreement "Redemption Due to Taxation". Total payment amounted to ₱3.1 billion, including interest.

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 the loan in full 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 15.7% less the 3-month Benchmark Rate on an interest determination date rounded off to the nearest 1/100 or 1.0% 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 paid the loan in full on June 6, 2013.

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:

	2013	2012	2011
Continuing operations (Note 35)	**₱3,474,824,405**	₱3,137,541,167	₱4,669,096,924
Discontinued operations (Note 44)	**–**	–	90,813,031
	₱3,474,824,405	₱3,137,541,167	₱4,759,909,955

In 2013, 2012 and 2011, the Group recognized amortization of bond issue costs amounting to ₱90.6 million, ₱54.3 million and ₱125.7 million, respectively (see Note 35).

24. **Other Noncurrent Liabilities**

This account consists of:

	2013	2012
Deposits from lessees	**₱2,040,052,876**	₱2,029,673,869
Deposit liabilities	**1,944,149,875**	3,962,810,020
ARO	**1,637,345,608**	1,429,223,524
Pension liabilities (Note 37)	**1,440,906,791**	1,045,777,189
Accrued rent expense	**1,226,985,790**	1,181,403,160
Due to related parties (Note 40)	**1,027,535,597**	1,039,489,605
Deposits from real estate buyers	**247,728,055**	544,836,353
Accrued maintenance cost	**280,516,880**	424,276,778
Others	**410,490,454**	568,054,981
	₱10,255,711,926	₱12,225,545,479

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 ₱58.5 million, ₱65.1 million and ₱72.6 million in 2013, 2012 and 2011, respectively (see 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 ₱101.0 million and ₱103.0 million as of December 31, 2013 and 2012, respectively. The rental income on amortization of unearned rental income amounted to ₱54.0 million, ₱65.0 million and ₱70.0 million in 2013, 2012 and 2011, respectively.

ARO
The Group is legally required under certain 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 engineers in 2010, which includes estimates of certain redelivery costs at the end of the operating aircraft lease (see Note 5).

The rollforward analysis of the Group's ARO follows:

	2013	2012
Balance at beginning of year	**₱1,429,223,524**	₱1,340,611,816
Provision for return cost*	**590,638,099**	577,510,459
Payment of restorations during the year	**(382,516,015)**	(488,898,751)
Balance at end of year	**₱1,637,345,608**	₱1,429,223,524

**In 2013, additional accrual for ARO liability pertains to two additional Airbus A330 aircraft under operating lease entered in February 2013 and June 2013. In 2012, additional accrual for ARO liability refers to two additional Airbus A320 aircraft under operating lease agreements entered in March 2012. Included under 'repairs and maintenance' account in the consolidated statements of comprehensive income (see Note 20).*

In 2013, 2012 and 2011, ARO expenses included as part of repairs and maintenance amounted to ₱590.6 million, ₱577.5 million and ₱508.9 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 (see 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 ₱1.6 billion and ₱1.8 billion as of December 31, 2013 and 2012, 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, 2013 and 2012 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

As of December 31, 2013 and 2012, the paid-up capital of the Group consists of the following:

	2013	2012
Capital stock:		
Common shares - ₱1 par value	**₱7,017,191,657**	₱6,895,273,657
Preferred voting shares - ₱0.01 par value	**40,000,000**	40,000,000
	7,057,191,657	6,935,273,657
Additional paid-in capital	**14,958,145,993**	7,150,457,657
Total paid-up capital	**₱22,015,337,650**	₱14,085,731,314

The movements in the total number of common shares issued, treasury shares and outstanding shares as of December 31, 2013 and 2012 follows:

	2013		2012	
	Shares	**Amount**	**Shares**	**Amount**
Issued shares:				
Balance at beginning of year	**6,895,273,657**	**₱6,895,273,657**	6,895,273,657	₱6,895,273,657
Issuance of shares	**121,918,000**	**121,918,000**	–	–
Balance at end of year	**7,017,191,657**	**7,017,191,657**	6,895,273,657	6,895,273,657
Treasury shares:				
Balance at beginning of year	**98,082,000**	**721,848,289**	98,082,000	721,848,289
Reissuance of shares	**(98,082,000)**	**(721,848,289)**	–	–
Balance at end of year	**–**	**–**	98,082,000	721,848,289
Total issued and outstanding	**7,017,191,657**	**₱7,017,191,657**	6,797,191,657	₱6,173,425,368

Issuance of Common Shares Through Top-Up Placement
On November 25, 2013, the Parent Company issued additional 121,918,000 common shares via an accelerated overnight equity placement at a price of ₱40.0 per share. The issuance of 121,918,000 common shares and reissuance of 98,082,000 treasury shares raised total proceeds of ₱8.7 billion, net of transaction cost of ₱148.5 million.

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 commons 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.

Record of Registration of Securities with the SEC

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	–
June 30, 1993	Initial public offering (IPO)	1,428,175,000 common shares	1.00	4.40	–	1,428,175,000 common shares
June 30, 1994	Conversion of convertible bonds into common shares	428,175,000 common shares	1.00	13.75	–	3,725,457 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, 2013, 2012 and 2011:

	2013	2012	2011
Common shares	**1,082**	1,112	1,171
Preferred voting shares	**1**	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:

	2013	2012
(a) Gross debt		
Short-term debt (Note 23)	**₱33,097,645,087**	₱19,397,079,998
Current portion of long-term debt (Note 23)	**22,674,078,899**	19,553,919,868
Long-term debt, net of current portion (Note 23)	**66,601,852,906**	42,129,366,111
Derivative liabilities (Note 8)	**–**	41,178,211
Redeemable preferred shares (Note 46)	**1,700,000**	30,700,000
	₱122,375,276,892	₱81,152,244,188
(b) Capital	**₱231,803,748,238**	₱198,475,572,878
(c) Debt-to-capital ratio (a/b)	**0.53:1**	0.41:1

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):

	2013	2012
Tier 1 capital	**₱4,858**	₱4,836
Tier 2 capital	–	(242)
Gross qualifying capital	**4,858**	4,594
Less required deductions	–	–
Total qualifying capital	**₱4,858**	₱4,594
Risk weighted assets	**₱21,410**	₱17,464
Tier 1 capital ratio	**22.69%**	27.69%
Tier 2 capital ratio	–	(1.39%)
Risk-based CAR	**22.69%**	26.31%

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, 2013 and 2012, the Group had complied with all externally imposed capital requirements.

In December 2010, the Basel Committee for Banking Supervision published the Basel III framework (revised in June 2011) to strengthen global capital standards, with the aim of promoting a more resilient banking sector. On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Group is required to comply with this circular effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratios of 7.50% with effect from January 1, 2014. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. BSP existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos.709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), and before the effectivity of BSP Circular No. 781 shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The Group has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

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). 50.0% 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). 17.0% 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, 2013, 2012 and 2011, RBC's surplus reserve amounted to ₱133.7 million, ₱112.2 million and ₱108.6 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 2013, 2012 and 2011.

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. Accordingly, on December 28, 2013, EHI's BOD approved the reversal of the appropriated retained earnings amounting to ₱35.0 million.

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 ₱51.8 billion, ₱57.4 billion and ₱47.6 billion as of December 31, 2013, 2012 and 2011, 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.

<u>Cash Dividends</u>
Parent Company
Details of the Parent Company's dividend declarations on its common stock follow:

	2013	2012	2011
Date of declaration	**June 27, 2013**	June 28, 2012	July 7, 2011
Dividend per share	**₱0.18**	₱0.16	₱0.08
Total dividends	**₱1.2 billion**	₱1.1 billion	₱543.8 million
Date of record	**July 17, 2013**	July 18, 2012	July 27, 2011
Date of payment	**August 12, 2013**	August 13, 2012	August 22, 2011

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

	2013	2012
Date of declaration	**June 27, 2013**	June 28, 2012
Dividend per share	**₱0.0018**	₱0.0016
Total dividends	**₱7.2 million**	₱6.4 million
Date of record	**July 17, 2013**	July 18, 2012
Date of payment	**August 12, 2013**	August 13, 2012

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

URC
Details of URC's dividend declarations follow:

	2013	2012	2011
Date of declaration	**April 18, 2013**	April 18, 2012	May 11, 2011
Dividend per share	**₱2.40**	₱1.90	₱1.90
Total dividends	**₱5.2 billion**	₱3.9 billion	₱3.9 billion
Date of record	**May 10, 2013**	May 8, 2012	May 31, 2011
Date of payment	**June 6, 2013**	June 1, 2012	June 27, 2011

RLC
Details of RLC's dividend declarations follow:

	2013	2012	2011
Date of declaration	**April 18, 2013**	April 18, 2012	May 11, 2011
Dividend per share	**₱0.36**	₱0.36	₱0.36
Total dividends	**₱1.5 billion**	₱1.5 billion	₱1.5 billion
Date of record	**May 10, 2013**	May 8, 2012	May 31, 2011
Date of payment	**June 6, 2013**	June 1, 2012	June 27, 2011

CAI
Details of CAI's dividend declarations follow:

	2013	2012
Date of declaration	**June 27, 2013**	June 28, 2012
Dividend per share - regular	**₱1.00**	₱1.00
Total dividends - regular	**₱606.0 million**	₱606.0 million
Dividend per share - special	**₱1.00**	₱–
Total dividends - special	**₱–**	₱–
Date of record	**July 17, 2013**	July 18, 2012
Date of payment	**August 12, 2013**	August 13, 2012

Treasury Shares
The Group had 98.1 million outstanding 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. On November 25, 2013, the Parent Company sold all of its 98.1 million treasury shares, with total cost of ₱721.8 million via an accelerated overnight equity placement at a price of ₱40.0 per share.

In 2012, 57,663,430 shares of common stock of the Parent Company held by a subsidiary 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

On October 3, 2013, the Parent Company sold 105,000,000 URC ordinary shares via an accelerated overnight equity placement at a price of ₱115.0 per share. After the sale, the Parent Company continue to hold 55.7% in the Issuer. As a result of the sale, the Parent Company recognized a gain amounting to ₱11.9 billion. In the consolidated financial statements, the excess of the consideration over the Parent's equity in net asset of URC amounting to ₱9.7 billion was credited directly to 'Equity reserve' in the consolidated statement of changes in equity.

On March 6, 2013, RLC acquired the remaining 20.0% non-controlling interest in ASNC, increasing its ownership from 80.0% to 100.0%. Cash consideration of ₱197.6 million was paid to the non-controlling shareholders. The total carrying value of the net assets of ASNC at the date of acquisition was ₱577.5 million and the 20.0% equivalent of the carrying value of the non-controlling interest acquired was ₱115.5 million. The difference of ₱82.1 million between the consideration and the carrying value of the interest acquired is recognized in 'Equity reserve' account within equity.

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.

Non-controlling Interests

Below is the rollfoward of non-controlling interests:

	2013	2012	2011
Beginning balance, as previously reported	**₱43,661,435,580**	₱39,115,505,104	₱31,891,251,796
Effect of the adoption of PAS 19R	**(161,796,166)**	(60,063,610)	(24,184,997)
Beginning balance, as restated	**43,499,639,414**	39,055,441,494	31,867,066,799
Total comprehensive income:			
Net income attributable to non-controlling interests	**5,858,148,687**	6,383,652,224	5,033,198,002
Other comprehensive income attributable to non-controlling interests:			
Net gain (loss) on AFS investments (Note 10)	**(298,306,368)**	152,992,515	(110,625,178)
Cumulative translation adjustments	**168,788,599**	(73,331,294)	(49,550,215)
Remeasurements due to defined benefit liability (Note 37)	**(172,069,735)**	(114,119,833)	(45,225,369)
	5,556,561,183	6,349,193,612	4,827,797,240

(Forward)

	2013	2012	2011
Cash dividends paid to non-controlling interests	**(₱3,089,045,925)**	(₱2,268,172,563)	(₱2,579,518,135)
Additional non-controlling interests in subsidiaries	–	–	952,889,242
Decrease (increase) in subsidiaries' treasury shares	–	4,201,218,573	(288,849,407)
Acquisition of non-controlling interest by a subsidiary	**(147,541,401)**	(3,838,041,702)	–
Issuance of capital stock of a subsidiary	–	–	5,298,191,460
Incorporation of a subsidiary	**24,500,000**	–	–
Sale of shares of subsidiary	**1,982,987,430**	–	–
Effect of disposal of a subsidiary (Note 44)	–	–	(1,022,135,705)
	₱47,827,100,701	₱43,499,639,414	₱39,055,441,494

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 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, 2013 and 2012, 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:

	2013	2012	2011
Interest income (Note 27)	**₱2,070,885,114**	₱1,925,726,487	₱1,831,335,393
Trading and securities gains	**421,735,512**	454,610,012	415,861,968
Service fees and commission income	**257,277,686**	153,391,432	112,736,144
	₱2,749,898,312	₱2,533,727,931	₱2,359,933,505

27. Interest Income

This account consists of:

	2013	2012	2011
Interest income from:			
Cash and cash equivalents	**₱716,759,154**	₱1,396,783,004	₱2,290,811,698
Finance receivables, unquoted debt securities and sales contract receivable (Note 11)	**1,534,095,507**	1,305,401,341	1,176,974,035
Financial assets at FVPL (Note 9)	**892,378,761**	796,209,181	753,328,420
AFS debt securities (Note 10)	**693,594,393**	795,387,541	791,277,415
HTM investments	**570,332**	–	–
Others	**3,352,537**	111,580,466	36,563,482
	₱3,840,750,684	₱4,405,361,533	₱5,048,955,050

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

	2013	2012	2011
Banking revenue (Note 26)	**₱2,070,885,114**	₱1,925,726,487	₱1,831,335,393
Finance income	**1,769,865,570**	2,479,635,046	3,217,619,657
	₱3,840,750,684	₱4,405,361,533	₱5,048,955,050

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.

In 2013, 2012 and 2011, this account includes dividends received from PLDT amounting to ₱3.0 billion, ₱2.9 billion and nil, respectively. Investment in PLDT is presented under AFS investments in the consolidated statement of financial position.

29. Other Operating Income

This account consists of:

	2013	2012	2011
Realized gain on sale of AFS investments (Note 10)	**₱13,269,386**	₱54,592,830	₱69,390,963
Others	**390,130,574**	152,683,806	569,544,628
	₱403,399,960	₱207,276,636	₱638,935,591

Others include rent income and gain on sale of PPE.

30. **Cost of Sales and Services**

This account consists of:

	2013	2012	2011
Raw materials used	**₱43,809,973,131**	₱44,518,114,430	₱42,213,713,864
Direct labor	**2,063,484,958**	2,088,308,487	2,473,797,570
Overhead cost	**12,375,945,832**	11,200,346,088	11,546,679,551
Total manufacturing cost	**58,249,403,921**	57,806,769,005	56,234,190,985
Work-in-process	**(135,586,310)**	114,711,427	(363,089,202)
Cost of goods manufactured	**58,113,817,611**	57,921,480,432	55,871,101,783
Finished goods	**948,229,777**	(134,270,483)	(424,398,037)
Cost of sales	**59,062,047,388**	57,787,209,949	55,446,703,746
Cost of services	**38,394,624,981**	34,891,962,310	31,264,544,266
Cost of sales and services	**₱97,456,672,369**	₱92,679,172,259	₱86,711,248,012

Overhead costs are broken down as follows:

	2013	2012	2011
Utilities and fuel	**₱5,195,053,584**	₱4,693,742,475	₱4,985,466,200
Depreciation and amortization (Note 33)	**3,549,645,081**	3,366,426,009	3,180,266,907
Repairs and maintenance	**1,648,079,093**	1,469,544,292	1,387,402,899
Personnel (Note 32)	**1,365,146,596**	1,239,758,331	1,173,551,341
Rental	**291,256,130**	128,497,226	146,735,657
Handling and delivery charges	**56,480,317**	58,187,875	113,895,035
Royalties	**–**	–	74,091,734
Research and development	**82,871,021**	81,251,615	43,950,080
Others	**187,414,010**	162,938,265	441,319,698
	₱12,375,945,832	₱11,200,346,088	₱11,546,679,551

Cost of services is broken down as follows:

	2013	2012	2011
Air transportation	**₱30,075,334,423**	₱27,739,594,145	₱24,071,054,839
Real estate	**6,563,685,249**	5,259,372,904	5,499,836,562
Hotel operations	**1,156,363,383**	1,113,684,179	1,009,589,782
Banking	**599,241,926**	779,311,082	684,063,083
	₱38,394,624,981	₱34,891,962,310	₱31,264,544,266

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

	2013	2012	2011
Fuel and oil	**₱19,522,716,332**	₱17,561,860,875	₱15,220,724,678
Maintenance costs	**3,441,318,765**	3,181,354,221	2,854,607,462
Personnel (Note 32)	**2,801,286,382**	2,888,641,886	2,498,246,211
Cost of real estate sales (Note 12)	**3,060,144,718**	2,360,585,729	2,664,371,840
Depreciation and amortization (Note 33)	**2,458,900,922**	2,083,885,060	2,113,120,088
Landing and take-off	**1,595,979,594**	1,568,553,958	1,323,586,310
Ground handling charges	**1,163,621,461**	1,079,658,319	941,465,556
Reservation costs	**922,992,793**	811,439,034	729,985,397

(Forward)

	2013	2012	2011
Interest expense (Note 21)	**₱558,108,231**	₱745,471,441	₱661,474,586
Property operations and maintenance costs	**593,197,846**	573,088,940	484,609,588
Film rentals expense - amusement services	**485,315,516**	389,831,006	320,222,382
Passenger liability insurance	**282,388,621**	296,694,606	301,694,148
Contracted services	**204,317,323**	252,378,423	94,999,468
Cost of food and beverage - hotel operations	**177,965,719**	180,153,791	172,332,552
Customs, immigration and duties	**138,359,476**	135,943,169	127,429,916
Pilot and crew meals	**49,036,933**	44,337,026	38,934,351
Interrupted/delayed trips expense	**54,504,557**	42,456,043	49,709,826
Service charges and commission expense	**41,133,695**	33,839,641	22,588,497
Passenger food and supplies	**19,981,169**	18,799,334	15,057,321
Travel and transportation	**41,478,273**	28,909,379	38,580,089
Others	**781,876,655**	614,080,429	590,804,000
	₱38,394,624,981	₱34,891,962,310	₱31,264,544,266

31. General and Administrative Expenses

This account consists of:

	2013	2012	2011
Advertising and promotions	**₱6,059,948,460**	₱4,963,067,275	₱4,393,143,054
Outside services	**4,763,076,574**	3,899,994,465	3,322,782,943
Depreciation and amortization (Note 33)	**3,887,738,659**	3,121,523,088	2,684,712,888
Personnel (Note 32)	**3,657,704,841**	3,255,818,277	2,896,484,081
Aircraft and engine lease	**2,314,859,021**	2,033,953,783	1,718,431,374
Travel and transportation	**781,272,180**	706,568,152	635,641,616
Rental	**691,201,693**	651,284,242	606,043,577
Taxes, licenses and fees	**845,636,868**	590,260,463	568,622,031
Sales commission	**494,451,428**	425,418,948	411,452,597
Insurance	**426,971,517**	389,754,230	379,133,542
Utilities and supplies	**425,526,060**	390,840,251	339,371,168
Repairs and maintenance	**439,222,603**	320,113,385	254,124,725
Communication	**161,306,525**	140,876,557	142,188,028
Entertainment, amusement and recreation (Note 38)	**105,400,365**	111,702,367	81,436,864
Others	**721,816,098**	671,431,623	637,084,188
	₱25,776,132,892	₱21,672,607,106	₱19,070,652,676

Others

Other expenses include royalties, donation and contribution, and membership and subscription dues.

32. Personnel Expenses

This account consists of:

	2013	2012	2011
Salaries and wages	**₱6,406,440,439**	₱5,678,642,191	₱5,142,455,441
Other employee benefits	**1,239,962,952**	1,508,513,174	1,265,073,668
Pension expense (Note 37)	**238,782,243**	197,063,129	160,752,524
	₱7,885,185,634	₱7,384,218,494	₱6,568,281,633

The breakdown of personnel expenses follows:

	2013	2012	2011
Cost of sales and services (Note 30)	**₱4,166,432,978**	₱4,128,400,217	₱3,671,797,552
General and administrative expenses (Note 31)	**3,657,704,841**	3,255,818,277	2,896,484,081
Construction in progress (Note 16)	**61,047,815**	−	−
	₱7,885,185,634	₱7,384,218,494	₱6,568,281,633

33. Depreciation and Amortization

The breakdown of depreciation and amortization on property, plant and equipment, investment properties, deferred subscriber acquisition and retention costs and intangible assets follows:

	2013	2012	2011
Continuing operations			
Cost of sales and services (Notes 15, 16 and 30)	**₱6,008,546,003**	₱5,450,311,069	₱5,293,386,995
General and administrative expenses (Note 31)	**3,887,738,659**	3,121,523,088	2,684,712,888
Discontinued operations	**−**	−	1,546,551,044
	₱9,896,284,662	₱8,571,834,157	₱9,524,650,927

34. Impairment Losses and Others

This account consists of:

	2013	2012	2011
Provision for impairment losses on:			
Intangible assets	**₱−**	₱190,223,400	₱84,014,765
Receivables	**95,990,997**	63,864,521	102,517,878
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	**28,694,879**	1,408,536	63,784,807
	₱124,685,876	₱271,254,229	₱329,638,645

35. **Financing Costs and Other Charges**

This account consists of:

	2013	2012	2011
Interest expense	**₱3,869,216,221**	₱3,964,265,552	₱5,144,211,881
Bank charges and others	**120,164,020**	172,503,179	214,972,064
	₱3,989,380,241	₱4,136,768,731	₱5,359,183,945

Details of interest expense follow:

	2013	2012	2011
Long-term debt (Note 23)	**₱3,474,824,405**	₱3,137,541,167	₱4,669,096,924
Short-term debt (Note 23)	**225,016,660**	631,939,890	264,330,251
Advances from affiliates	**41,242,421**	78,270,790	82,469,024
Others	**37,524,596**	62,235,050	2,656,300
	3,778,608,082	3,909,986,897	5,018,552,499
Amortization of debt issuance costs (Note 23)	**90,608,139**	54,278,655	125,659,382
	₱3,869,216,221	₱3,964,265,552	₱5,144,211,881

36. **Components of Other Comprehensive Income**

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

	2013		
	Parent Company (As Restated - Note 2)	**Non-controlling Interests (As Restated - Note 2)**	**Total (As Restated - Note 2)**
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	**₱1,696,563,280**	**(₱293,083,406)**	**₱1,403,479,874**
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	**(8,046,425)**	**(5,222,961)**	**(13,269,386)**
	1,688,516,855	**(298,306,367)**	**1,390,210,488**
Net changes in fair value of AFS investments of an associate	**(11,597,069)**	**–**	**(11,597,069)**
	1,676,919,786	**(298,306,367)**	**1,378,613,419**
Net changes in fair value of cash flow hedge			
Net changes in fair value of derivative taken to OCI	**171,850,204**	**–**	**171,850,204**
	1,848,769,990	**(298,306,367)**	**1,550,463,623**
Cumulative translation adjustments	**246,212,174**	**168,788,598**	**415,000,772**
Remeasurements due to defined benefit liability, net of tax	**(299,400,275)**	**(172,069,735)**	**(471,470,010)**
	₱1,795,581,889	**(₱301,587,504)**	**₱1,493,994,385**

	2012		
	Parent Company (As Restated - Note 2)	Non-controlling Interests (As Restated - Note 2)	Total (As Restated - Note 2)
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)
Remeasurements due to defined benefit liability, net of tax	(194,798,257)	(114,119,833)	(308,918,090)
	₱132,713,212	(₱34,458,612)	₱98,254,600

	2011		
	Parent Company (As Restated - Note 2)	Non-controlling Interests (As Restated - Note 2)	Total (As Restated - Note 2)
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):			
Amounts recycled to profit or loss	188,456,213	–	188,456,213
Net changes in fair value of derivatives taken to OCI	175,838,098	–	175,838,098
	364,294,311	–	364,294,311
	3,512,318,213	(110,625,178)	3,401,693,035
Cumulative translation adjustments	(86,508,428)	(49,550,215)	(136,058,643)
Remeasurements due to defined benefit liability, net of tax	(98,801,943)	(45,225,369)	(144,027,312)
	₱3,327,007,842	(₱205,400,762)	₱3,121,607,080

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

	2013		
	Before tax (As Restated - Note 2)	**Tax benefit (As Restated - Note 2)**	**Net of tax (As Restated - Note 2)**
Net gains on AFS investments of Parent Company and its subsidiaries	**₱1,391,349,340**	**(₱1,138,852)**	**₱1,390,210,488**
Cumulative translation adjustments	**415,000,772**	**–**	**415,000,772**

(Forward)

	2013		
	Before tax (As Restated - Note 2)	**Tax benefit (As Restated - Note 2)**	**Net of tax (As Restated - Note 2)**
Net movement in cash flow hedge	**₱171,850,204**	**₱–**	**₱171,850,204**
Remeasurement due to defined benefit liability	**(673,528,586)**	**202,058,576**	**(471,470,010)**
Net changes in fair value of AFS investments of an associate (Note 10)	**(11,597,069)**	**–**	**(11,597,069)**
	₱1,293,074,661	**₱200,919,724**	**₱1,493,994,385**

	2012		
	Before tax (As Restated - Note 2)	Tax benefit (As Restated - Note 2)	Net of tax (As Restated - Note 2)
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)
Remeasurement due to defined benefit liability	(441,311,557)	132,393,467	(308,918,090)
Net changes in fair value of AFS investments of an associate (Note 10)	10,100,452	–	10,100,452
	(₱36,386,461)	₱134,641,061	₱98,254,600

	2011		
	Before tax (As Restated - Note 2)	Tax benefit (As Restated - Note 2)	Net of tax (As Restated - Note 2)
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)
Remeasurement due to defined benefit liability	(205,753,303)	61,725,991	(144,027,312)
Net changes in fair value of AFS investments of an associate (Note 10)	4,508,521	–	4,508,521
	₱3,047,128,186	₱74,478,894	₱3,121,607,080

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 (the "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 retirement plan has an Executive Retirement Committee, that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD of the Parent Company are represented in the Executive Retirement Committee. Robinsons Bank Corporation manages the plan based on the mandate as defined in the trust agreement.

The amounts recognized as pension liabilities included under 'Other noncurrent liabilities' in the consolidated statements of financial position follow:

	2013	2012 As Restated - Note 2
Present value of defined benefit obligation	**₱3,397,015,818**	₱2,599,895,549
Fair value of plan assets	**1,956,109,027**	1,554,118,360
Pension liabilities	**₱1,440,906,791**	₱1,045,777,189

Changes in net defined benefit liability of funded funds in 2013, 2012 and 2011 follows:

	2013		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability/(asset)**
Balance at beginning of year	**₱2,599,895,549**	**₱1,554,118,360**	**₱1,045,777,189**
Net benefit cost in consolidated statement of income:			
Current service cost	**204,415,128**	**–**	**204,415,128**
Past service cost	**–**	**–**	**–**
Net interest cost	**121,291,316**	**86,924,201**	**34,367,115**
Subtotal	**325,706,444**	**86,924,201**	**238,782,243**
Benefits paid	**(181,515,838)**	**(163,079,741)**	**(18,436,097)**
Remeasurements in other comprehensive income:			
Return on plan assets	**–**	**(20,598,923)**	**20,598,923**
Actuarial changes arising from experience Adjustments	**86,538,901**	**–**	**86,538,901**
Actuarial changes arising from changes in Financial/demographic assumptions	**566,390,762**	**–**	**566,390,762**
Subtotal	**652,929,663**	**(20,598,923)**	**673,528,586**
Contributions paid	**–**	**498,745,130**	**(498,745,130)**
Balance at end of year	**₱3,397,015,818**	**₱1,956,109,027**	**₱1,440,906,791**

	2012		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Balance at beginning of year	₱1,972,421,001	₱1,270,110,949	₱702,310,052
Net benefit cost in consolidated statement of income:			
Current service cost	158,079,149	–	158,079,149
Past service cost	–	–	–
Net interest cost	139,463,202	100,479,222	38,983,980
Subtotal	297,542,351	100,479,222	197,063,129
Benefits paid	(109,137,470)	(61,738,317)	(47,399,153)
Remeasurements in other comprehensive income:			
Return on plan assets	(2,472,429)	(2,241,890)	(230,539)
Actuarial changes arising from experience adjustments	136,504,612	–	136,504,612
Actuarial changes arising from changes in financial/demographic assumptions	305,037,484	–	305,037,484
Subtotal	439,069,667	(2,241,890)	441,311,557
Contributions paid	–	247,508,396	(247,508,396)
Balance at end of year	₱2,599,895,549	₱1,554,118,360	₱1,045,777,189

The fair value of plan assets by each classes as at the end of the reporting period are as follow:

	2013	2012
ASSETS		
Cash and cash equivalents	**₱610,429,150**	₱102,601,004
Debt instruments	**1,830,568,757**	1,763,417,600
Accrued interest receivable receivables	**68,244,990**	61,258,824
	2,509,242,897	1,927,277,468
LIABILITY		
Accrued expense	**68,074**	8,798
Due to related parties	**553,065,797**	373,150,310
	₱1,956,109,027	₱1,554,118,360

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.

The Group expects to contribute ₱201.2 million to the defined benefit pension plans in 2014. The average duration of the defined benefit obligation of the Group as of December 31, 2013 is 22 years.

The Group expects to contribute ₱153.0 million into the pension fund for the year ending 2013. The assumptions used to determine the pension benefits of the Group follow:

	2013			
	Retirement Age	**Average Remaining Working Life (in years)**	**Salary Rate Increase**	**Discount Rate**
Parent Company	**60**	**9**	**5.5%**	**5.0%**
URC	**60**	**4 to 11**	**5.5%**	**4.6% to 5.8%**
RLC	**60**	**5 to 16**	**5.5%**	**3.9% to 4.5%**
CAI	**60**	**5**	**5.5%**	**5.3%**
RBC	**60**	**3**	**5.5%**	**5.3%**
JGSPC	**60**	**5**	**5.5%**	**5.0%**
Unicon	**60**	**3**	**5.5%**	**5.9%**

	2012			
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60	17	5.5%	6.0%
URC	60	9	5.5%	5.6% to 6.2%
RLC	60	6 to 14	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)	Salary Rate Increase	Discount Rate
Parent Company	60	19	5.5%	6.7%
URC	60	9	5.5%	7.2% to 8.3%
RLC	60	6 to 14	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%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of December 31, 2013, assuming if all other assumptions were held constant:

	Parent Company	URC	RLC	CAI	RBC	JGSPC	Unicon
Discount rates							
+1.00%	₱23,683,667	₱1,858,849,460	₱286,290,445	₱768,124,728	₱78,684,208	₱87,715,977	₱4,524,926
(-1.00%)	31,786,072	2,206,216,634	351,746,329	986,405,422	98,021,314	108,419,472	5,447,754
Future salary increases							
+1.00%	31,572,099	2,194,553,647	349,673,221	980,374,213	97,447,296	107,791,677	5,423,020
(-1.00%)	23,776,769	1,865,359,212	287,353,310	770,960,046	78,977,016	88,042,841	4,536,535

Shown below is the maturity analysis of the undiscounted benefit payments of the Group:

	2013	2012
Less than 1 year	**₱500,963,684**	₱417,755,310
More than 1 years to 5 years	**839,360,399**	886,385,797
More than 5 years to 10 years	**1,676,604,529**	1,479,450,050
More than 10 years to 15 years	**2,824,300,400**	2,204,239,318
More than 15 years to 20 years	**3,555,258,512**	2,507,952,564
More than 20 years	**8,471,749,521**	5,452,003,247

38. Income Taxes

Provision for income tax from continuing operations consists of:

	2013	2012	2011
Corporate	**₱2,876,360,016**	₱1,757,172,782	₱1,514,167,521
Final	**123,642,738**	259,535,510	382,382,532
Deferred	**(285,999,117)**	830,705,697	76,891,332
	₱2,714,003,637	₱2,847,413,989	₱1,973,441,385

Republic Act (RA) No. 9337
Current tax regulations provide 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 2013, 2012 and 2011 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 ₱108.0 million, ₱111.7 million and ₱81.4 million in 2013, 2012 and 2011, respectively (see Note 31).

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

	2013	2012
Deferred tax assets on:		
Unrealized foreign exchange loss	**₱373,083,807**	₱92,449,806
Unfunded pension benefits	**386,553,245**	5,450,991
Net operating loss carry-over	**677,606,328**	–
Allowance for impairment losses on receivables and property, plant and equipment	**194,728,043**	–
Foreign subsidiaries	**23,619,190**	–
MCIT carryforward	**128,634,660**	–
Others	**789,609,748**	83,504,512
Total	**2,573,835,021**	181,405,309
Deferred tax liabilities on:		
Double depreciation	**(1,385,403,735)**	–
Unrealized gain on market valuation of biological assets	**(77,535,294)**	–
Others	**(571,837,200)**	(911,040)
	(2,034,776,229)	(911,040)
Net deferred tax asset	**₱539,058,792**	₱180,494,269

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

	2013	2012
Deferred tax assets on:		
Accrued rent expense	**₱389,296,450**	₱382,212,836
Unfunded pension benefits	**57,482,036**	311,181,540
Allowance for impairment losses on receivables and property, plant and equipment	**13,812,665**	217,383,618
MCIT carryforward	**313,633**	86,171,040
ARO liability	–	590,442,024
NOLCO	–	472,039,018

(Forward)

	2013	2012
Unfunded profit sharing	**₱–**	₱60,809,597
Allowance for inventory obsolescence	**–**	23,439,329
Unrealized foreign exchange loss	**–**	14,207,660
Foreign subsidiaries	**–**	11,644,434
Unrealized loss on financial assets at FVPL	**–**	3,750,324
Unrealized loss on net derivative liability	**–**	–
Others	**135,416,077**	124,947,481
	596,320,861	2,298,228,901
Deferred tax liabilities on:		
Unamortized capitalized interest	**(1,029,764,101)**	(808,787,183)
Excess of financial gross profit over taxable gross profit	**(877,839,647)**	(720,588,577)
Investment in a subsidiary	**(186,000,000)**	(186,000,000)
Accrued rent income	**(137,205,603)**	(107,993,247)
Borrowing cost	**(71,832,394)**	(71,832,394)
Unamortized debt issuance costs	**(2,765,590)**	(22,584,949)
Double depreciation	**–**	(944,198,871)
Unrealized foreign exchange gain	**–**	(828,089,134)
Undistributed income of foreign subsidiaries	**–**	(268,093,259)
Gain arising from changes in fair value less estimated costs to sell of swine stocks	**–**	(56,566,683)
Unrecognized gain on derivative asset	**–**	(46,975,362)
Foreign subsidiaries	**–**	(35,212,730)
Market valuation gain on derivative instruments	**–**	(8,524,521)
Others	**(8,874,719)**	(9,813,695)
	(2,314,282,054)	(4,115,260,605)
Net deferred tax liabilities	**(₱1,717,961,193)**	(₱1,817,031,704)

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 :

	2013	2012
Allowance for impairment losses	**₱3,740,331,568**	₱3,522,916,579
NOLCO	**3,030,641,571**	2,762,235,976
Accrued pension costs	**64,488,572**	66,110,622
Net pension liability	**55,730,000**	–
Unamortized contribution of past service costs	**47,819,305**	–
Depreciation of investment properties and repossessed chattels	**20,156,952**	16,292,090
MCIT	**8,235,566**	37,540,874
Unrealized foreign exchange losses	**87,606**	18,573,530
Difference between cost and NRV of inventories	**–**	64,488,572
	₱6,967,491,140	₱6,488,158,243

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

	2013	2012	2011 (As restated - Note 44)
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Dividend income	**(5.36)**	(4.22)	–
Equity in net earnings of affiliates	**(3.66)**	(2.65)	(4.32)
Nontaxable income	**(1.60)**	(4.43)	(0.48)
Changes in unrecognized deferred tax assets	**(1.01)**	(0.69)	(0.74)
Income subjected to lower tax rates	**(1.10)**	(1.81)	(4.39)
Board of Investments (BOI) tax credits and others	**(2.56)**	(4.26)	(7.25)
Nondeductible interest expense	**0.42**	0.69	1.67
Others	**(2.51)**	(0.17)	(1.74)
Effective income tax rate	**15.18%**	12.46%	12.75%

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

	2013	2012	2011
Income from continuing operations attributable to equity holders of the Parent Company	**₱10,097,512,934**	₱13,552,525,434	₱8,493,466,526
Less: Dividends on preferred shares (Note 25)	**7,200,000**	6,400,000	3,200,000
Income from continuing operations attributable to holders of common shares of the Parent Company	**10,090,312,934**	13,546,125,434	8,477,359,822
Income from discontinued operations attributable to equity holders of the Parent Company	**–**	–	13,035,501,339
Income attributable to holders of common shares of the Parent Company	**₱10,090,312,934**	₱13,546,125,434	₱21,512,861,161
Weighted average number of common shares	**6,815,524,990**	6,792,386,371	6,739,528,227
Basic/diluted earnings per share	**₱1.48**	₱1.99	₱3.19

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

	2013	2012	2011
Income from continuing operations attributable to equity holders of the Parent Company	**₱10,097,512,934**	₱13,552,525,434	₱8,493,466,526
Less: Dividends on preferred shares	**7,200,000**	6,400,000	3,200,000
Income from continuing operations attributable to holders of common shares of the Parent Company	**₱10,090,312,934**	₱13,546,125,434	₱8,490,266,526
Weighted average number of common shares	**6,815,524,990**	6,792,386,371	6,739,528,227
Basic/diluted earnings per share	**₱1.48**	₱1.99	₱1.26

There were no potential dilutive common shares in 2013, 2012 and 2011.

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:

2013						
			Outstanding Balance			
Related Party	**Category/Transaction**	**Amount/Volume**	**Statement of Financial Position**	**Statement of Comprehensive Income**	**Terms**	**Conditions**
Subsidiaries:						
Due from related parties	Advances	**₱13,615,000**	**₱1,160,041,099**	**₱–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	**111,554,515**	–	**111,554,515**		
	Other income	**30,074,286**	–	**30,074,286**		
	Rent expense	–	–	–		
Due to related parties	Advances	**337,580,000**	**15,079,615,001**	–	On demand; Non-interest bearing	Unsecured
	Management fees	**72,000,000**	–	**72,000,000**		
Cash in bank	Deposits	**10,647,871,978**	**14,838**	–	On demand	Unsecured
Cash equivalents	Money market placements	**15,933,355,362**	**893,131,000**	– –	1 to 62 days; Interest bearing with interest rate ranging from 0.4% to 3.5%	Unsecured
	Interest receivable	**157,350**	**157,350**	–	1 to 62 days; Interest bearing with interest rate ranging from 0.4% to 3.5%	Unsecured
	Interest income	**5,965,576**	–	**5,965,576**	1 to 62 days; Interest bearing with interest rate ranging from 0.4% to 3.5%	
Dividends	Dividend receivable	**100,000,000**	**155,496,580**	–	On demand	Unsecured
	Dividend income	**4,340,439,506**	–	**4,340,439,506**		
Gain on sale	Gain on sale of shares	**11,691,834,449**	–	**11,691,834,449**		
Foreign exchange gain	Realized foreign exchange gain	**3,014,661**	–	**3,014,661**		
Associate:						
Due from related parties	Advances	**(1,929)**	**359,417**	–	On demand; Non-interest bearing	Unsecured; Not impaired

(Forward)

2013

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance: Statement of Financial Position	Outstanding Balance: Statement of Comprehensive Income	Terms	Conditions
Other Related Parties:						
Due from related parties	Advances	**₱–**	**₱272,798,845**	**₱–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	**27,290,079**	**–**	**27,290,079**		
	Rent income	**27,921,603**	**–**	**27,921,603**		
Due to related parties	Advances	**–**	**200,944,539**	**–**	On demand; Non-interest bearing / Interest bearing	Unsecured
	Interest expense	**41,242,422**	**–**	**41,242,422**	Interest rate ranging from 1.5% to 3.8%	
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	**4,795,000**	**–**	**4,795,000**		

2012

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance: Statement of Financial Position	Outstanding Balance: 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		
Associate:						
Due from related parties	Advances	–	361,346		On demand; Non-interest bearing	Unsecured; Not impaired

2012

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance: Statement of Financial Position	Outstanding Balance: Statement of Comprehensive Income	Terms	Conditions
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

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance: Statement of Financial Position	Outstanding Balance: 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

2011						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
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		
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.*

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 in 2013 and 2012 and ₱3.7 million in 2011, 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 ₱41.2 million in 2013, ₱78.3 million in 2012 and ₱82.5 million in 2011.

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 ₱2.0 billion and ₱1.5 billion as of December 31, 2013 and 2012, respectively (see Note 37). The fund is being managed by JG Summit Multi-Employer Retirement Plan (MERP), a corporation created for the purpose of managing the funds of the Group, with RBC as the trustee.

2013

			Outstanding Balance			
	Category / Transaction	**Amount / Volume**	**Statement of Financial Position**	**Statement of Comprehensive Income**	**Terms**	**Conditions**
Due to retirement plan	**Advances**	**₱35,805,052**	**₱1,670,775,645**	**₱35,805,052**	4 to 31 days; Interest bearing with interest rates ranging from 3.0% to 4.5%	Unsecured

2012

			Outstanding Balance			
	Category / Transaction	Amount / Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
Due to retirement plan	Advances	₱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

The retirement plan under the MERP has an Executive Retirement Committee , that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the plan. Certain members of the BOD of the Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

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:

	2013	2012	2011
Short-term employee benefits	**₱1,070,334,562**	₱1,017,081,160	₱925,213,965
Post-employment benefits	**112,067,015**	105,999,049	134,565,142
	₱1,182,401,577	₱1,123,080,209	₱1,059,779,107

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 land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to five years from the date of the contracts and are renewable under certain terms and conditions. The Group's rentals incurred on these leases (included under 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of income) amounted to ₱117.3 million, ₱104.5 million and ₱93.3 million in 2013, 2012 and 2011, respectively.

Future minimum lease payments under noncancellable operating leases of the URC Group follow:

	2013	2012	2011
Within one year	**₱68,556,903**	₱70,670,008	₱62,405,980
After one year but not more than five years	**274,227,612**	282,680,032	249,623,920
	₱342,784,515	₱353,350,040	₱312,029,900

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 ₱59.7 million, ₱64.7 million and ₱52.8 million in 2013, 2012 and 2011, 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 ₱13.7 million in 2013, ₱2.6 million in 2012 and ₱0.2 million in 2011.

Future minimum lease receivables under noncancellable operating leases of the URC Group that are due within one year amounted to ₱61.6 million, ₱65.3 million and ₱65.8 million in 2013, 2012 and 2011, 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 ₱11.8 million, ₱3.7 million and ₱3.7 million in 2013, 2012 and 2011, 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 ₱109.0 million, ₱162.0 million and ₱164.9 million in 2013, 2012 and 2011, respectively.

Future minimum lease payments under noncancellable operating leases of RLC's certain lessee subsidiaries follow:

	2013	2012	2011
Within one year	**₱143,352,457**	₱54,522,307	₱51,773,432
After one year but not more than five years	**716,762,285**	247,979,627	236,150,146
Over five years	**4,114,089,434**	6,063,324,450	6,129,676,237
	₱4,974,206,189	₱6,365,826,384	₱6,417,599,815

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 ₱7.4 billion, ₱6.7 billion and ₱6.1 billion in 2013, 2012 and 2011, respectively. Total percentage rent recognized as income amounted to ₱2.0 billion, ₱1.8 billion and ₱1.7 billion in 2013, 2012 and 2011, respectively.

Future minimum lease receivables under noncancellable operating leases of the RLC Group follow:

	2013	2012	2011
Within one year	**₱2,137,034,461**	₱1,111,914,481	₱1,208,000,779
After one year but not more than five years	**2,016,336,718**	1,921,108,789	2,597,161,871
Over five years	**351,280,338**	380,702,108	463,430,460
	₱4,504,651,517	₱3,413,725,378	₱4,268,593,110

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 ₱17.0 million, ₱12.3 million and ₱11.2 million in 2013, 2012 and 2011, respectively.

Future minimum lease payments under the noncancellable lease of JGSPC's office space follow:

	2013	2012	2011
Within one year	**₱12,148,926**	₱6,686,500	₱6,021,962
After one year but not more than five years	**28,390,642**	12,901,370	18,723,623
	₱40,539,568	₱19,587,870	₱24,745,585

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.

Future minimum rentals under noncancelable operating lease of JGSPC follow:

	2013	2012
Within one year	**₱137,967**	₱125,870
After one year but not more than five years	**588,368**	562,729
After five years	**–**	156,857
	₱726,335	₱845,456

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:

	2013		2012		2011	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso Equivalent
Within one year	**US$73,094,439**	**₱3,245,027,618**	US$54,171,098	₱2,223,723,588	US$46,796,685	₱2,051,566,670
After one year but not more than five years	**307,184,942**	**13,637,475,503**	258,475,371	10,610,413,991	303,869,815	13,321,652,690
Over five years	**463,829,248**	**20,591,699,480**	333,453,833	13,688,279,865	312,695,865	13,708,586,722
	US$844,108,629	**₱37,474,202,601**	US$646,100,302	₱26,522,417,444	US$663,362,365	₱29,081,806,082

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 ₱2.3 billion, ₱2.0 billion and ₱1.7 billion in 2013, 2012 and 2011, respectively (see 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:

	2013	2012	2011
Within one year	**₱114,110,716**	₱108,795,795	₱104,835,557
After one year but not more than five years	**665,809,830**	487,021,206	466,379,370
Over five years	**799,242,568**	266,875,198	394,888,300
	₱1,579,163,114	₱862,692,199	₱966,103,227

Lease expenses relating to non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱304.8 million, ₱263.7 million and ₱240.3 million in 2013, 2012 and 2011, 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 ₱125.6 million, ₱95.8 million and ₱81.1 million in 2013, 2012 and 2011, respectively.

Future minimum lease payments under these noncancellable operating leases of RBC and LSB follow:

	2013	2012	2011
Within one year	**₱111,685,416**	₱85,806,828	₱61,234,448
After one year but not more than five years	**285,684,755**	176,408,491	134,918,305
Over five years	**32,009,632**	62,012,908	23,004,308
	₱429,379,803	₱324,228,227	₱219,157,061

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 ₱11.2 billion, ₱4.2 billion and ₱3.9 billion as of September 30, 2013, 2012 and 2011, 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 ₱68.2 billion and ₱53.2 billion as of December 31, 2013 and 2012, respectively, which are payable over the following periods:

	December 31, 2013		December 31, 2012	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent
Within one year	**US$247,380,188**	**₱10,982,443,447**	US$350,323,073	₱14,380,762,158
After one year but not more than five years	**1,400,472,358**	**62,173,970,322**	999,124,578	41,014,063,944
	US$1,647,852,546	**₱73,156,413,769**	US$1,349,447,651	₱55,394,826,102

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:

	2013	2012
Trust and investment group accounts	**₱4,988,508,329**	₱13,441,544,662
Spot exchange - foreign currency	**424,860,317**	1,241,632,683
Committed credit lines	**2,276,299,665**	1,089,546,254
Domestic standby letters of credit	**243,353,864**	536,386,478
Contingent - foreign currency swap	−	335,150,000
Inward bills for collection	**282,155,080**	189,580,052
Late deposit/payment received	**58,127,241**	34,063,107
Outward bills for collection	**58,127,241**	14,334,919
Items held for safekeeping	**6,474**	68,806
Other contingent accounts	**287,907**	4,177,240

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 operations of the telecommunications segment for the period ended March 31, 2011 follows:

	2011
Revenues	
Sale of goods and services	₱4,524,649,269
Cost of Sales	496,535,978
Gross Income	4,028,113,291
Other Operating Expenses	
General and administrative expenses	3,625,943,506
Impairment losses and others	59,401,794
	3,685,345,300
Operating Income	342,767,991
Financing costs and other charges	(116,858,869)
Market valuation losses on derivative financial instruments	(43,945,006)
Foreign exchange loss	(33,963,568)
Finance income	1,398,694,829
Others	7,713,286
Income Before Income Tax from Discontinued Operations Before Gain on Sale of a Subsidiary	1,554,408,663
Provision for Income Tax	12,697,904
Income after Income Tax from Discontinued Operations	1,541,710,759
Gain from Sale of a Subsidiary, net of tax	11,570,087,639
Net Income from Discontinued Operations	₱13,111,798,398

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

	2011
Income from discontinued operations attributable to equity holders of the Parent Company	₱13,035,501,339
Weighted average number of common shares	6,739,528,227
Basic/dilutive earnings per share	₱1.93

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
Net cash flows provided by operating activities	₱1,694,725,821
Net cash flows used in investing activities	(1,610,371,076)
Net cash flows provided by (used in) financing activities	(501,724,385)
Net cash outflow	(₱417,369,640)

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 (see 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 (see 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 August 22, 2012, the BOD of RBC approved the infusion of cash equity to bring LSB's capital adequacy ratio (CAR) to at least 10.0% amounting to ₱620.0 million. On December 19, 2012, RBC infused the ₱620.0 million to LSB (see Note 18).

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 100.0% common shares of LSB.

As of December 31, 2013, the fair value of the identifiable assets and liabilities of LSB were finalized as follows:

	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

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

There were no adjustments reslting from the final purchase price allocation from LSB.

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 RBC.

On July 25, 2012, RBC's BOD approved the 100.0% acquisition of the controlling interest (both common and preferred shares) in 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 February 11, 2014, the Parent Company issued ₱30.0 billion SEC-registered bonds issued in three series: (i) ₱24.510 billion 5.2317% fixed rate bonds due 2019; (ii) ₱5.250 billion 5.2442% fixed rate bonds due 2021; and (iii) ₱0.165 billion 5.300%fixed rate bonds due 2024.

On March 14, 2014, the Parent Company has fully paid the outstanding accounts payable for the remaining unpaid acquisition cost for the investment in Meralco amounting to ₱31.4 billion (see Note 10).

b. On February 18, 2014, JobStreet.com Pte Ltd, JobStreet, SII (as the Vendor) and the Parent Comapny (as the Vendor Guarantor) entered into a conditional share sale agreement for Jobstreet.com Pte Ltd to acquire from SII 5,645,598 ordinary shares of ₱1.00 each in JobStreet representing the remaining 40.0% of the total issued and paid-up share capital of JobStreet for a purchase price of RM120,536,000.

c. On February 10, 2014, CAI signed a share and purchase agreement (SPA) to acquire 100.0% ownership of Tiger Airways Philippines, including 40.0% stake in Roar Aviation II Pte. Ltd.(Roar II), a wholly owned subsidiary of Tiger Airways Holdings Limited.

   Total consideration for the transaction amounted to ₱665.9 million ($15.0 million) out of which ₱310.8 million ($7.0 million) will be paid to the 40.0% share of Roar II and ₱355.1 million ($8.0 million) will be paid for the 60.0% share of the other shareholders. The purchase price will be paid on closing date, subject to conditions precedent to closing. The acquisition is part of the strategic alliance for both companies to leverage on the extensive networks spanning from North Asia, ASEAN, Australia, India and all the way to the Middle East.

   The purchase price allocation has been prepared on a provisional basis as the fair values are being finalized. The net asset of the acquired entity as of December 31, 2013 is a capital deficiency of ₱1.1 billion. Based on the provisional basis of purchase price allocation, there could be a goodwill amounting ₱665.9 million.

   Under the terms of the SPA, which have been disclosed to regulations, closing of the Proposed Sale is subject to the satisfaction or waiver of, inter alia, the following conditions:

   (a) the completion of the sale by the Other Shareholders of the Other Shareholders' Sale Shares to CAI;

   (b) the receipt by CAI of the approval of its shareholders in a general meeting for the Proposed Sale pursuant to the rules of the Listing Manual;

   (c) the filing of an application with the Civil Aeronautics Board of the Philippines to approve the Proposed Sale and the sale of the Other Shareholders' Sale Shares, if required and deemed necessary by CAI;

   (d) the conversion by Roar II of all shareholder advances made by Roar II to SEAir, which was S$98.6 million as at December 31, 2013, into additional paid in capital of SEAir prior to the Closing Date;

   (e) the execution of a letter between Tigerair Singapore and Southeast Asia Airlines (SEAir) terminating the sublease agreements entered into between Tigerair Singapore and SEAir in relation to two (2) Airbus A319 aircraft, which shall include provisions that upon the return of the said aircraft, Tigerair Singapore shall waive all accrued liabilities and obligations of SEAir relating to these sublease agreements;

(f) the cancellation or procuring the discharge of all corporate or banker's guarantees issued on behalf of SEAir by CAI;

(g) the novation by SEAir to Tigerair Singapore of the lease agreements entered into between SEAir (as lessee) and MCAP Europe Limited (as lessor) in relation to three (3) Airbus A320 aircraft;

(h) the sublease by SEAir of the three (3) Airbus A320 aircraft upon terms to be mutually agreed by Tigerair Singapore and SEAir; and

(i) the grant to SEAir of a non-transferable brand license for the use of the brand "Tigerair" for a period of 12 months from the date of the SPA.

The purchase price allocation for the acquisition of the Tiger Airways Philippines has been prepared on a provisional basis due to unavailability of certain information to facilitate fair valuation computation, and reasonable changes are expected as additional information becomes available. The Group was also not able to disclose profit or loss and certain information related to the acquisition as required by PFRS 3, *Business Combinations* since it is impracticable to disclose such information due to the unavailability of certain required information.

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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 ₱415.0 million, ₱222.1 million and ₱136.1 million in 2013, 2012 and 2011, respectively.

c. In 2013, 2012 and 2011, the Group capitalized depreciation as part of the cost of new born biological assets (suckling) amounting to ₱47.7million, ₱37.5 million and ₱25.1 million, respectively.

d. In 2013, 2012 and 2011, the Group foreclosed some assets, which are recorded under 'Investment properties' in the consolidated statements of financial position, amounting to ₱47.1 million, ₱18.0 million and ₱11.9 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.

f. On December 31, 2011, the Group recognized a liability based on the schedule of pre-delivery payments amounting to ₱564.2 million with a corresponding debit to 'Construction-in progress'. The liability was paid on January 3, 2012.

g. In 2013, 2012 and 2011, the Group acquired a total of ten (10) passenger aircraft by assuming direct liabilities. This transaction is considered as a non-cash financing activity.

h. Non-cash acquisitions of property and equipment in 2012 and 2011 amounted to ₱5.9 billion and ₱6.5 billion, respectively.

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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 13, 2014.

CORPORATE DIRECTORY

Common Stock
Listed on the
Philippine Stock Exchange, Inc.
3rd Floor, Philippine Stock Exchange
Ayala Triangle, Ayala Avenue
Makati City

Stock Transfer and Dividend Paying Agent
Banco de Oro Unibank, Inc.
15/F BDO South Tower
Makati Avenue corner H.V. dela Costa St.,
Makati City, Philippines

Corporate Head Office
JG Summit Holdings, Inc.
43/F Robinsons Equitable Tower
ADB Avenue corner Poveda St., Ortigas Center, Pasig City
Metro Manila, Philippines
Tel No. (632) 633-7631 to 40 / (632) 240-8801
Fax No. (632) 633-9207 / (632) 240-9106

Independent Public Accountants
Sycip, Gorres, Velayo & Co.
Certified Public Accountants
SGV Building, 6760 Ayala Avenue, Makati City, Philippines

Legal Counsel
Romulo, Mabanta, Buenaventura, Sayoc & delos Angeles Law Office
21/F Philamlife Tower, 8767 Paseo de Roxas,
Makati City, Philippines

Company Website
www.jgsummit.com.ph