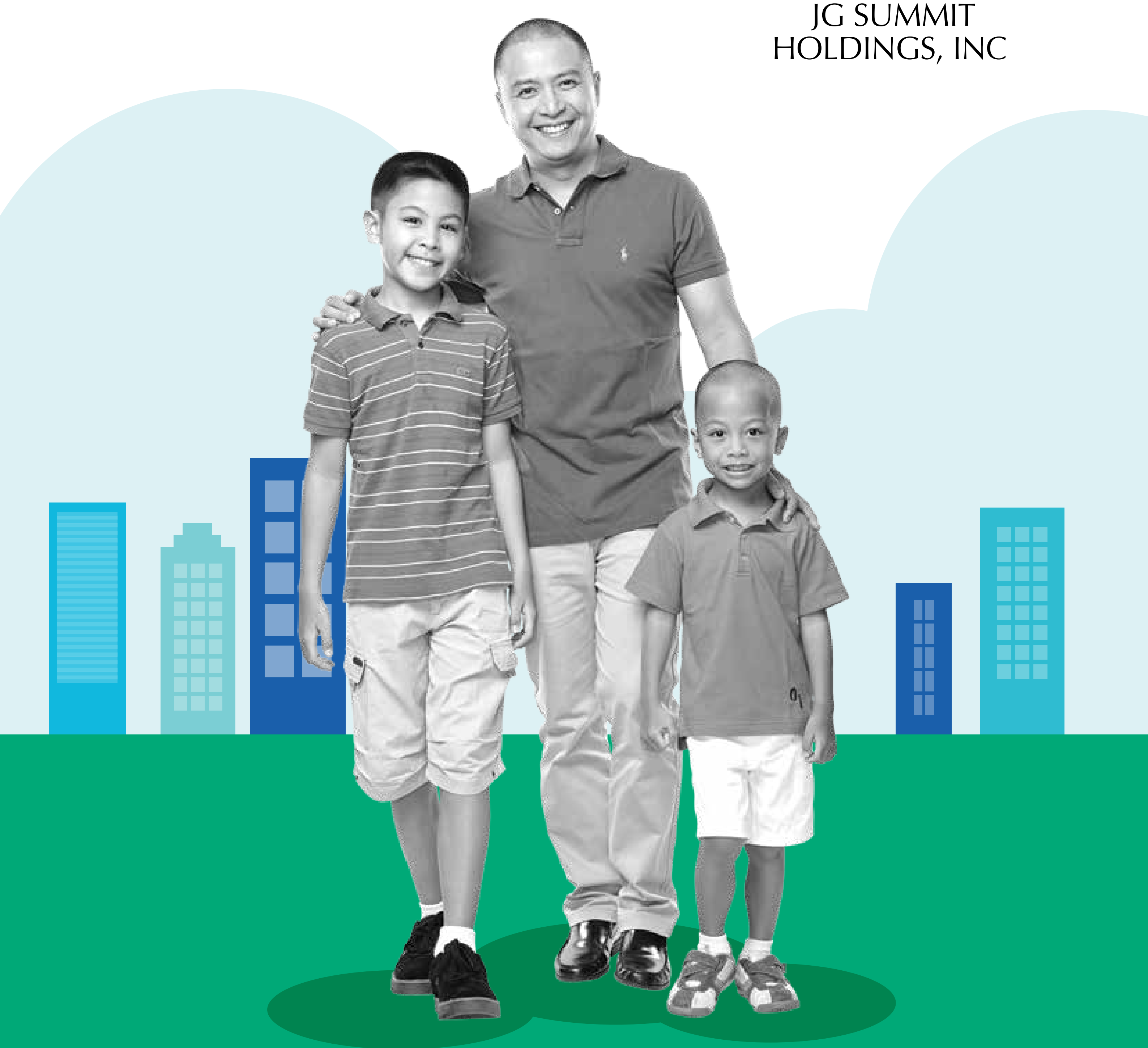
JG SUMMIT
HOLDINGS, INC.

2014 Annual Report

MAKING LIFE BETTER

Contents

JG SUMMIT
HOLDINGS, INC



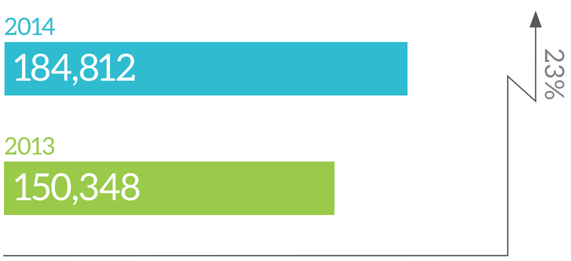
2014 Annual Report

Financial Highlights

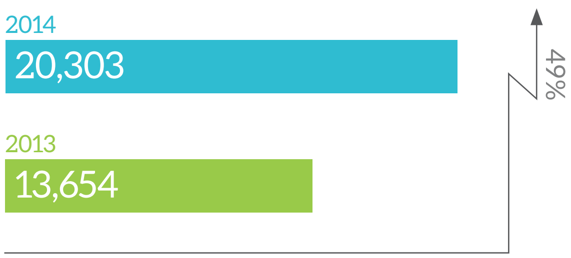
DECEMBER 31 (IN MILLION PESOS EXCEPT PER SHARE AND STATISTICAL DATA)

For the Year	2014	2013	2014 vs 2013 Increase (Decrease) Amount	%
Revenues	184,812	150,348	34,464	23%
Core Net Income after Taxes	20,303	13,654	6,649	49%
Net Income (Equity Holders of the Parent)	18,245	10,434	7,811	75%
EBIT	37,475	25,405	12,070	48%
EBITDA	49,235	35,436	13,799	39%
As of the Year				
Total Assets	558,779	473,620	85,159	18%
Total Liabilities	297,168	237,753	59,415	25%
Total Equity	261,610	235,867	25,743	11%
Per Share				
Basic Earnings	2.60	1.53	1.07	70%
Book Value	29.58	27.39	2.19	8%
Other Financial Data				
Current Ratio	1.10	0.74	0.36	49%
Gearing Ratio	0.77	0.53	0.24	45%
Net Debt Equity Ratio	0.59	0.32	0.27	84%

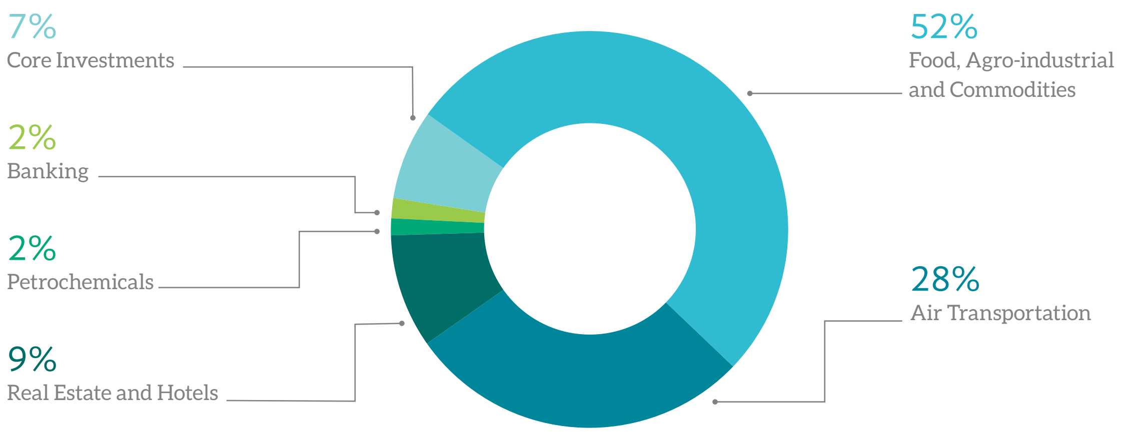
Revenues



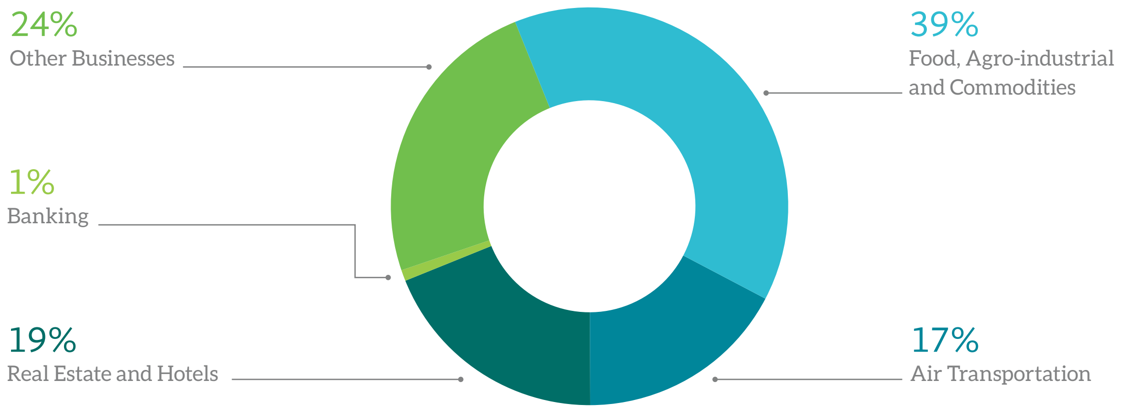
Core Net Income after Taxes



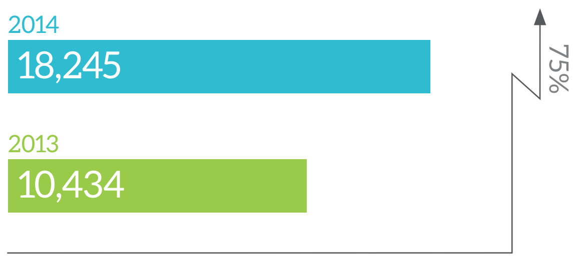
Revenue Contribution



EBITDA Contribution



Net Income



Message from the Chairman and President

We are pleased to report that your company, JG Summit Holdings, Inc. had another remarkable year as our net income from equity holders of the parent grew by 75% in 2014, backed by the resiliency of the Philippine economy. The country posted a gross domestic product growth of 6.1% in 2014, which is the second fastest growth in Asia, fueled by robust private consumption, overseas Filipino worker remittances, business process outsourcing, private investments, moderate inflation, government expenditure and tourism growth.

MAJOR DEVELOPMENTS

Acquisitions

In February 2014, Cebu Air, Inc. (CEB) entered into a strategic alliance with Tigerair which allows 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 and completed a share purchase agreement which enabled it to acquire 100% of Tigerair Philippines.

In July 2014, Universal Robina Corporation (URC) announced its acquisition of 100% of NZ Snack Foods Holdings Limited (NZSFHL), the holding company of Griffin's Food Limited, a leading snack food company in New Zealand, from Pacific Equity Partners. The acquisition was completed in November 2014.

Joint Ventures

In January 2014, URC entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee-URC, Inc. (CURCI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "Calbee Jack 'n Jill" brand name which we launched in March 2015.

In May 2014, URC entered into a joint venture agreement with Danone Asia

Holdings Pte, Ltd., a corporation duly organized in the Republic of Singapore to form DANONE Universal Robina Beverages, Inc. (DURBI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "B'lue" brand name which was introduced in January 2015.

Fund Raising

In October 2013, JG Summit sold 105,000,000 URC shares via an accelerated overnight equity placement at a price of ₱115 per share, raising ₱12 billion for the Company.

In November 2013, 220,000,000 shares of JG Summit were sold via an accelerated overnight equity placement at a price of ₱40 per share through a placement of 98,082,000 treasury shares and an additional placement of 121,918,000 common shares from selling shareholders, raising a total of ₱8.8 billion.

In February 2014, the company completed the issuance of a ₱30 billion fixed rate corporate bond. This issuance was the largest Philippine issuance of the year and the largest since 2010.

The sale of URC shares owned by JG Summit, the JG Summit top-up placement and the bond issuance by JG Summit mentioned above yielded proceeds for the acquisition of the 27.1% stake in Meralco.

In November 2014, URC entered into two (2) credit term loan facilities, amounting to NZ$742 million, with various banks to finance the acquisition of NZSFHL.

In January 2015, the shares of the company were sold via an accelerated overnight equity placement through a top-up placement, raising a total of approximately ₱8.8 billion.

In February 2015, Robinsons Land Corporation (RLC) completed the issuance of a ₱12 billion fixed rate corporate bond, at record low borrowing costs. This issuance was the first Philippine issuance of the year.

Financial Performance

JG Summit Holdings Inc. posted a consolidated net income from equity holders of the parent of ₱18.25 billion for the year ended December 31, 2014, a 75% increase from ₱10.43 billion last year. The increase is due mainly to the following: full-year recognition of equity earnings from our investment in Meralco, higher dividends received from our investments in PLDT and Jobstreet Malaysia, lower foreign exchange loss recognized for the year, and sustained income growth from our core subsidiaries.

Consolidated revenues grew 22.9% from ₱150.35 billion to ₱184.81 billion this year due to the strong performance of all subsidiaries, except for the banking business. URC's revenue grew 15.6% from ₱83.60 billion in 2013 to ₱96.65 billion. CEB's 26.8% increase in gross revenues from ₱41.0 billion in 2013 to ₱52.0 billion in 2014. RLC's total revenues posted a 5.4% growth from ₱16.54 billion to ₱17.43 billion. JG Summit Petrochemical Corporation (JGSPC) revenue significantly increased to ₱3.23 billion in December 2014 from ₱542.55 million last year since it has resumed its commercial operations in November 2014. JG Summit Olefins Corporation (JGSOC) also commenced commercial operations in the same month. Revenue from other supplementary businesses recorded 27.0% increase due to higher commission income and outsource revenue for the period. The banking revenue slightly dropped 1.2% from ₱2.75 billion in 2013 to ₱2.72 billion this year due to lower trading gain and commission income for the period. Equity in net earnings of associates and joint ventures posted a 217.4% increase from ₱2.28 billion to ₱7.25 billion mainly due to full-year recognition of equity earnings from Meralco in 2014. Dividend income (includes only dividends from non-associates) posted a 55.8% growth from ₱3.3 billion for the year ended December 31, 2013 to ₱5.1 billion in 2014 mainly due to dividend received from PLDT and Jobstreet Malaysia during the period.

Consolidated EBITDA reached ₱49.23 billion, a 38.9% increase compared to last year. Core net income after taxes increased 48.7% from ₱13.65 billion in 2013 to ₱20.30 billion in 2014 while operating Income or EBIT went up 47.5% from ₱25.40 billion to ₱37.48 billion.

The Group spent about ₱35.6 billion in capital expenditures in 2014, to continue growing the Group's existing businesses in response to growing demand. CEB 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 that was scheduled to operate in 2014 and, URC undertook several plant expansion projects.

Book value per share improved from ₱27.39 per share as of December 31, 2013 to ₱29.58 per share as of December 31, 2014.

Below is a brief discussion on each of the subsidiaries operating performance:

Universal Robina Corporation posted a 15.6% growth in consolidated sale of goods and services of ₱96.65 billion for the year ended December 31, 2014 from last year's ₱83.61 billion led by URC's branded consumer foods segment, excluding packaging division. All segments managed to post growth with beverage business driving the Philippine operations led by powdered beverage segments, mainly from coffee and complemented by the RTD. BCFG's international sales increased by 12.7% to ₱25.41 billion in 2014 against ₱22.55 billion in 2013. Vietnam and Thailand, the two biggest contributors, accounted for 71.2% of total international sales. Vietnam sales grew despite weak consumer spending, as beverage, biscuits and candies all posted growth. Vietnam was also able to defend its market share in RTD tea from new entrants with its own C2 Oolong product offering. Thailand grew its sales despite increases in inflation and political instability, driven by improving sales of key biscuit and wafer brands due to promotions and sampling activities. Sale of goods and services in URC's packaging division slightly went up to ₱1.19 billion in 2014 from ₱1.07 billion recorded in 2013 due to increase in sales volume and average selling prices while the Agro-Industrial segment (AIG) amounted to ₱8.41 billion in 2014, an increase from ₱7.45 billion recorded in 2013. Farm business grew due to better prices, growing hog carcass segment and increasing sales activities to hotel and restaurant institutions while feed business grew due to better prices and increase in volume supported by strong sales performance of gamefowl feeds. Sale of goods and services in commodity foods segment amounted to ₱7.15 billion in 2014, down by 5.7% from ₱7.58 billion reported in 2013. Sugar business sales went down by 15.6% due to lower volumes despite increase in prices due to decline in refined sugar production while flour business managed to grow by 3.0% due to higher volumes.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) for 2014 amounted to ₱14.94 billion, an increase of 23.8% from ₱12.08 billion recorded for 2013. Net income attributable to equity holders of the parent increased by 12.4% to ₱11.95 billion in 2014 from ₱10.63 billion in 2013 due to higher operating income, net of lower market valuation gain from financial assets at FVPL and gain on sale of investments, and higher net finance cost and net foreign exchange loss. URC reported an EBITDA (operating income plus depreciation and amortization) of ₱19.12 billion for 2014, 29.1% higher than ₱14.96 billion posted in 2013.

Consolidated revenues grew 22.9% from ₱150.35 billion to ₱184.81 billion this year due to the strong performance of all subsidiaries

Robinsons Land Corporation reported 5.4% growth in total gross revenues of ₱17.43 billion for calendar year 2014 from ₱16.55 billion last year. EBIT or operating income grew 2.7% to ₱6.38 billion while EBITDA (operating income plus depreciation) posted a 5.9% growth to ₱9.24 billion. Net income stood at ₱4.78 billion, up by 2.8% compared to last year. The Commercial Centers Division accounted for ₱8.35 billion of the real estate revenues for the year due to the opening of new malls, namely Robinsons Santiago, Robinsons Roxas, Robinsons Antipolo and Robinsons Las Pinas. The Division's EBIT and EBITDA grew by 5.0% and 8.4%, respectively. The Residential Division realized revenues stood at ₱5.88 billion for the year versus ₱6.04 billion last year. The Office Buildings Division revenues grew by 14.6% to ₱1.65 billion from ₱1.44 billion over the same period last year due to new office buildings, namely, Cyberscape Alpha and Cyberscape Beta. The Division's EBIT and EBITDA showed positive variances of 10.5% and 13.9%, respectively. The Hotels Division, a major contributor of RLC's recurring revenues, registered gross revenues of ₱1.58 billion, as against last year's ₱1.50 billion principally due to its newest Go Hotel branches in Iloilo, Ortigas Center and Butuan City. Hotels Division EBIT and EBITDA grew by 12.8% and by 5.6% in 2014 and 2013, respectively.

Cebu Air Inc. generated gross revenues of ₱52.0 billion for the year ended December 31, 2014, 26.8% higher than the ₱41.0 billion revenues earned last year. This is mainly attributed to the increase in passenger revenues by ₱8.53 billion or 26.9% to ₱40.19 billion for the year ended December 31, 2014 from ₱31.66 billion registered in 2013 which is primarily due to the 17.5% growth in passenger volume to 16.9 million from 14.4 million driven by the increased number of flights in 2014. The number of aircraft increased from 48 aircraft as of December 31, 2013 to 52 aircraft as of December 31, 2014, which includes 3 brand new Airbus A330 aircraft delivered in 2014. Increase in average fares by 8.0% to ₱2,382 in 2014 from ₱2,206 in 2013 also contributed to the improvement of revenues. Operating expenses for the year ended December 31, 2014 grew 23.9% to ₱47.84 billion from ₱38.60 billion last year as a result of its expanded long haul operations and overall growth in seat capacity from the acquisition of new aircraft. The weakening of the Philippine peso against the U.S. dollar as referenced by the depreciation of the Philippine peso to an average of ₱44.40 per U.S. dollar for the year ended December 31, 2014 from an average of ₱42.46 per U.S. dollar last year based on the Philippine Dealing and Exchange Corporation (PDEx) weighted average rates also contributed to the increase. Rise in aviation fuel expenses, however, was partially offset by the reduction in aviation fuel prices as referenced by the decrease in the average published fuel MOPS price of U.S. $112.48 per barrel in the twelve months ended December 31, 2014 from U.S. $122.97 average per barrel in the same period last year. CEB incurred a hedging loss of ₱2.31 billion for the year ended December 31, 2014 compared to a hedging gain of ₱290.33 million earned in the same period last year mainly due to losses on fuel hedging positions consequent to the decrease in fuel prices in 2014 partially offset by foreign exchange hedging gains. Net income for the year ended December 31, 2014 increased by 66.7% to ₱853.50 million from previous year's ₱511.95 million.

JG Summit Petrochemicals Corporation's gross revenues reached ₱3.23 billion in 2014, including revenues from the Olefins operations, compared to last year's ₱542.54 million as commercial operations resumed after completing its plant expansion and rehabilitation in March 2014. JGSOC started commercial operations in November 2014. Costs and expenses consequently increased from ₱1.44 billion in 2013 to ₱4.50 billion in 2014. Interest expense also grew 161.4% to ₱23.24 million in 2014 from ₱8.89 million in 2013 due to higher level of trust receipts for both Petrochem and Olefins. A net foreign exchange loss of ₱45.84 million was recorded in calendar 2014 from a net foreign exchange gain ₱106.30 million for the same period last year. These factors contributed to a higher net loss in calendar year 2014 from ₱622.63 million in 2013 to ₱759.45 million in 2014.

Robinsons Bank Corp (RBC), generated net earnings of ₱146.91 million for the year ended December 31, 2014, a 67.5% decline from last year's net income of ₱452.34 million mainly due to decrease in banking revenues. Revenues dropped 1.2% from ₱2.75 billion last year to ₱2.72 billion this year due to lower trading gain and commission income. Interest expense decreased as well to ₱515.36 million from ₱558.11 million due to lower interest rates for the period.

Equity in net earnings of associates companies and joint ventures amounted to ₱7.25 billion for the year ended December 31, 2014, a significant increase from last year's ₱2.28 billion. The increase is mainly due to take up of equity earnings from Meralco amounting to ₱4.68 billion in 2014. Equity income from United Industrial Corporation, Limited (UIC), increased 45.9% from ₱1.72 billion last year to ₱2.50 billion in 2014. UIC recorded a 33.3% growth in its net income from operations S$167.18 million in 2013 to S$222.79 million in 2014 due to higher revenues from the hotel operations, higher contribution from joint venture residential projects and increased share of Singapore Land's operating profit as a result of UIC's increased interest in Singapore Land to 99.6% during the period. 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

Our company's growth prospects remain very positive as our businesses are anchored on the growth of the Philippine economy.

Universal Robina Corporation, the largest snack foods in the country with strong PAN ASEAN presence and recently in New Zealand, officially commissioned its bio-ethanol facility in November 2014 and have started exporting power for the biomass plant in December 2014. It will begin commissioning Central Vietnam and Myanmar facility in the second half of the fiscal year. URC will install additional capacities in the ASEAN to include PET beverage and snack-foods lines and a new bar line in New Zealand. The company will continue to launch exciting new products in snack-foods and beverages across its footprint.

Robinsons Land Corporation, a major real estate developer, will be opening 3 new malls and expand an existing mall in fiscal year 2015, 1 of which have been opened to date. As its 10 office buildings portfolio is almost fully leased out, it has started planning for additional office buildings of at least 1 office building per year. It will continue to expand its hotel business through GO Hotels and opportunities for Summit Hotel brands. It will continue to be cognizant on the continued strong demand of its residential arm and is earmarking to launch projects approximately amounting to ₱6-12 billion in terms of sales value. RLC is excited with the recent agreement entered between Robinsons Land and Starwood Asia Pacific Hotels and Resorts Pte Ltd. for planned

The Westin Manila Sonata Place and The Residences at The Westin Manila Sonata Place that will be located at the heart of the Ortigas Business district.

Cebu Air, Inc., Philippines' leading airline, has boosted its network both domestic and international. It launched new long haul destinations in 2014, namely, Kuwait, Sydney and Riyadh. We will start flying to Doha starting June 2015. CEB took delivery of its 6th A330 aircraft in March 2015 bringing total fleet size to 55 aircraft, with 6 Airbus A330, 31 Airbus A320, 10 Airbus A319 and 8 ATR. For the balance of 2015, we will be taking delivery of 2 additional Airbus A320, no lease returns but will deliver 2 Airbus A319 to Allegiant. For 2016, CEB will be taking delivery of 3 more Airbus A320 aircraft, returning 1 Airbus A320 aircraft under operating lease and delivery of 4 Airbus A319 to Allegiant, bringing total fleet to 53 aircraft at end of year. The reduction in the number of aircraft in 2016 will be offset by increased seats from the new aircraft deliveries.

JG Summit's petrochemical business, the first in the country, started its commercial operations in November 2014, both for the naphtha cracker plant operated by **JG Summit Olefins Corporation** and the polymer plants operated by **JG Summit Petrochemical Corporation.** 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. The cracker has been running continuously since start-up at an average of 70-80% run rate and we expect to gradually ramp up as market conditions improve.

ACKNOWLEDGEMENT

We wish to convey our deepest gratitude to our employees, board and executives for their untiring efforts, dedication and hard work, to our fellow shareholders for their unwavering confidence and support, and to all our customers, suppliers and business partners for their continued confidence in our commitment to make life better for every Filipino. We look forward to making 2015 a most rewarding year for all.

James L. Go
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Lance Y. Gokongwei
PRESIDENT AND CHIEF OPERATING OFFICER

JG Summit Businesses

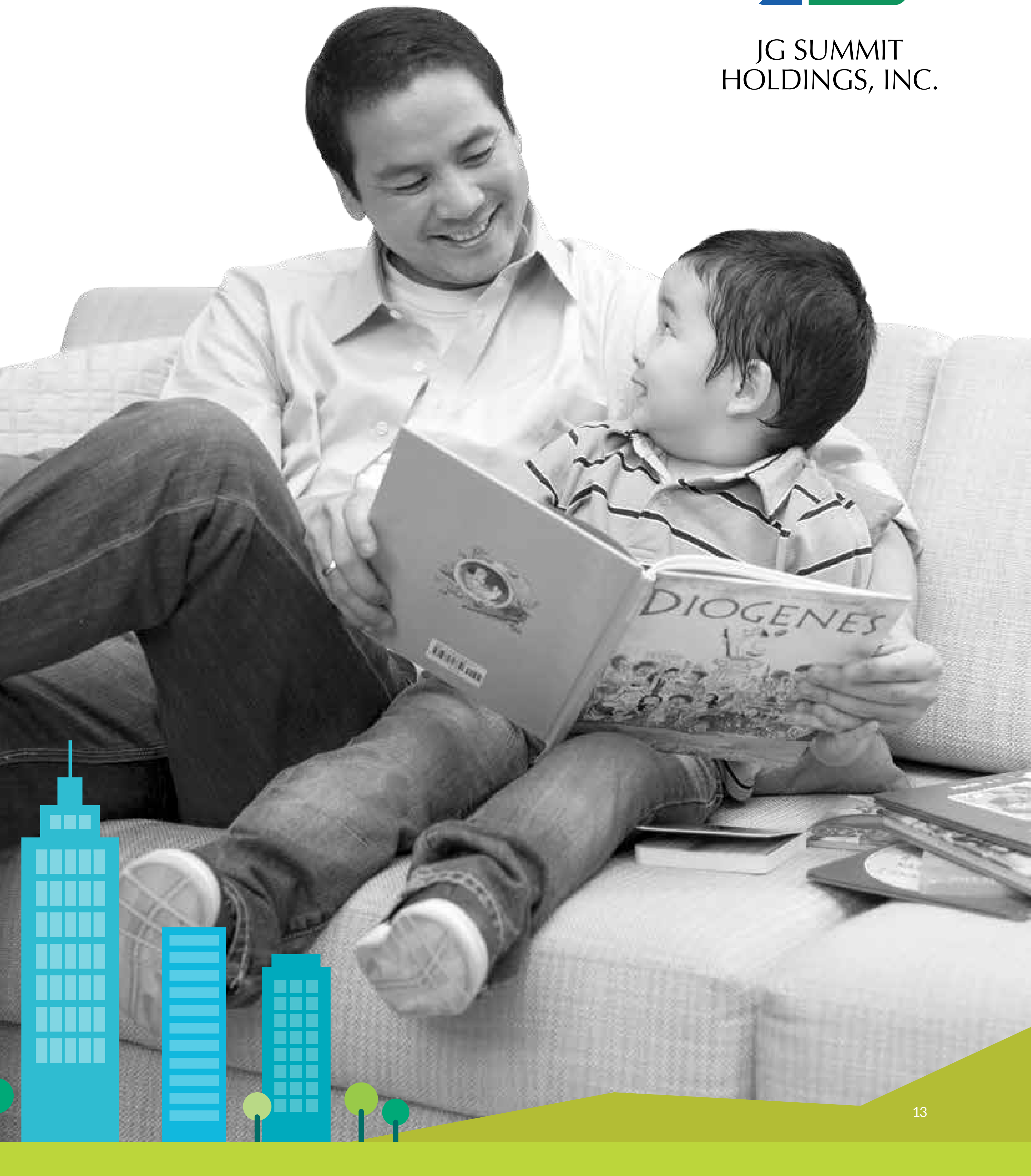
Making Life Better for Every Filipino

JG Summit Holdings, Inc. (JG Summit) is one of the largest and most diverse conglomerates in the Philippines, with various business interests in food and beverages under Universal Robina Corporation, real estate and hotels under Robinsons Land Corporation, airlines under Cebu Pacific, banking and financial services under Robinsons Bank Corporation, and petrochemicals under JG Summit Petrochemicals Corporation and JG Summit Olefins Corporation. We have core investments in real estate through United Industrial Corporation, telecommunications through PLDT and in power through Meralco. JG Summit's businesses are leaders in their respective industries, proof of having established a formidable presence in various sectors of the Philippine economy over the last 60 years.

Our humble beginning started with Universal Corn Products, Inc (now Universal Robina Corporation), a cornstarch plant in the 1950's. Since then, the company has grown into the diverse conglomerate that it is today, built on a strong entrepreneurial culture and conservative financial management. We are present in different sectors of the economy and expanding into the ASEAN region and recently in New Zealand and Australia.

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 lead the country to global competitiveness and make life better for every Filipino.

JG SUMMIT
HOLDINGS, INC.



NEWS

Universal Robina Corporation acquires New Zealand's Griffin's Foods

Universal Robina Corporation (URC), one of the leading snackfood and beverage player in the PAN-ASEAN region, announced in July 2014 that it would purchase 100% of the shares of NZ Snack Foods Holdings Limited, the holding company of Griffin's Food Limited. The transaction was completed in November 14, 2014 and financed via debt amounting to NZD 742 million. This is URC's largest acquisition to date.

Griffin's Food is the largest snackfood company in New Zealand, with a 150-year old heritage. The company has leading market positions in biscuits and wrapped snacks, and is the second largest in the salty snacks category. Griffin's also enjoys a growing branded presence in Australia with its Nice & Natural range of nutritious snacks and is a major supplier of retailer branded products/private label in Australia.

Griffin's is a natural strategic fit to URC's existing snack foods portfolio given its strong brand heritage in New Zealand – a country trusted worldwide in having high credibility when it comes to food quality, safety and authenticity. The acquisition gives URC access to a ready premium product portfolio, which URC

plans to introduce in the ASEAN and China. The acquisition has also increased URC's market reach to New Zealand and Australia, where URC plans to introduce its products into the budget retailer branded or discount branded segments.

URC President and Chief Executive, Lance Gokongwei, said:

"In recent years URC has been looking for opportunities to explore potential acquisitions and partnerships in line with our vision to be a significant regional player in snack foods and beverages.

"While we have already built very strong brands, our strategy is to continue offering our existing consumers and markets in the ASEAN and Greater China regions with innovative, convenient, lifestyle-focused and on-the-go products.

"We believe Griffin's is at the forefront of global consumer trends in snacking, including: indulgence; a sense of play and excitement; using natural ingredients; ensuring traceability of source; and providing healthy alternatives. We are very excited to introduce and grow these brands in Asia."

UNIVERSAL ROBINA
CORPORATION

Universal Robina Corporation

Universal Robina Corporation is one of the leading Southeast Asian food and beverage companies and is also a major player in the 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, and most recently into the TASMAN region with its acquisition of Griffin's. At present, the Company maintains operations and manufacturing facilities in eight countries in the PAN-ASEAN TASMAN region (namely Philippines, Thailand, Vietnam, Malaysia, Indonesia, Myanmar, China, and New Zealand) and trading offices in HK and Singapore. URC has expanded its reach to New Zealand and Australia through the acquisition of Griffin's, a leading snacks player in New Zealand, which owns many established brands such as Griffin's, Cookie Bear, Eta, Huntley and Palmer's, Nice & Natural, and Chip Off the Old Block.

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

URC 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.

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'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, raw sugar refining, biomass power cogeneration and distillery under the URC Sugar and Renewables 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.

Universal Robina Corporation is committed to bringing Filipino taste and culture worldwide.

- URC expanded in the Asean market in 2000 after the international investments of the Gokongwei family in food manufacturing was folded-in into the Company. From initial operations in Thailand, China, and Malaysia, two more were added since then – Indonesia in 2001 and Vietnam in 2005.
- URC continuously innovates and introduces new products both locally and in the region to constantly excite the market. The company realizes that innovation is one of the key factors for the success and sustainability of the business. In 2011, URC successfully launched extruded and palletized snacks called Chicharron ni Mang Juan as well as Great Taste White Coffee mixes, a first in the domestic market.
- URC also supports the livestock industry with Robina Farms, which raises hogs and poultry; Universal Corn Products, which provides a variety of feeding and nutritional needs for them; and Robichem, which takes care of their veterinary requirements. URC ensures healthy, well-tended livestock - just one of the ways URC helps make life better for the Filipino.
- URC is a major player in commodity foods, with strong positions in flour milling, sugar milling, and sugar refining. In October 2012, URC expanded its sugar operations and acquired its fifth mill, Tolong. With the new sugar mill, URC now has a combined capacity of 29,500 tons of sugar cane per day and 33,000 bags of refined sugar per day. This also ensures consistent supply of these raw materials for URC's branded consumer foods group. URC supplies approximately a tenth of the country's total demand for flour and sugar.

BRANDED CONSUMER FOODS GROUP (BCFG)

URC is the market leader in salty snacks and confectioneries and a strong player in the bakery category.

- SALTY SNACKS
- BAKERY
  - Biscuits
  - Packaged Cakes
- CONFECTIONERIES
  - Candies
  - Chocolates

URC participates in strategic segments in the Philippine beverage market that complement its snackfood products.

- READY TO DRINK BEVERAGES
  - Tea
  - Juices
  - Water
  - Functional Drink
  - Coffee
- POWDERED BEVERAGES
  - Instant Coffee (Pure Soluble and 3-in-1 Mixes)
  - Creamer

JOINT VENTURES

Nissin-URC

URC manufactures and markets instant noodles in cups and pouches through its joint venture with Nissin Foods Holdings, Co. Ltd

Nissin-URC also manufactures and markets instant noodles in pouches through the Payless brand.

Hunts-URC

URC manufactures and markets tomato-based products, through its joint venture with ConAgra Foods Inc (U.S.)

Calbee-URC, Inc.

URC manufactures premium snacks through its joint venture with Calbee of Japan

Danone Universal Robina Beverages, Inc.

URC manufactures beverage products with its joint venture with Danone Asia Holdings Private Ltd. (Danone Asia), a unit

URC FACTS

- 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 with a capacity of 100,000 liters per day is located in Manjuyod, Negros Occidental, and the plant aims to produce fuel grade anhydrous ethanol suitable for gasoline blending using sugar molasses as feedstock. The ethanol plant was commissioned in November 2014, and commercial sales commenced in January 2015. URC has closed contracts with oil companies such as Flying V, Phoenix Petroleum, SEAOIL, and Chevron. URC started the installation of a Biomass Fired Power Cogeneration plant in Negros Occidental. Phase 1 of the project, with 16 megawatts (MW) new steam turbine generator systems using the upgraded existing boiler system, was completed and started exporting excess power of 5 MW to the national grid in December 2014. As of report writing date, the biomass plant is awaiting final approval for some regulatory and compliance requirements for the feed in tariff (FIT).

- 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 second quarter of FY2015.

of the multinational Danone Group of France

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 and Renewables Division

Provides sugarcane milling and raw sugar refining services, biomass power cogeneration, produces fuel grade anhydrous ethanol suitable for gasoline blending

- URC announced in July 2014 that it will acquire 100% shares of NZ Snack Foods Holdings Limited, which is the holding company of Griffin's Food Limited, a leading snack food company in New Zealand, from Pacific Equity Partners. The acquisition was subject to the approval of the New Zealand Overseas Investment Office. The transaction was completed in November 14, 2014.

- URC announced in March 2014 that it has entered into a 50-50 joint venture (JV) partnership with Calbee of Japan. Calbee-URC, Inc. will manufacture snack products in the Philippines. Calbee is a major Japanese snack food maker, with its products enjoying huge popularity in Asia and the United States.

- URC signed a JV agreement in October 2014 with Danone Asia Holdings Private Ltd. (Danone Asia), a unit of the multinational Danone Group. Through the joint venture, Danone Universal Robina Beverages, Inc., URC aims to diversify its line of beverage products, increase the sales of its various beverages and expand its domestic market share.

NEWS

URC's Response to the Changing Consumer Landscape: Affordable Premiumisation with Griffin's, and JVs with Calbee and Danone

Universal Robina Corporation, one of the largest PAN ASEAN branded snack-foods and beverage players, has always driven innovation to continue giving its consumers brands with very strong value proposition and quality for the mainstream consumers in the different markets it operates.

URC is seeing new and emerging global trends in snacking and beverage consumption and will not just focus on its core mainstream portfolio of brands but will soon launch and participate in the premium segments of the market. Lifestyle is changing fast in the ASEAN as evidenced by rising GDP per capita, and with this, the typical consumer will demand to eat better in a fast paced, on-the-go setting. URC will once again transform its innovation strategy and develop products anchored on indulgence, play plus, authenticity, health, nutrition, and wellness. URC will continue to offer innovative products under the company's existing mainstream portfolio given a larger addressable market but will also slowly deploy an affordable premiumisation strategy in specific categories to continue making URC relevant to its customers – to both the trade and end consumers.

In line with its strategy of developing a premium product portfolio, URC has purchased Griffin's, a leading premium snack food player in New Zealand. Griffin's boasts of a 150-year company heritage and owns popular and well-loved

brands in New Zealand such as Griffin's, Cookie Bear, ETA Chips, Huntley and Palmer's crackers and Nice & Natural bars. This acquisition immediately gives URC a platform to launch premium and differentiated products from NZ, a trusted food source known for its stringent quality and authenticity worldwide.

Aside from the acquisition of Griffin's, URC has two new businesses that have both already launched their products in the second quarter of FY2015. These two are the joint ventures with Calbee of Japan, the third largest salty snacks player in the world, and Danone of France, a worldwide leader in nutrition, dairy and waters. The company has launched premium potato-based snacks like Jagabee and Pizza Potato under the Calbee Jack 'n Jill brand. The aim is to participate in the premium segment of the salty snacks category and grow this in the coming years. The JV with Danone launched B'lue, a water-based beverage that has a unique selling proposition centered on enhancing one's personal best, anytime, anywhere. As this product offers a totally new drinking experience in the Philippine market, the company is quite excited and believes that this product could potentially create a new segment in the ready-to-drink space.

URC believe that its new acquisition and joint ventures will play an important role in addressing the demands of the ever changing consumer and in fortifying URC's position as one of Asia's leading FMCG players.

Lifestyle is changing fast in the ASEAN and with this, the typical consumer will demand to eat better in a fast paced, on-the-go setting.

REAL ESTATE & HOTELS

Robinsons Land Corporation

Robinsons Land Corporation (RLC) is one of the Philippines' leading real estate developers. It is engaged in the development and operation of shopping malls, office buildings, hotels, residential condominiums, residential subdivisions, and mixed-use developments located in key cities and urban areas nationwide. RLC has 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, houses, and subdivisions).

RLC is one of the country's largest mixed-use property developers. It has mixed-use developments such as the Robinsons Galleria complex which houses two office towers, two deluxe hotels, and an upscale residential condominium, all 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 features the Forum Robinsons mall, the flagship Go Hotel, four office buildings, and three residential towers. The Magnolia Town Center complex in Quezon City is RLC's sixth mixed-use development in Metro Manila that includes the Robinsons Magnolia mall, The Magnolia Residences and features the Summit Hotel Magnolia.
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.

ROBINSONS LAND CORPORATION

YOUR DREAMS, OUR FOUNDATION.

NEWS

Robinsons Land Corporation

Robinsons Land Corporation, the real estate arm of JG Summit Holdings, Inc., sustained its momentum from its previous year's success as it was honored again as the Overall Best Managed Company in the Philippines by Euromoney, a leading international financial publication. This back to back award, having been received both in 2013 and 2014, is a strong sign of the recognition of international investors and the trust and respect placed in RLC. According to Euromoney, the investor community praised RLC's clear articulation of its strategy, transparent communication to investors, and management's continued demonstration of prudent gearing and good governance.

Leveraging on the robust Philippine real estate sector, the company expanded its product portfolio to new heights last year, demonstrating its expertise in developing and managing properties through existing properties as well as its new mall, office, hotel and residential offerings.

For its fiscal year 2014, Robinsons Land opened six new malls which are viewed to become the new shopping destinations in their respective areas. The new malls were Robinsons Place Butuan, Robinsons Town Mall Malabon, Robinsons Place Malolos, Robinsons Place Roxas, Robinsons Place Santiago, and Robinsons Place Antipolo. The Philippine Retailers Association (PRA) elevated Robinsons Magnolia as a Hall of Fame awardee after it won the Shopping Center of the Year award under the Medium Category for the second year in a row. Robinsons Magnolia forms part of the Magnolia Town Center complex, an internationally recognized mixed-use development in Quezon City. Robinsons Palawan was also awarded as Shopping Center of the Year under the Small Category by the PRA. Robinsons Palawan serves as the first and only full service mall in Puerto Princesa City and is fast becoming a landmark destination in Puerto Princesa.

RLC 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. The 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 2014, RLC has 13 mixed-use developments.
- In 1996, the real estate development and hotel management activities of JG Summit group was consolidated under RLC through share swap transactions of two affiliated entities, Manila Midtown Hotels and Land Corporation and Robinsons Inn.
- RLC was 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 largest shopping mall operators in the country with 1,056,000 sqm of leasable space and approximately 8,000 retailers across its 38 malls.

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

The company continued to bolster its office portfolio. In 2014, it launched two new office towers, Robinsons Cyberscape Alpha and Robinsons Cyberscape Beta, in the Ortigas central business district. This increase in its office net leasable area by 42% solidified its position as the dominant landlord in the Ortigas area. These new towers will go towards addressing the strong demand in the business process outsourcing (BPO) sector.

RLC also opened two new hotels, Go Hotels Iloilo and Go Hotels Alpha Ortigas which is located near its Galleria complex in the past year. These hotels complement RLC's existing developments and will help serve the growing tourism market in the Philippines.

The residential portfolio also gained more ground with newly launched and expanded projects such as The Trion Towers - Tower 3 under Robinsons Residences, Chimes Greenhills under Robinsons Communities, Bloomfields Baliwag and Bloomfields Heights Lipa Phase 3, both under Robinsons Homes.

By the end of fiscal year 2014, Robinsons Land continued to cement its name as one of the country's leading diversified real estate companies with a nationwide presence. The company strengthened its portfolio with 38 malls offering 1,056,000 million square meters of gross leasable space, 10 office buildings with 275,000 square meters of net leasable area, 12 hotels boasting of 1,896 rooms, 64 residential buildings, and 34 housing subdivisions.

- RLC is a top office space provider to BPO companies in the country with 275,000 sqm of leasable space from its ten office buildings. In addition, 61,500 sqm of commercial center space is being leased out to BPO companies.

- RLC is a leading owner and operator of hotels in the Philippines with a total of 1,896 guestrooms. The company successfully opened its first essential services/value hotel chain in the country in 2010, Go Hotels, which is viewed as a complement to its other property developments and is also as a good strategic fit to an affiliate company, Cebu Pacific.

- In 2012, RLC was 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, the International Property Awards-Asia Pacific recognized the Magnolia Town Center as the Best Mixed-Use Development in the Philippines and Signa Designer Residences as the Best Residential High-Rise in the Philippines.

- 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.

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, 2014, RLC operates 38 shopping malls, with 8 malls located in Metro Manila and 30 malls in urban areas throughout the Philippines.

Office Buildings Division

Develops office buildings for lease. As of September 30, 2014, this division has ten office buildings, nine of which are located in Metro Manila and one in Cebu. These office projects are primarily developed as investment properties and leased out to business process outsourcing companies and traditional corporate offices.

Hotels Division

Owns and operates hotels all over the country. As of September 30, 2014, RLC's Hotels Division has a portfolio of twelve 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 (Mandaluyong-Manila, Palawan, Dumaguete, Tacloban, Bacolod, Otis-Manila, Iloilo and Ortigas Center-Manila).

Residential Division

Develops and sells residential developments under four brands. Robinsons Luxuria, Robinsons Residences, and Robinsons Communities are residential condominiums which cater to the luxury segment, upper middle segment and affordable segment, respectively. These projects are located in key cities and suburban areas near the Metropolis. Robinsons Homes sells land as well as houses in subdivision developments under three sub-brands namely Springdale, Brighton, and Bloomfields. These projects are located in provincial areas. As of September 30, 2014, RLC's Residential Division had 71 completed residential projects, and had 26 ongoing projects.

CEBU PACIFIC

AIR TRANSPORTATION

Cebu Pacific Air

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 34 domestic and 28 international destinations. CEB uses a tiered pricing system that provides 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 and mobile check-in, self check-in kiosks, seat selection and online booking through www.cebupacificair.com. On March 20, 2014, CEB acquired Tiger Airways Philippines (TAP), as a wholly owned subsidiary. CEB and TAP (collectively known as "CEB Group") are consolidated for financial reporting purposes.

In line with its commitment to make air travel more affordable and accessible, the CEB Group operates an extensive route network serving 57 domestic routes and 37 international routes with a total of 2,652 scheduled weekly flights as of December 31, 2014. 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 Group operates from seven hubs: the Ninoy Aquino International Airport (NAIA) Terminal 3 and Terminal 4 both located in Pasay City, Metro Manila; Mactan-Cebu International Airport located in Lapu-Lapu City, part of Metropolitan Cebu; Diosdado Macapagal International Airport (DMIA) located in Clark, Pampanga; Davao International Airport located in Davao City, Davao del Sur; Ilo-ilo International Airport located in Ilo-ilo City, regional center of the Western Visayas region; and Kalibo International Airport in Kalibo, Aklan.

CEB Group currently operates a fleet of 55 aircraft comprised of 10 Airbus A319, 31 Airbus A320, 6 Airbus A330 and 8 ATR 72-500 aircraft. CEB Group's fleet is one of the youngest in the world, with an average age of 4.44 years. To support its growth requirements, the CEB Group will take delivery of 7 more brand new Airbus A320 and 30 Airbus A321NEO aircraft between 2015 to 2021.

CEB Group defended its dominance in the Philippine domestic market on all

We continue to work at making more dreams of flight a reality for every Juan.

important metrics – most passengers, most seats, highest seat load factor, most destinations, routes, and daily flights. Based on CAB data, the group's domestic market share in 2014 is 60.8% and its competitive performance index (CPI) for the year posted at 1.04, which means our share of market remains higher than our capacity share. Our CPI remains the highest among the domestic players in the Philippines.

CEB Group continued to grow in the international market with 17.4% market share based on first half 2014 CAB data. On international routes we operate, the CEB Group captured 23% market share.

Singapore, Hong Kong and Korea continue to be our largest markets. New international destinations introduced in 2014 include Nagoya, Narita, Sydney, Kuwait, and Riyadh. Starting June 4, 2015, CEB will start flying two times weekly service to Doha, Qatar.

We continue 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.

- 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 online 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, 2014, CEB has a network of eight organic booking offices located throughout the Philippines and one booking office located in Hong Kong.

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

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

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

- CEB is the Philippines' largest turbo-prop operator, operating the most inter-island flights to the top tourist destinations in the country.

DOMESTIC DESTINATIONS

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

INTERNATIONAL DESTINATIONS

1. Australia (Sydney)
2. Brunei (Bandar Seri Begawan)
3. Cambodia (Siem Reap)
4. China (Beijing)
5. China (Guangzhou)
6. China (Shanghai)
7. China (Xiamen)
8. Hong Kong
9. Indonesia (Bali)
10. Indonesia (Jakarta)
11. Japan (Nagoya)
12. Japan (Narita)
13. Japan (Osaka)
14. Kingdom of Saudi Arabia (Riyadh)
15. Korea (Busan)
16. Korea (Incheon)
17. Kuwait
18. Macau
19. Malaysia (Kota Kinabalu)
20. Malaysia (Kuala Lumpur)
21. Qatar (Doha)
22. Singapore
23. Taiwan (Taipei)
24. Thailand (Bangkok)
25. Thailand (Phuket)
26. United Arab Emirates (Dubai)
27. Vietnam (Hanoi)
28. Vietnam (Ho Chi Minh)

- 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.

- 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. In September 2014, CEB launched a thrice weekly service to Kuwait and a four times weekly service to Australia. In October 2014, CEB launched thrice weekly services to Riyadh.

- Tigerair Group 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 a sale and purchase agreement to acquire 100% of Tiger Airways Philippines. The acquisition was completed on March 20, 2014.

- On January 8, 2015, CEB flew its 100 millionth passenger.

- 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.

- In 2014, CEB was highly commended as Most Creative Campaign by Airline in the Simplifying Awards for Excellence in Social Media 2014, and received the Airline Personality of the Year award from Skal Tourism.

- In October 2014, Center for Aviation (CAPA) recognized CEB as the Asia Pacific Low Cost Carrier of the Year during the CAPA Aviation Awards for Excellence 2014.

NEWS

Cebu Pacific and Tigerair Make Progress on Interline Agreement

Tigerair and Cebu Pacific, the largest budget carriers based in Singapore and the Philippines respectively, entered into a wide-ranging strategic alliance in January 2014. Both parties are set to collaborate commercially and operationally on international and domestic air routes to and from the Philippines, thereby creating the biggest network of flights to the region.

The strategic alliance allows both carriers to harness synergies and efficiencies to enhance their network coverage, flight frequencies and customer service, and jointly market their routes using codeshare and interline arrangements.

In July 2014, Cebu Pacific and Tigerair made further progress on the interline agreement. Travellers can now enjoy seamless connections between the two airlines with easy one-stop ticketing for connecting flights and baggage check-in. The ability to cross-book flights on a single itinerary also paved the way for greater connectivity between the two carriers, allowing customers to connect seamlessly within Asia Pacific and the Middle East.

The first interline flights were available for sale on the Tigerair website from 23 July 2014. Tigerair flights were available on the Cebu Pacific website from September 2014. Tigerair's customers can now fly from South East Asia to 34 Philippine cities, Korea and Japan on Cebu Pacific's network. Cebu Pacific's customers in the Philippines can now fly to 20 new destinations in 8 countries, including Bangladesh (Dhaka), China (Haikou, Lijiang, Ningbo, Shenzhen, Xi'an), India (Bangalore, Chennai, Hyderabad, Kochi,, Thiruvanathapuram, Thiruchirapalli), Indonesia (Surabaya), Malaysia (Langkawi, Penang), Maldives (Male), Myanmar (Yangon), and Thailand (Chiangmai, Hat Yai, Krabi).

Chief Operating Officer of Tigerair, Mr Ho Yuen Sang said, "The interline arrangement harnesses the strengths and networks of Tigerair and Cebu Pacific. We look forward to offering greater convenience to customers with the increased flight frequencies, enlarged network and more seamless options for both business and leisure travel."

President and CEO of Cebu Pacific Air, Mr. Lance Gokongwei said, "Together with Tigerair, we are proud to offer the largest, most extensive low cost network to and from the Philippines. Tigerair's network reinforces Cebu Pacific's strong presence in Asia, and expands our network with new destinations in Australia, Bangladesh, Cambodia, China, India, Indonesia, Malaysia, Myanmar, Maldives and Thailand. We look forward to offering our trademark low fares and fun flights to both Cebu Pacific and Tigerair customers."

NEWS

CAPA names Cebu Pacific Air Best Low-Cost Carrier in Asia-Pacific

Leading aviation think tank, Centre for Aviation (CAPA) recognized Cebu Pacific as the Asia-Pacific Low-Cost Carrier (LCC) of the Year, during the CAPA Aviation Awards for Excellence held on October 14, 2014 in Singapore.

"Our LCC of the Year has endured a tumultuous period in its home market, but maintained its focus and had the highest operating profit margin in the Asian airline industry," said CAPA Executive Chairman Peter Harbison. "The carrier has launched a long-haul operation which strategically improves its long-term position by opening up new markets, while quickly responding to the challenges in this segment," he added. "The Cebu Pacific team is honored to be recognized by CAPA. We will continue to approach growth conservatively and responsibly in order to build a sustainable airline business. Ultimately, this sustainability will allow us to expand to more destinations, making our low fares available to more people," said CEB President and CEO Lance Gokongwei.

Established in 1990, CAPA – Centre for Aviation is the leading provider of independent aviation market intelligence, analysis and data services, covering worldwide developments. CAPA's Aviation Awards for Excellence are intended to reward airlines and airports that are not only successful, but have also provided industry leadership in adjusting to a new environment.

Cebu Pacific Air Chief Executive Adviser Garry Kingshott (right) receives the Low-Cost Carrier of the Year award from CAPA Executive Chairman Peter Harbison. CAPA – Centre for Aviation is the leading provider of independent aviation market intelligence, analysis and data services, covering worldwide developments.

PETROCHEMICALS

JG Summit Petrochemicals Group

JG Summit Holdings Inc. 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 and JG Summit Olefins Corporation, which now form the JG Summit Petrochemicals Group.

About JGSOC

JG Summit Olefins Corporation (JGSOC) operates the country's first naphtha cracker facility. It uses Lummus Technology in manufacturing polymer-grade ethylene and propylene which are feedstocks for the JGSPC PE and PP plant. The cracker's two other main products, pygas and crude C4 (in addition to ethylene and propylene), are raw materials in the manufacture of intermediate petrochemicals benzene, toluene, xylene and butadiene which are used in a myriad of applications such as for solvents, dyes, paints, foams and rubber, to name a few.

JGSOC was incorporated in 2008. Engineering works for the naphtha cracker started in 2009. Commercial operations commenced in November 2014.

This naphtha cracker project allows back integration with JGSPC's PE and PP polymerization facilities, eliminating the need to import ethylene and propylene and ensuring stability in the supply and competitiveness of prices of widely used PE and PP resins for the Philippine plastics industry.

About JGSPC

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

JGSPC was incorporated in 1994 as a joint venture between JG Summit Holdings, Inc. and Marubeni Corporation. The company was given pioneer status by the Board of Investments in the same year. Construction of the JGSPC plant started in 1995. Commercial operations commenced in March 1998 with the production of polyethylene and polypropylene in June of the same year. JGSPC became a wholly owned subsidiary of JG Summit Holdings, Inc. in 2006.

At present, JGSPC's expanded plant has rated capacities of 320,000 metric tons of polyethylene and 190,000 metric tons of polypropylene.

JGPSC is a proud ISO 9001:2008 and ISO 14001:2004 certified company.

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Trunkline: +632 395 3800 – 03
Website: www.jgspetrochem.com

JG Summit Petrochemicals Group to Boost Local Plastics Industry and Chemical Manufacturing Sectors

JG Summit Petrochemicals Group produces two of the most widely used polymers, polyethylene (PE) and polypropylene (PP). The domestic plastics converting industry in turn relies heavily on PE and PP as major raw materials for their products. According to the Philippine Plastics Industry Association (PPIA), there are more than 1,000 plastics fabricators and converters in the Philippines, which employ an estimated 600,000 direct and indirect workers.[1] Thus, the availability of locally-produced PE and PP resins helps provide stability and consistency in supply of the raw materials needed to sustain the local plastics converting businesses. The shorter delivery lead-times and responsive technical service provided by JG Summit also allows for greater ease in doing business for local companies, as compared to sourcing from producers abroad. In addition, pricing in local currency also affords foreign exchange savings as it eliminates risks associated with importing and purchasing resins in foreign currency.

On a larger scale, JG Summit Petrochemicals Group, with its target annual revenues of USD 800 million to USD 1 billion, is expected to contribute significantly to the revenue generation of the domestic chemical manufacturing industry. The combined revenue of the chemicals, rubber and plastics industries in the Philippines, pegged at PHP 315 billion in 2014, is poised to expand by at least one-tenth in the next year.[2] JG Summit is also carefully evaluating next areas for future petrochemical investments. These investments can open up opportunities in the local manufacturing sectors by providing vital raw materials that may be sourced from the petrochemicals value chain. Faithful to its commitment of contributing to nation building and ultimately towards Philippine industrialization, the JG Summit Petrochemicals Group will continue on to develop more products and prospects that will help boost the domestic plastics and manufacturing industries.

JG Summit also allows for greater ease in doing business for local companies, as compared to sourcing from producers abroad.

Plastic Fantastic – Rethinking the Way We View Plastics

Plastics is the common term used for a wide range of polymer materials used for countless applications. A polymer is formed when many repeated subunits called monomers are joined together to form long chains. In simpler terms, one may describe polymers as big buildings, and monomers as the bricks that go into them.

We are proud to manufacture these materials which help us contribute to a more efficient use of resources and also inspire innovations that help make life better every day.

Plastics come from either natural or synthetic sources, and exhibit a broad range of properties. They are lightweight but with significant degrees of strength, provide excellent thermal and electrical insulation, are generally corrosion resistant, and can be processed in a myriad ways and shaped into various forms. Plastics can also be easily designed and its properties modified to fit specific applications. Due to their versatility, plastics are found in daily life, and are used virtually in every aspect of everyday living from food and non-food packaging, manufacturing, agriculture, infrastructure, medical and health care, transportation and logistics to automotive and aerospace.

Below are some examples of how plastics help make lives better.

Plastics provide rice and crop protection, allowing sufficiency of yields.

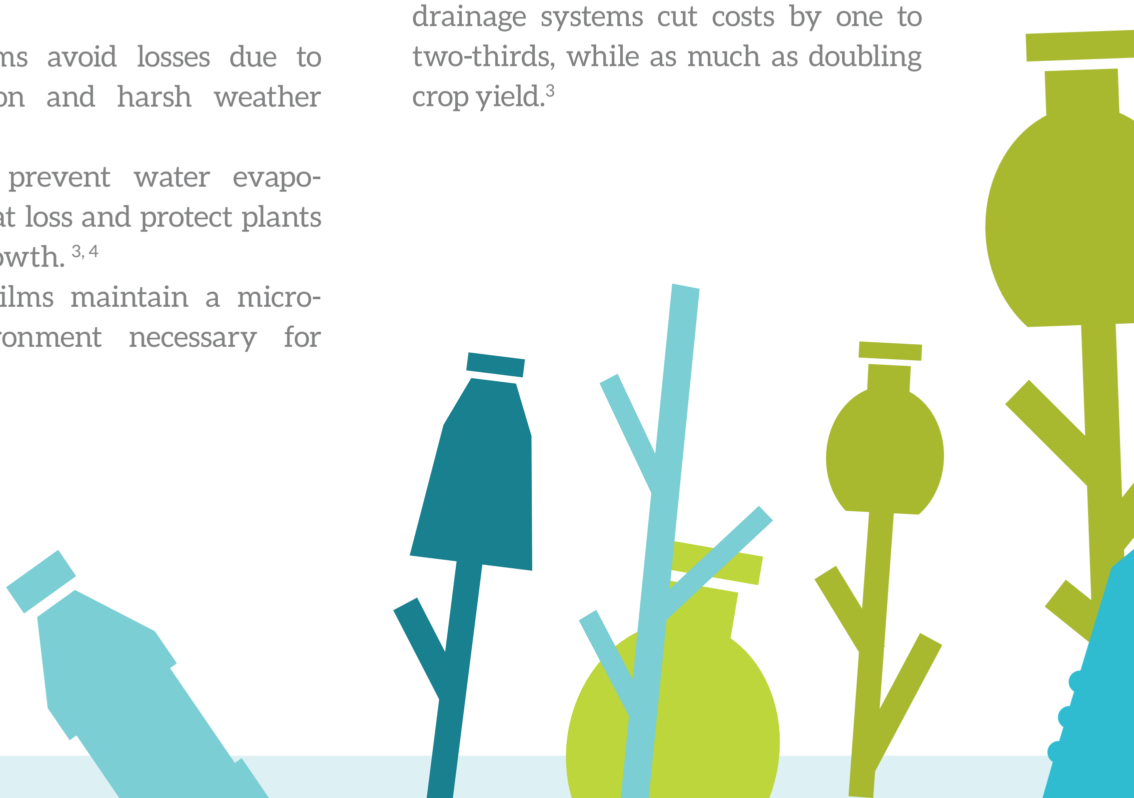
- Protective films avoid losses due to pest infestation and harsh weather elements.[3]
- Mulch films prevent water evaporation and heat loss and protect plants from weed growth.[3, 4]
- Low tunnel films maintain a micro-climate environment necessary for some crops.[3]

Plastics used in packaging extend shelf life, reduce food waste and result to transportation savings.

- Wrapping cucumbers in plastic film prevents moisture loss and extends shelf-life from 3 days to up to 14 days.[5]
- Wrapping bananas in modified atmosphere bags extends shelf-life by 2 – 3 days.[5]
- 20% reduction in waste can be achieved when grapes are sold in bags or sealed trays.[5]
- Plastic packaging protects against contamination of goods and helps prevent the spread of germs during manufacture, distribution and display.

Plastics allow the efficient use of water.

- Corrosion-resistant, lightweight and flexible plastic pipes prevent water loss during installation and service.
- In arid regions, plastic irrigation and drainage systems cut costs by one to two-thirds, while as much as doubling crop yield.[3]



Plastics contribute to energy savings.

- Use of plastic packaging saves 50% of trips made as compared to use of glass jars.[6]
- 15% of fuel was saved when 22% of Airbus 380 body was substituted with carbon fiber plastic composites in 2010.[6]
- A 5% reduction in a car's weight through the use of plastics can translate into a 3% reduction in fuel consumption.[7]
- For every kilogram of total weight lost due to replacement of heavier alternatives with lightweight plastic materials, a car will emit 20 kilograms less of carbon dioxide over its operating life.[8]

Plastics are a key enabler of innovation.

- Plastics are at the heart of 3D printing technology, which is already being used to create medical prosthetics with increased precision and speed.
- The ability of plastics to isolate electrical currency, its resistance to mechanical shocks and stress, and its ability to form complex shapes makes them ideal for electrical and electronics applications.
- Plastics have revolutionized sports and is widely used in shoes, clothing, sports equipment and protective equipment.

Plastics are used to sustain and save lives when disasters hit.

- Being lightweight and water-resistant, plastic bags are used to package relief goods in typhoon-stricken areas.
- Tough rotomolded plastic boats are used widely during rescue operations.
- Plastics are particularly suitable for medical products, due to exceptional barrier properties, light weight, low cost, durability, transparency and compatibility with other materials.

JG Summit believes in the sustainability of the use of plastics as a valuable and essential material resource. We are proud to manufacture these materials which help us contribute to a more efficient use of resources and also continue to inspire innovations that help make life better every day.

SOURCES:

1 Philippine Plastics Industry Association Directory 2012-2013 Edition.
2 National Accounts of the Philippines. Philippine Statistics Authority.
3 G. Scarasia-Mugnozza, C. Sica and G. Russo. Plastic Materials in European Agriculture: Actual Use and Perspective. July 8, 2011.
4 Asian Development Bank. Assessing the Costs of Climate Change and Adaptation in South Asia. June 2014.
5 Advisory Committee on Packaging. Packaging in Perspective. 2008.
6 Plastics Europe. Plastics Contributions to Climate Protection Presentation. April 28, 2010.
7 European Plastics Industry Infographic. Dec. 28, 2014.
8 Plastics Europe website. (www.plasticseurope.org)

Robinsons Bank

Robinsons Bank 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.

Poised for Growth

In the second quarter of 2010, JG Summit 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 (Robinsons Bank) 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. Robinsons Bank 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 Robinsons Bank

Robinsons Bank 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, Robinsons Bank continues to expand its branch network nationwide with 92 branches, 4 microbanking offices (MBOs), and 171 strategically located on-site and off-site ATMs under the Bancnet consortium. In addition, LSB has 11 branches in the Bicol Region that complements Robinsons Bank's network. Robinsons Bank 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, Robinsons Bank delivers hallmark value and convenience to its customer through innovative products and services. We continued to improve our alternative delivery channels to encourage customers to shift their transactions from branch banking to internet banking. The creation of Retail Internet Banking (RWEB) and Corporate Cash Management System (CashWeb) allow customers to bank at their own convenience and time.

The Bank also 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.

ROBINSONSBANK

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
- Small Business Loan (SBL)

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

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

- Robinsons Bank Corporation is the 8th largest commercial bank in the Philippines, and 25th among all commercial and universal banks combined in terms of asset as of December 31, 2014.

NEWS

Robinsons Bank Continues to Expand and to Innovate

Robinsons Bank (RBank) continues to grow bigger and better. Branch expansion and relocation provided necessary link to our customer base and better access to our products and services. With 79 branch network for the year 2013, Rbank added 13 branches to its branches network. Thirteen (13) branches were opened in 2014, namely:

1. Butuan, Butuan City
2. Soler, Manila
3. Roxas City, Capiz
4. Santiago City, Isabela
5. Sucat, Parañaque City
6. Cainta, Rizal
7. Asuncion, Manila
8. Visayas Avenue, Quezon City
9. Balanga City, Bataan
10. Taytay, Rizal
11. Santolan, Pasig City
12. Ninoy Aquino Avenue, Parañaque City
13. Domestic Road, Pasay City

Five Rbank branches were relocated from its previous site to its new site, namely:

1. Malabon Branch
Level 1 – 01127, Robinsons Town Mall Malabon, #5 Governor Pascual Avenue corner Crispin Street, Tinajeros, Malabon City;

2. Malolos Branch
Level 1 – 01123, Robinsons Place Malolos, Mc Arthur Highway, Barangay Mabolo, Malolos, Bulacan;

3. Tacloban Branch
Robinsons Place Tacloban, Level 1-00103 National Highway, Tabuan, Marasbaras, Tacloban City;

4. Legazpi St.
Makati Branch (formerly Gamboa Branch) G/F, Man Tower Building, #153 Legaspi Street, Legazpi Village, Makati City;

5. Binondo Branch
G/F, Pacific Centre Building, Quintin Paredes Street, Binondo, Manila

With the acquisition of Legazpi Savings Bank (LSB), Rbank was awarded 31 branch licenses in restricted areas. LSB has 11 branches. As of December 2014, the opening of 13 branches brought Rbank network to a total of 92 branches nationwide. Rbank targets to expand the branch network by opening more branches in the year 2015.

Rbank continued to improve alternative delivery channels to encourage customers to shift their transactions from branch banking to internet banking. The creation of Retail Internet Banking (RWEB) and Corporate Cash Management System (CashWeb) allow customers to bank at their own convenience and time.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY (PLDT)

PLDT is the leading telecommunications service provider in the Philippines. Through its principal business groups – fixed line, wireless and others – PLDT offers a wide range of telecommunications services across the Philippines' most extensive fiber optic backbone and fixed line and cellular networks.

PLDT is the country's leading fixed line service provider with approximately 2.2 million subscribers at the end of December 2014. Smart Communications, Inc. and Digitel Mobile Philippines Inc. (which offers Sun Cellular) have a subscriber base of 69.9 million while broadband subscribers have reached over four million at the end of 2014. The PLDT Group which includes PLDT ALPHA Enterprise, PLDT SME Nation, PLDT HOME, and mobile subsidiaries Smart and Sun Cellular cornered almost 60% of total broadband subscribers in the country.

PLDT's wireless subsidiaries include Smart Broadband, Inc., Chikka Holdings Ltd., Voyager Innovations, Inc. PLDT's fixed line subsidiaries are PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT Global Corp., PLDT-Philcom, Inc., PLDT Maratel, Inc., Digital Telecommunications Philippines Inc., ePLDT, Inc., and Pilipinas Global Network Limited, while other subsidiaries include PLDT Communications and Energy Ventures, Inc., Pilipinas Global Investment Holdings, Inc., Pilipinas Global Investment Corp., and Mabuhay Investment Corp.

JG Summit currently holds 8.0% stake in PLDT.

MANILA ELECTRIC COMPANY (MERALCO)

MERALCO is the largest electric distribution utility in the Philippines. It provides electricity to over 5.5 million customers in 35 cities and 76 municipalities in its franchise area, which include Metro Manila, the provinces of Rizal, Cavite, Bulacan and portions of Pampanga, Batangas, Laguna and Quezon.

MERALCO Group's business is divided into two segments, namely, power and other services. The power segment consists of (a) power distribution of MERALCO and its subsidiary, Clark Electric Distribution Corporation, (b) power generation through MGen and (c) retail electricity supply. The other services segment is involved principally in electricity-related services such as 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 a 27.1% stake in MERALCO.

UNITED INDUSTRIAL CORPORATION LIMITED (UIC)

United Industrial Corporation Limited is a Singapore-listed company whose principal activities consist of development of properties for investment and trading, investment holding, property management, investment in hotel and retail centers, trading in computers and related products, and provision of information technology services. The Group is a major real estate developer with a portfolio of 2.6 million sq ft of office space and 1 million sq ft of retail premise in Singapore.

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, Singapore Land Tower, SGX Centre, Clifford Centre, The Gateway, ABACUS Plaza, Tampines Plaza, 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. The Group is actively pursuing investment opportunities in overseas markets.

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

GOKONGWEI
BROTHERS
FOUNDATION

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.

Scholarship Programs

Currently, GBF, JG Summit Holdings, Inc's corporate social responsibility arm, sponsors 19 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 & Communication. The program is already on its fifth year of implementation.

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

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 granted more than 70 young Filipinos with 10-month scholarships to study the language, dynamics and booming economy of China.

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 Members and Executive Officers

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CHAIRMAN EMERITUS AND FOUNDER

James L. Go
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Lance Y. Gokongwei
PRESIDENT AND CHIEF OPERATIONG 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

Jose T. Pardo
DIRECTOR

Cornelio T. Peralta
DIRECTOR

Ricardo J. Romulo
DIRECTOR

*Retired April 28, 2015

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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 AND INTERNATIONAL

Vincent Henry C. Go
AGRO-INDUSTRIAL GROUP

Ellison Dean C. Lee
FLOUR DIVISION

Renato P. Cabati
SUGAR AND RENEWABLES GROUP

ROBINSONS LAND CORPORATION

Frederick D. Go

JG SUMMIT PETROCHEMICAL CORPORATION

Patrick Henry C. Go

ROBINSONS BANK CORPORATION

Efren Antonio S. Sarte

Advisers

CEBU AIR INC.

Garry R. Kingshott
CHIEF EXECUTIVE ADVISER

Richard S. Howell
EXECUTIVE ADVISER

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
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Fax: (632) 819 0872
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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, 2014 and 2013, 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, 2014, 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, 2014 and 2013, and their financial performance and cash flows for each of the three years in the period ended December 31, 2014 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 April 30, 2015
Tax Identification No. 152-884-691
BIR Accreditation No. 08-001998-54-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751296, January 5, 2015, Makati City

March 24, 2015

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

	December 31, 2014	December 31, 2013 (As Restated - Note 2)	January 1, 2013 (As Restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 7)	**₱37,474,642,222**	₱38,632,236,592	₱19,498,946,748
Financial assets at fair value through profit or loss (Note 9)	**15,273,969,351**	15,488,069,968	15,319,706,222
Derivative assets (Note 8)	**–**	166,456,897	302,547,642
Derivative asset under hedged accounting (Note 8)	**28,423,630**	–	–
Available-for-sale investments (Note 10)	**11,789,035,747**	10,641,373,483	12,405,234,873
Receivables (Note 11)	**24,765,869,045**	20,559,742,373	16,997,431,681
Inventories (Note 12)	**40,132,767,222**	24,518,906,980	24,026,422,446
Biological assets (Note 17)	**1,234,574,863**	954,232,348	1,010,186,059
Other current assets (Note 13)	**12,297,847,612**	7,540,139,075	6,177,228,263
Total Current Assets	**142,997,129,692**	118,501,157,716	95,737,703,934
Noncurrent Assets			
Available-for-sale investments (Note 10)	**50,260,656,162**	46,109,741,682	43,757,557,795
Derivative asset under hedged accounting (Note 8)	**126,183,696**	171,850,204	–
Receivables (Note 11)	**19,000,582,488**	14,842,838,739	14,324,791,297
Held-to-maturity investment (Note 10)	**1,768,603,469**	75,000,000	–
Investments in associates and joint ventures (Note 14)	**112,109,686,154**	108,317,681,438	33,508,469,180
Property, plant and equipment (Note 16)	**147,486,411,230**	122,278,516,334	101,618,892,023
Investment properties (Note 15)	**56,982,694,645**	53,453,454,523	48,165,978,176
Goodwill (Note 19)	**16,878,004,521**	1,042,954,782	1,042,954,782
Biological assets (Note 17)	**476,437,792**	521,667,207	410,516,451
Intangible assets (Note 18)	**7,178,003,963**	1,345,290,816	1,341,022,581
Other noncurrent assets (Note 20)	**3,514,394,665**	6,960,054,948	5,549,861,198
Total Noncurrent Assets	**415,781,658,785**	355,119,050,673	249,720,043,483
	₱558,778,788,477	₱473,620,208,389	₱345,457,747,417
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 21)	**₱67,397,212,319**	₱91,477,771,263	₱39,976,764,634
Short-term debts (Note 23)	**44,286,733,537**	35,288,601,867	18,420,654,564
Derivative liabilities (Note 8)	**1,762,810,918**	–	38,999,511
Income tax payable	**2,307,669,285**	1,895,523,439	1,029,417,456
Current portion of long-term debts (Note 23)	**4,475,008,046**	22,674,078,899	19,553,919,868
Other current liabilities (Note 22)	**9,577,275,829**	7,766,618,233	8,563,004,267
Total Current Liabilities	**129,806,709,934**	159,102,593,701	87,582,760,300
Noncurrent Liabilities			
Long-term debts - net of current portion (Note 23)	**153,079,727,512**	66,601,852,906	42,130,912,429
Deferred tax liabilities (Note 38)	**4,594,920,307**	1,722,534,095	1,794,301,508
Derivative liabilities (Note 8)	**508,216,365**	–	–
Other noncurrent liabilities (Note 24)	**9,178,759,753**	10,326,180,786	12,387,018,967
Total Noncurrent Liabilities	**167,361,623,937**	78,650,567,787	56,312,232,904
Total Liabilities	**₱297,168,333,871**	₱237,753,161,488	₱143,894,993,204

(Forward)

	December 31, 2014	December 31, 2013 (As Restated - Note 2)	January 1, 2013 (As Restated - Note 2)
Equity			
Equity attributable to equity holders of the Parent Company:			
Paid-up capital (Note 25)	**₱22,015,337,650**	₱22,015,337,650	₱14,085,731,314
Retained earnings (Note 25)	**150,226,755,543**	133,393,044,084	124,189,604,363
Equity reserve (Note 25)	**27,546,248,095**	27,306,459,166	17,619,600,043
Other comprehensive income (Note 36)	**7,827,996,048**	3,461,363,654	1,551,835,155
Treasury shares (Note 25)	**–**	–	(721,848,289)
	207,616,337,336	186,176,204,554	156,724,922,586
Non-controlling interests (Note 25)	**53,994,117,270**	49,690,842,347	44,837,831,627
Total Equity	**261,610,454,606**	235,867,046,901	201,562,754,213
	₱558,778,788,477	₱473,620,208,389	₱345,457,747,417

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
REVENUE			
Sale of goods and services:			
Foods	**₱96,653,414,632**	₱83,603,137,511	₱73,100,977,913
Air transportation	**52,000,018,310**	41,004,096,281	37,904,453,623
Real estate and hotels (Note 15)	**17,432,805,294**	16,544,606,068	13,866,427,925
Petrochemicals	**3,226,178,660**	542,545,359	4,036,707,803
Banking (Note 26)	**2,717,195,606**	2,749,898,312	2,533,727,931
Dividend income (Note 28)	**5,073,575,341**	3,256,956,364	3,231,626,798
Equity in net earnings of associates and joint ventures (Note 14)	**7,247,680,555**	2,283,133,632	2,003,820,939
Supplementary businesses	**461,461,847**	363,498,389	338,510,912
	184,812,330,245	150,347,871,916	137,016,253,844
COST OF SALES AND SERVICES			
Cost of sales (Note 30)	**69,530,185,316**	60,080,128,846	58,033,253,528
Cost of services (Note 30)	**45,476,429,584**	38,746,780,572	35,090,097,966
	115,006,614,900	98,826,909,418	93,123,351,494
GROSS INCOME	**69,805,715,345**	51,520,962,498	43,892,902,350
OTHER OPERATING EXPENSES			
General and administrative expenses (Note 31)	**31,753,964,780**	25,991,358,810	22,279,957,365
Impairment losses and others (Note 34)	**576,706,999**	124,685,876	271,254,229
	32,330,671,779	26,116,044,686	22,551,211,594
OPERATING INCOME	**37,475,043,566**	25,404,917,812	21,341,690,756
OTHER INCOME (LOSSES)			
Financing costs and other charges (Note 35)	**(5,824,349,891)**	(3,864,479,498)	(3,943,807,279)
Market valuation gains (losses) on derivative financial instruments (Note 8)	**(2,318,346,454)**	237,930,143	361,470,480
Finance income (Note 27)	**1,347,723,538**	1,525,051,592	2,313,325,755
Foreign exchange gains (losses)	**(358,828,037)**	(3,734,654,433)	891,046,062
Market valuation gains (losses) on financial assets at fair value through profit or loss (Note 9)	**(1,267,046,070)**	(160,607,808)	1,414,718,236
Others (Notes 14 and 29)	**1,219,853,247**	369,766,526	196,401,725
INCOME BEFORE INCOME TAX	**30,274,049,899**	19,777,924,334	22,574,845,735
PROVISION FOR INCOME TAX (Note 38)	**4,449,245,289**	3,041,525,316	2,887,276,581
NET INCOME	**25,824,804,610**	16,736,399,018	19,687,569,154

(Forward)

		Years Ended December 31	
	2014	2013 (As Restated - Note 2)	2012 (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)	**₱4,381,664,494**	₱1,426,722,576	₱470,010,392
Cumulative translation adjustments	**45,527,477**	573,868,615	(266,080,311)
Net gains (losses) from cash flow hedges (Note 8)	**(42,581,991)**	171,850,204	–
Share in net unrealized gains (losses) on available-for-sale investments of an associate (Notes 10 and 14)	**(1,326,352)**	(11,597,069)	10,100,452
Item that will not be reclassified to profit or loss:			
Remeasurements of the net defined benefit liability (Note 37)	**193,076,661**	(471,470,010)	(308,918,090)
	4,576,360,289	1,689,374,316	(94,887,557)
TOTAL COMPREHENSIVE INCOME	**₱30,401,164,899**	₱18,425,773,334	₱19,592,681,597
NET INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company:	**₱18,245,149,790**	₱10,434,134,218	₱13,397,084,016
Non-controlling interests (Note 25):	**7,579,654,820**	6,302,264,800	6,290,485,138
	₱25,824,804,610	₱16,736,399,018	₱19,687,569,154
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company:	**₱22,611,782,184**	₱12,343,662,718	₱13,412,677,728
Non-controlling interests (Note 25):	**7,789,382,715**	6,082,110,616	6,180,003,869
	₱30,401,164,899	₱18,425,773,334	₱19,592,681,597
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 39)			
Basic/diluted earnings per share	**₱2.60**	₱1.53	₱1.97

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, 2014 and 2013

	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, 2014, as previously reported	₱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
Effect of the adoption of uniform accounting period (Note 2)	–	–	–	2,147,017,576	–	2,147,017,576	–	52,539,441	–	–	–	52,539,441	–	2,199,557,017	1,863,741,646	4,063,298,663
Balance at January 1, 2014, as restated	7,057,191,657	14,958,145,993	22,015,337,650	74,332,714,685	59,060,329,399	133,393,044,084	27,306,459,166	(1,735,149,871)	5,617,663,796	171,850,204	(593,000,475)	3,461,363,654	–	186,176,204,554	49,690,842,347	235,867,046,901
Total comprehensive income	–	–	–	18,245,149,790	–	18,245,149,790	–	26,859,787	4,237,773,212	(43,944,551)	145,943,946	4,366,632,394	–	22,611,782,184	7,789,382,715	30,401,164,899
Appropriation of retained earnings	–	–	–	(39,000,000,000)	39,000,000,000	–	–	–	–	–	–	–				
Cash dividends (Note 25)	–	–	–	(1,411,438,331)	–	(1,411,438,331)	–	–	–	–	–	–	–	(1,411,438,331)	–	(1,411,438,331)
Cash dividends paid to non-controlling interests (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,752,970,864)	(3,752,970,864)
Sale of equity share in a subsidiary (Note 25)	–	–	–	–	–	–	239,788,929	–	–	–	–	–	–	239,788,929	266,863,072	506,652,001
Balance at December 31, 2014	₱7,057,191,657	₱14,958,145,993	₱22,015,337,650	₱52,166,426,144	₱98,060,329,399	₱150,226,755,543	₱27,546,248,095	(₱1,708,290,084)	₱9,855,437,008	₱127,905,653	(₱447,056,529)	₱7,827,996,048	₱–	₱207,616,337,336	₱53,994,117,270	₱261,610,454,606
Balance at January 1, 2013, as previously reported	₱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
Effect of the adoption of uniform accounting period (Note 2)	–	–	–	1,810,396,292	–	1,810,396,292	–	(39,266,600)	(22,140,570)	–	–	(61,407,170)	–	1,748,989,122	1,338,192,213	3,087,181,335
Balance at January 1, 2013, as restated	6,935,273,657	7,150,457,657	14,085,731,314	65,129,274,965	59,060,329,399	124,189,604,364	17,619,600,043	(2,073,168,086)	3,918,603,440	–	(293,600,200)	1,551,835,154	(721,848,289)	156,724,922,586	44,837,831,627	201,562,754,213
Total comprehensive income	–	–	–	10,434,134,218	–	10,434,134,218	–	338,018,215	1,699,060,356	171,850,204	(299,400,275)	1,909,528,500	–	12,343,662,718	6,082,110,616	18,425,773,334
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	₱74,332,714,685	₱59,060,329,399	₱133,393,044,084	₱27,306,459,166	(₱1,735,149,871)	₱5,617,663,796	₱171,850,204	(₱593,000,475)	₱3,461,363,654	₱–	₱186,176,204,554	₱49,690,842,347	₱235,867,046,901

(Forward)

For the Year Ended December 31, 2012

	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 Liability (Note 37)	Total Other Comprehensive Income	Treasury Shares (Note 25)	Total	NON-CONTROLLING INTERESTS (Note 25)	TOTAL EQUITY
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY															
	Paid-up Capital (Note 25)			**Retained Earnings** (Note 25)				**Other Comprehensive Income** (Note 36)								
Balance at January 1, 2012, as previously reported	₱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
Effect of adoption of uniform accounting period (Note 2)	–	–	–	1,965,837,710	–	1,965,837,710	–	(12,592,936)	68,305,266	–		55,712,330	–	2,021,550,040	1,507,381,956	3,528,931,996
Balance at January 1, 2012, as restated	6,935,273,657	5,961,714,437	12,896,988,094	53,309,403,614	58,577,067,399	111,886,471,013	17,845,476,796	(1,897,733,033)	3,532,776,418	–	(98,801,943)	1,536,241,442	(974,690,819)	143,190,486,526	40,562,823,450	183,753,309,976
Total comprehensive income, as restated	–	–	–	13,397,084,016	–	13,397,084,016	–	(175,435,053)	385,827,022	–	(194,798,257)	15,593,712	–	13,412,677,728	6,180,003,869	19,592,681,597
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	₱65,129,274,964	₱59,060,329,399	₱124,189,604,364	₱17,619,600,043	(₱2,073,168,086)	₱3,918,603,440	₱–	(₱293,600,200)	₱1,551,835,154	(₱721,848,289)	₱156,724,922,586	₱44,837,831,627	₱201,562,754,213

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱30,274,049,899**	₱19,777,924,334	₱22,574,845,735
Adjustments for:			
Depreciation and amortization (Note 33)	**11,759,608,063**	10,031,310,444	8,624,658,451
Market valuation losses (gains) on:			
Financial assets at fair value through profit or loss (Note 9)	**1,267,046,070**	160,607,808	(1,414,718,236)
Derivative instruments (Note 8)	**2,318,346,454**	(237,930,143)	(361,470,480)
Interest expense (Note 35)	**5,713,260,142**	3,743,510,875	3,780,430,338
Dividend income (Note 28)	**(5,073,575,341)**	(3,256,956,364)	(3,231,626,798)
Interest income (Notes 27 and 44)	**(1,347,723,538)**	(1,525,051,592)	(2,313,325,755)
Equity in net earnings of associates and joint ventures (Note 14)	**(7,247,680,555)**	(2,283,133,632)	(2,003,820,939)
Foreign exchange losses (gains)	**358,828,037**	3,734,654,433	(891,046,062)
Provision for impairment losses (Note 34)	**472,410,245**	95,990,997	269,845,693
Gains (losses) arising from changes in fair value less estimated costs to sell of swine stocks (Note 17)	**(257,939,646)**	(67,315,863)	2,271,660
Loss (gain) on sale and retirement of investment properties (Note 15)	**–**	359,356,772	(110,039)
Loss (gain) on sale of property, plant and equipment (Note 16)	**9,818,199**	(21,085,615)	(30,157,395)
Inventory obsolescence and market decline (Note 34)	**104,296,754**	28,694,879	1,408,536
Loss (gain) on sale of Available-for-sale investments (Note 29)	**(17,431)**	4,780,656	(72,642,872)
Operating income before changes in working capital accounts	**38,350,727,352**	30,545,357,989	24,934,541,837
Changes in operating assets and liabilities:			
Decrease (increase) in the amounts of:			
Derivative assets	**(461,446,820)**	506,871,581	125,446,200
Financial assets at fair value through profit or loss	**(869,167,368)**	900,834,578	(3,492,119,565)
Receivables	**(6,404,735,713)**	(3,907,999,652)	(6,125,450,549)
Inventories	**(12,461,010,274)**	(521,179,413)	326,668,950
Biological assets	**22,826,546**	12,118,818	(117,922,092)
Other current assets	**(2,474,583,582)**	(1,362,910,812)	1,642,879,201

(Forward)

	Years Ended December 31		
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Increase (decrease) in the amounts of:			
Accounts payable and accrued expenses	**(₱28,714,639,630)**	₱19,722,838,935	₱11,842,855,861
Unearned revenue	**1,034,827,504**	(642,278,677)	727,762,570
Other current liabilities	**775,830,092**	(154,107,357)	1,019,404,806
Net cash generated from (used in) operations	**(11,201,371,893)**	45,099,545,990	30,884,067,219
Interest paid	**(5,117,793,186)**	(3,528,172,786)	(4,123,948,502)
Interest received	**1,253,297,811**	1,650,182,440	2,466,537,455
Income taxes paid	**(2,721,618,132)**	(2,471,596,142)	(1,843,372,891)
Net cash provided by (used in) operating activities	**(17,787,485,400)**	40,749,959,502	27,383,283,281
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Available-for-sale investments (Note 10)	**(1,495,710,328)**	(6,740,125,967)	(21,869,357,611)
Property, plant and equipment (Notes 16 and 49)	**(29,952,370,352)**	(28,442,739,011)	(21,816,844,339)
Investment properties (Note 15)	**(8,026,565,946)**	(7,853,826,921)	(8,172,714,533)
Investments in associates and joint ventures (Note 14)	**(507,750,000)**	(41,737,620,890)	(105,283,416)
Intangible assets (Note 18)	**(2,200,000)**	(7,021,507)	(8,939,647)
Held-to-maturity investments (Note 10)	**(1,693,603,469)**	(75,000,000)	–
Subsidiaries, net of cash acquired (Note	**(23,705,292,921)**	–	–
Cash acquired from business combination, net of cash paid (Note 46)	**–**	–	249,157,091
Proceeds from sale of:			
Available-for-sale investments	**610,806,188**	7,745,955,884	21,708,247,000
Property, plant and equipment	**39,097,309**	97,807,003	70,873,393
Investment properties	**–**	30,223,072	7,785,165
Decrease (increase) in the amounts of other noncurrent assets (Note 20)	**485,408,173**	(1,590,073,828)	(3,312,495,359)
Return of investment from an associate (Note 14)	**45,000,000**	12,000,000	
Dividends received (Note 28)	**5,073,575,341**	3,256,956,364	3,231,626,798
Dividends received on investments in associates and joint ventures (Note 14)	**3,912,840,136**	672,678,496	647,461,127
Net proceeds from partial disposal of interest in a subsidiary (Note 25)	**506,652,001**	11,884,012,917	–
Net cash used in investing activities	**(54,710,113,868)**	(62,746,774,388)	(29,370,484,331)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of:			
Short-term debts	**61,850,234,052**	42,209,510,562	19,376,024,107
Long-term debts	**91,518,374,929**	48,057,315,000	–
Settlements of:			
Short-term debts	**(52,903,152,436)**	(25,490,299,244)	(18,651,456,380)
Long-term debts (Note 23)	**(23,808,407,948)**	(25,497,139,122)	(13,357,232,304)
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

(Forward)

	Years Ended December 31		
	2014	2013	2012
Increase (decrease) in other noncurrent liabilities (Note 24)	**(₱152,634,504)**	(₱2,307,898,795)	₱2,198,364,607
Proceeds from sale of treasury and top up transaction	**–**	8,651,454,625	–
Dividends paid to non-controlling interests (Note 25)	**(3,752,970,864)**	(3,089,045,925)	(2,268,172,563)
Acquisition of non-controlling interests in subsidiaries	**–**	(197,597,873)	(7,200,000,000)
Dividends paid on:			
Common shares (Note 25)	**(1,403,438,331)**	(1,223,494,498)	(1,087,550,665)
Preferred shares (Note 25)	**(8,000,000)**	(7,200,000)	(6,400,000)
Cash received from non-controlling interest for newly incorporated subsidiary (Note 25)	**–**	24,500,000	–
Net cash provided by (used in) financing activities	**71,340,004,898**	41,130,104,730	(12,210,069,448)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,157,594,370)**	19,133,289,844	(14,197,270,498)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**38,632,236,592**	19,498,946,748	33,696,217,246
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱37,474,642,222**	₱38,632,236,592	₱19,498,946,748

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

JG Summit Holdings, Inc. (the Parent Company) was incorporated in the Philippines on November 23, 1990. On May 8, 2014, the Board of Directors (BOD) of the Parent Company approved its amendment of Article Third of the Amended Articles of Incorporation to change the principal office address of the Parent Company from “Metro Manila, Philippines” to “43rd Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City” in accordance with Security and Exchange Commission Memorandum Circular No.6, Series of 2014.

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 distribution.

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 summary of the functional currencies of certain foreign subsidiaries within the Group 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-
URC Oceania Company, Ltd.	New Zealand	New Zealand Dollar
URC New Zealand Holding Company, Ltd.	-do-	-do-
URC New Zealand Holding Finance Company, Ltd.	-do-	-do-
Griffin's Foods Limited	-do-	-do-
Nice&Natural Foods Limited	-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 2014	2013	2012
Food					
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	110 E. Rodriguez Avenue, Bagumbayan, Quezon City, Philippines	**55.83**	55.83	60.64
CFC Clubhouse Property, Inc (CCPI).	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**55.83**	55.83	60.64
CFC Corporation	-do-	-do-	**55.83**	55.83	60.64
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	**55.83**	55.83	60.64
Southern Negros Development Corporation (SONEDCO)	-do-	Kabankalan City, Negros Occidental	**53.48**	53.48	57.00
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**28.47**	36.29	39.42
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**	55.83	60.64
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	**55.83**	55.83	46.69
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**	55.83	60.64
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	**55.83**	55.83	60.64
Air Transportation					
CP Air Holdings, Inc. (CPAHI) and Subsidiaries	Philippines	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	Philippines	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	Cayman Islands	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	Philippines	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
Altus San Nicolas Corporation	-do-	Brgy. 1 San Francisco, San Nicolas, Ilocos Norte	**60.97**	60.97	48.78
GoHotels Davao, Inc.	-do-	Lanang, Davao City	**31.09**	31.09	–

(Forward)

Subsidiaries	Country of Incorporation	Principal place of business	Effective Percentage of Ownership December 31 **2014**	2013	2012
Petrochemicals					
JG Summit Petrochemical Corporation (JGSPC)	Philippines	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
Unicon Insurance Brokers Corporation (UIBC)	Philippines	CFC Bldg., E. Rodriguez Avenue, Bagong Ilog, Pasig City	**100.00**	100.00	100.00
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.*

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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.

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.

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, 2014, the accounting policies adopted are consistent with those of the previous financial year.

Alignment of accounting periods
In previous years, the Group consolidated the non-coterminous financial statements of the following fiscal year end subsidiaries using their September 30 fiscal year end financial statements of such subsidiaries since it is impracticable for the said subsidiaries to prepare financial statements as of the same date as the reporting date of the Parent Company:

Subsidiaries	Fiscal Year
Food	
URC and Subsidiaries	September 30
Real Estate and Hotels	
RLC and Subsidiaries	-do-
Petrochemicals	
JGSPC	-do-
JGSOC	-do-

Management exercised 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 September 30 and the date of the Parent Company's financial statements.

In 2014, the management of the Group embarked on a process of aligning the yearend reporting date of the fiscal year-end subsidiaries in order to achieve a coterminous reporting date at the Group level in consideration of certain transactions at the subsidiaries such as mergers, acquisitions and capital raising activities in 2014. Accordingly, since the subsidiaries previously consolidated using non-coterminous financial statements are now consolidated using coterminous financial statements (i.e., the subsidiary changed the end of its reporting period for purposes of the consolidated financial statements), comparative information were restated so that the financial information of the subsidiaries were included in the consolidated financial statements for an equivalent period in each period presented. The Group restated the December 31, 2013 statement of financial position and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2013 and 2012. The Group also presented a restated statement of financial position as at January 1, 2013. The effects of the retrospective application of the alignment of the accounting periods are detailed below:

Statement of Financial Position

	As of December 31, 2013		
	Balance as Previously Stated	Restatements	Balance As Restated
ASSETS			
Current Assets			
Cash and cash equivalents (Note 7)	₱34,996,008,637	₱3,636,227,955	**₱38,632,236,592**
Financial assets at fair value through profit or loss (Note 9)	15,468,905,018	19,164,950	**15,488,069,968**
Available-for-sale investments (Note 10)	10,641,373,483	–	**10,641,373,483**
Receivables (Note 11)	18,162,895,487	2,396,846,886	**20,559,742,373**
Inventories (Note 12)	24,538,009,593	(19,102,613)	**24,518,906,980**
Biological assets (Note 17)	1,081,035,283	(126,802,935)	**954,232,348**
Derivative assets (Note 8)	166,456,897	–	**166,456,897**
Other current assets (Note 13)	7,327,973,560	212,165,515	**7,540,139,075**
Total Current Assets	112,382,657,958	6,118,499,758	**118,501,157,716**
Noncurrent Assets			
Available-for-sale investments (Note 10)	46,109,741,682	–	**46,109,741,682**
Derivative asset under hedged accounting (Note 8)	171,850,204	–	**171,850,204**
Receivables (Note 11)	14,632,898,885	209,939,854	**14,842,838,739**
Held-to-maturity investment (Note 10)	75,000,000	–	**75,000,000**
Investments in associates and joint ventures (Note 14)	108,303,222,343	14,459,095	**108,317,681,438**
Property, plant and equipment (Note 16)	120,964,719,647	1,313,796,687	**122,278,516,334**
Investment properties (Note 15)	51,669,900,362	1,783,554,161	**53,453,454,523**
Goodwill (Note 19)	1,042,954,782	–	**1,042,954,782**
Biological assets (Note 17)	483,025,181	38,642,026	**521,667,207**
Intangible assets (Note 18)	1,345,290,816	–	**1,345,290,816**
Other noncurrent assets (Note 20)	6,636,891,865	323,163,083	**6,960,054,948**
Total Noncurrent Assets	351,435,495,767	3,683,554,906	**355,119,050,673**
	₱463,818,153,725	₱9,802,054,664	**₱473,620,208,389**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 21)	₱88,549,091,936	₱2,928,679,327	**₱91,477,771,263**
Short-term debts (Note 23)	33,097,645,087	2,190,956,780	**35,288,601,867**
Derivative liabilities (Note 8)	–	–	**–**
Income tax payable	1,379,293,705	516,229,734	**1,895,523,439**
Current portion of long-term debts (Note 23)	22,674,078,899	–	**22,674,078,899**
Other current liabilities (Note 22)	7,738,769,835	27,848,398	**7,766,618,233**
Total Current Liabilities	153,438,879,462	5,663,714,239	**159,102,593,701**
Noncurrent Liabilities			
Long-term debts - net of current portion (Note 23)	66,601,852,906	–	**66,601,852,906**
Deferred tax liabilities (Note 38)	1,717,961,193	4,572,902	**1,722,534,095**
Other noncurrent liabilities (Note 24)	10,255,711,926	70,468,860	**10,326,180,786**
Total Noncurrent Liabilities	78,575,526,025	75,041,762	**78,650,567,787**
Total Liabilities	₱232,014,405,487	₱5,738,756,001	**₱237,753,161,488**

(Forward)

	As of December 31, 2013		
	Balance as Previously Stated	Restatements	Balance As Restated
Equity			
Equity attributable to equity holders of the Parent Company:			
Paid-up capital (Note 25)	₱22,015,337,650	₱–	**₱22,015,337,650**
Retained earnings (Note 25)	131,246,026,508	2,147,017,576	**133,393,044,084**
Equity reserve (Note 25)	27,306,459,166	–	**27,306,459,166**
Other comprehensive income (Note 36)	3,408,824,213	52,539,441	**3,461,363,654**
Treasury shares (Note 25)	–	–	–
	183,976,647,537	2,199,557,017	**186,176,204,554**
Non-controlling interests (Note 25)	47,827,100,701	1,863,741,646	**49,690,842,347**
Total Equity	231,803,748,238	4,063,298,663	**235,867,046,901**
	₱463,818,153,725	₱9,802,054,664	**₱473,620,208,389**

	As of December 31, 2012		
	Balance as Previously Stated	Restatements	Balance As Restated
ASSETS			
Current Assets			
Cash and cash equivalents (Note 7)	₱19,698,072,507	(₱199,125,759)	**₱19,498,946,748**
Financial assets at fair value through profit or loss (Note 9)	15,230,438,363	89,267,859	**15,319,706,222**
Available-for-sale investments (Note 10)	12,604,430,408	(199,195,535)	**12,405,234,873**
Receivables (Note 11)	16,320,725,310	676,706,371	**16,997,431,681**
Inventories (Note 12)	23,010,504,841	1,015,917,605	**24,026,422,446**
Biological assets (Note 17)	1,057,007,658	(46,821,599)	**1,010,186,059**
Derivative assets (Note 8)	302,748,695	(201,053)	**302,547,642**
Other current assets (Note 13)	5,875,282,425	301,945,838	**6,177,228,263**
Total Current Assets	94,099,210,207	1,638,493,727	**95,737,703,934**
Noncurrent Assets			
Available-for-sale investments (Note 10)	43,757,557,795	–	**43,757,557,795**
Receivables (Note 11)	14,362,509,117	(37,717,820)	**14,324,791,297**
Investments in associates and joint ventures (Note 14)	33,497,292,680	11,176,500	**33,508,469,180**
Property, plant and equipment (Note 16)	101,211,948,034	406,943,989	**101,618,892,023**
Investment properties (Note 15)	45,423,932,675	2,742,045,501	**48,165,978,176**
Goodwill (Note 19)	1,042,954,782	–	**1,042,954,782**
Biological assets (Note 17)	428,961,591	(18,445,140)	**410,516,451**
Intangible assets (Note 18)	1,341,022,581	–	**1,341,022,581**
Other noncurrent assets (Note 20)	5,212,967,406	336,893,792	**5,549,861,198**
Total Noncurrent Assets	246,279,146,661	3,440,896,822	**249,720,043,483**
	₱340,378,356,868	₱5,079,390,549	**₱345,457,747,417**

LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 21)	₱37,619,383,555	₱2,357,381,079	**₱39,976,764,634**
Short-term debts (Note 23)	19,397,079,998	(976,425,434)	**18,420,654,564**
Derivative liabilities (Note 8)	19,553,919,868	–	**19,553,919,868**
Income tax payable	630,203,421	399,214,035	**1,029,417,456**
Current portion of long-term debts (Note 23)	41,178,211	(2,178,700)	**38,999,511**
Other current liabilities (Note 22)	8,489,075,643	73,928,624	**8,563,004,267**
Total Current Liabilities	85,730,840,696	1,851,919,604	**87,582,760,300**
Noncurrent Liabilities			
Long-term debts - net of current portion (Note 23)	42,129,366,111	1,546,318	**42,130,912,429**
Deferred tax liabilities (Note 38)	1,817,031,704	(22,730,196)	**1,794,301,508**
Other noncurrent liabilities (Note 24)	12,225,545,479	161,473,488	**12,387,018,967**
Total Noncurrent Liabilities	56,171,943,294	140,289,610	**56,312,232,904**
Total Liabilities	141,902,783,990	1,992,209,214	**143,894,993,204**

(Forward)

	As of December 31, 2012		
	Balance as Previously Stated	Restatements	Balance As Restated
Equity			
Equity attributable to equity holders of the Parent Company:			
Paid-up capital (Note 25)	₱14,085,731,314	₱–	**₱14,085,731,314**
Retained earnings (Note 25)	122,379,208,072	1,810,396,291	**124,189,604,363**
Equity reserve (Note 25)	1,613,242,324	(61,407,169)	**1,551,835,155**
Other comprehensive income (Note 36)	17,619,600,043	–	**17,619,600,043**
Treasury shares (Note 25)	(721,848,289)	–	**(721,848,289)**
	154,975,933,464	1,748,989,122	**156,724,922,586**
Non-controlling interests (Note 25)	43,499,639,414	1,338,192,213	**44,837,831,627**
Total Equity	198,475,572,878	3,087,181,335	**201,562,754,213**
	₱340,378,356,868	₱5,079,390,549	**₱345,457,747,417**

Statement of Financial Performance

The Group also presented a statement of financial performance for the years ended as at 2013 and 2012. The effects of the retrospective application of the alignment of the accounting periods are detailed below:

	2013		
	Balance as Previously Stated	Restatements	Balance As Restated
REVENUE			
Sale of goods and services:			
Foods	₱80,995,215,642	₱2,607,921,869	**₱83,603,137,511**
Air transportation	41,004,096,281	–	**41,004,096,281**
Real estate and hotels (Note 15)	15,884,506,498	660,099,570	**16,544,606,068**
Petrochemicals	1,023,417,781	(480,872,422)	**542,545,359**
Banking (Note 26)	2,749,898,312	–	**2,749,898,312**
Dividend income (Note 28)	3,333,030,657	(76,074,293)	**3,256,956,364**
Equity in net earnings of associates and joint ventures (Note 14)	2,279,851,037	3,282,595	**2,283,133,632**
Supplementary businesses	362,638,775	859,614	**363,498,389**
	147,632,654,983	2,715,216,933	**150,347,871,916**
COST OF SALES AND SERVICES	97,456,672,369	1,370,237,049	**98,826,909,418**
GROSS INCOME	50,175,982,614	1,344,979,884	**51,520,962,498**
OTHER OPERATING EXPENSES			
General and administrative expenses (Note 31)	25,776,132,892	215,225,918	**25,991,358,810**
Impairment losses and others (Note 34)	124,685,876	–	**124,685,876**
	25,900,818,768	215,225,918	**26,116,044,686**
OPERATING INCOME	24,275,163,846	1,129,753,966	**25,404,917,812**
OTHER INCOME (LOSSES)			
Financing costs and other charges (Note 35)	(3,989,380,241)	124,900,743	**(3,864,479,498)**
Market valuation gains (losses) on derivative financial instruments (Note 8)	237,930,143	(231,671,085)	**237,930,143**
Finance income (Note 27)	1,769,865,570		**1,525,051,592**
Foreign exchange gains (losses)	(4,098,377,297)	363,722,864	**(3,734,654,433)**
Market valuation gains (losses) on financial assets at fair value through profit or loss (Note 9)	71,063,277	(244,813,978)	**(160,607,808)**
Others (Notes 14 and 29)	403,399,960	(33,633,434)	**369,766,526**
INCOME BEFORE INCOME TAX	18,669,665,258	1,108,259,076	**19,777,924,334**
PROVISION FOR INCOME TAX (Note 38)	2,714,003,637	327,521,679	**3,041,525,316**
NET INCOME	15,955,661,621	780,737,397	**16,736,399,018**

(Forward)

	2013		
	Balance as Previously Stated	**Restatements**	**Balance As Restated**
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	₱36,512,088	**₱1,426,722,576**
Cumulative translation adjustments	415,000,772	158,867,843	**573,868,615**
Net gains from cash flow hedges (Note 8)	171,850,204	−	**171,850,204**
Net unrealized gains on available-for-sale investments of an associate (Notes 10 and 14)	(11,597,069)	−	**(11,597,069)**
Item that will not be reclassified to profit or loss:			
Remeasurements of the net defined benefit liability (Note 37)	(471,470,010)	−	**(471,470,010)**
	1,493,994,385	195,379,931	**1,689,374,316**
TOTAL COMPREHENSIVE INCOME	₱17,449,656,006	₱976,117,328	**₱18,425,773,334**

	2012		
	Balance as Previously Stated	**Restatements**	**Balance As Restated**
REVENUE			
Sale of goods and services:			
Foods	₱71,201,677,779	₱1,899,300,134	**₱73,100,977,913**
Air transportation	37,904,453,623	−	**37,904,453,623**
Real estate and hotels (Note 15)	13,496,159,940	370,267,985	**13,866,427,925**
Petrochemicals	4,912,723,947	(876,016,144)	**4,036,707,803**
Banking (Note 26)	2,533,727,931	−	**2,533,727,931**
Dividend income (Note 28)	3,196,108,759	35,518,039	**3,231,626,798**
Equity in net earnings of associates and joint ventures (Note 14)	2,008,411,939	(4,591,000)	**2,003,820,939**
Supplementary businesses	338,194,349	316,563	**338,510,912**
	135,591,458,267	1,424,795,577	**137,016,253,844**
COST OF SALES AND SERVICES	92,679,172,259	444,179,235	**93,123,351,494**
GROSS INCOME	42,912,286,008	980,616,342	**43,892,902,350**
OTHER OPERATING EXPENSES			
General and administrative expenses (Note 31)	21,672,607,106	607,350,259	**22,279,957,365**
Impairment losses and others (Note 34)	271,254,229	−	**271,254,229**
	21,943,861,335	607,350,259	**22,551,211,594**
OPERATING INCOME	20,968,424,673	373,266,083	**21,341,690,756**
OTHER INCOME (LOSSES)			
Financing costs and other charges (Note 35)	(4,136,768,731)	192,961,452	**(3,943,807,279)**
Market valuation gains (losses) on derivative financial instruments (Note 8)	361,470,480	−	**361,470,480**
Finance income (Note 27)	2,479,635,046	(166,309,291)	**2,313,325,755**
Foreign exchange gains (losses)	1,399,125,794	(508,079,732)	**891,046,062**
Market valuation gains (losses) on financial assets at fair value through profit or loss (Note 9)	1,504,427,749	(89,709,513)	**1,414,718,236**
Others (Notes 14 and 29)	207,276,636	(10,874,911)	**196,401,725**
INCOME BEFORE INCOME TAX	22,783,591,647	(208,745,912)	**22,574,845,735**
PROVISION FOR INCOME TAX (Note 38)	2,847,413,989	39,862,592	**2,887,276,581**
NET INCOME	19,936,177,658	(248,608,504)	**19,687,569,154**
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)	619,164,921	(149,154,529)	**470,010,392**
Cumulative translation adjustments	(222,092,683)	(43,987,628)	**(266,080,311)**
Net gains from cash flow hedges (Note 8)			

(Forward)

	2012		
	Balance as Previously Stated	Restatements	Balance As Restated
Net unrealized gains on available-for-sale investments of an associate (Notes 10 and 14)	₱10,100,452	₱–	**₱10,100,452**
Item that will not be reclassified to profit or loss:			
Remeasurements of the net defined benefit liability (Note 37)	(308,918,090)	–	**(308,918,090)**
	98,254,600	(193,142,157)	**(94,887,557)**
TOTAL COMPREHENSIVE INCOME	₱20,034,432,258	(₱441,750,661)	**₱19,592,681,597**

New Standards and Interpretations

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments 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. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The Group is currently assessing impact of the amendments to PAS 32.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. 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 and retrospective application is required. 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 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. Retrospective application is required for IFRIC 21. This interpretation has no impact to the Group it has applied the recognition principle under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in the prior year.

The following new and amended PFRS, Philippine Interpretations and PAS did not have any impact on the financial position or performance of the Group:

- *Annual Improvements to PFRS* (2010-2012 cycle)
  In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*.
  The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

- *Annual Improvements to PFRS* (2011-2013 cycle)
  In the 2011- 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

Significant Accounting Policies

Fair Value Measurement
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.

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 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 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 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 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.

Amounts accumulated in other comprehensive income are recycled to profit or loss 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.

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.

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 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.

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. 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 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.

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.

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

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

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

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

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

The Group evaluates its AFS investments whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the 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 recognised in equity is amortised to profit or loss 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 profit or loss.

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

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

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

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

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost (i.e., receivables or HTM investments) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognized in 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 to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

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

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

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

In the case of equity investments classified as AFS investments, objective evidence would include a 'significant' or 'prolonged' decline in the fair value of the investments below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit and loss, is removed from other comprehensive income and recognized in profit or loss. 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. 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, the impairment loss is reversed through the profit or loss.

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.

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 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 period the write-down or loss was incurred. The amount of reversal of any write-down of inventories, arising from an increase in the NRV, shall be recognized as a reduction to 'Cost of sales and services' in the period where the reversal was incurred.

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

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

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

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

<u>Noncurrent Assets (Disposal Group) Held for Sale</u>
The Group classifies noncurrent assets (disposal group) as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

Initial and subsequent measurement
Immediately before the initial classification of the noncurrent asset (or disposal group) as held for sale, the carrying amount of the asset (or all the assets and liabilities of the disposal group) shall be measured in accordance with applicable standards.

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

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. 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 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 period in which it arises.

<u>Goodwill</u>
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 and Brands	Software Costs	Trademarks	
EUL	Finite (12 to 13.75 years)	Indefinite	Indefinite	Finite (5 years)	Finite (4 years)	Indefinite
Amortization method used	Amortized on a straight-line basis over the EUL of the license	No amortization	No amortization	Amortized on a straight-line basis over the EUL of the software cost	Amortized on a straight-line basis over the EUL of the trademark	No amortization
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired	Acquired	Acquired

<u>Impairment of Nonfinancial Assets</u>
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.

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.

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 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 Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as principal in all of its revenue arrangements. 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. Revenue from food and beverage are recognized when these are served. Other income from transport, laundry, valet and other related hotel services are recognized when services are rendered.

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)
This 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.

Provisions
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense under 'Financing costs and other charges' account in 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.

<u>Earnings Per Share (EPS)</u>
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 2015

- PAS 19*, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none has defined benefit plans with contributions from employees or third parties.

- *Annual Improvements to PFRSs (2010-2012 cycle)*
  The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
    - A performance condition must contain a service condition
    - A performance target must be met while the counterparty is rendering service
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    - A performance condition may be a market or non-market condition

- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a 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 PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). 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 are applied retrospectively and clarify that:
  An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method –Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011-2013 cycle)
  The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company. They include:

  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
    The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
    - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
    The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (*or PFRS 9, as applicable*).

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not

constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- Annual Improvements to PFRSs (2012-2014 cycle)
  The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company. They include:

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing

involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective 2018

- PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the impact of adopting this standard.

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 sales transactions follow:

	2014	2013	2012
Revenue	**₱5,650,781,444**	₱5,765,978,381	₱4,219,792,601
Cost and expenses	**3,043,254,449**	3,288,052,711	2,405,483,328

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

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. Based on the evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all significant risks and rewards of ownership of these properties. In determining significant risks and benefits of ownership, the Group considered, among others, the following: the leases do not provide for an option to purchase or transfer ownership of the property at the end of the lease and the related lease terms do not approximate the EUL of the assets being leased. Accordingly, the Group accounted for the lease agreements as operating leases.

f. *Distinction between investment properties and owner-occupied properties*
The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by,

or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property, only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

g. Consolidation of SPEs

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

h. Determination of functional currency

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

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

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

i. Significant subsequent events of fiscal year end subsidiaries

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

j. *Significant influence over an associate with less than 20.0% ownership*
In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence.

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

k. *Noncurrent assets (disposal group) held for sale*
The Group classifies a subsidiary as a disposal group held for sale if 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 (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:

	2014	2013	2012
Revenue	**₱5,650,781,444**	₱5,765,978,381	₱4,219,792,601
Cost and expenses	**3,043,254,449**	3,288,052,711	2,405,483,328

- 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 2014, 2013 and 2012, 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 2014, 2013 and 2012, 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 9.05% to 10.00%. 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 2014, 2013 and 2012, the Group recognized the amortization of ARO asset amounting to ₱194.9 million, ₱353.2 million and ₱369.1 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, 2014 and 2013, 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 costs 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 assets (included in 'Cost of sales and services' in profit or loss in the consolidated statements of comprehensive income) amounting to ₱183.0 million and ₱69.9 million in 2014 and 2013 and a loss amounting to ₱15.5 million in 2012, respectively (Note 17).

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

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 (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, 2014 and 2013, 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 2014, 2013 and 2012 is disclosed in Note 34 to the consolidated financial statements. The net realizable values of nonfinancial assets with impairment amounted to ₱1.3 billion (Intangible assets) in 2012, ₱101.6 billion (Property and equipment) in 2012 and ₱16.9 billion (Goodwill) in 2014.
As of December 31, 2014 and 2013, the balance of the Group's nonfinancial assets, net of accumulated depreciation, amortization and impairment loss follow:

	2014	2013
Property, plant and equipment (Note 16)	**₱147,486,411,230**	₱122,451,603,280
Investment properties (Note 15)	**56,982,694,645**	53,280,367,577
Investments in associates and joint ventures (Note 14)	**112,109,686,154**	108,317,681,438
Goodwill (Note 19)	**16,878,004,521**	1,042,954,782
Intangible assets (Note 18)	**7,178,003,963**	1,345,290,816

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, 2014 and 2013, the Group's recognized deferred tax assets are shown in Note 38.

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

As of December 31, 2014 and 2013, 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:

	2014			
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**
Loans and receivables:				
Trade receivables	**₱–**	**₱–**	**₱–**	**₱–**
Finance receivables:				
Commercial	**980,456,603**	**1,335,796,448**	**980,456,603**	**–**
Real estate	**3,281,343,213**	**4,586,234,593**	**3,281,343,213**	**–**
Consumption	**2,559,208,233**	**3,426,733,658**	**1,782,484,574**	**776,723,659**
Other receivables	**185,154,560**	**331,412,473**	**185,368,233**	**–**
Total credit risk exposure	**₱7,006,162,609**	**₱9,680,177,172**	**₱6,229,652,623**	**₱776,723,659**

	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

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, 2014 and 2013, before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

	December 31, 2014					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents**	₱32,832,851,274	₱2,947,423,498	₱–	₱12,183,610	₱–	₱35,792,458,382
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	1,954,077,272	2,081,197,477	1,212,363,875	3,603,177,847	670,310,200	9,521,126,671
Government	2,291,972,439	552,009,161	–	–	8,490,432	2,852,472,032
	4,246,049,711	2,633,206,638	1,212,363,875	3,603,177,847	678,800,632	12,373,598,703
Equity securities:						
Quoted	430,882,250	789,052,255	426,034,264	1,198,985,693	55,412,832	2,900,367,294
Unquoted	–	3,354	–	–		3,354
	430,882,250	789,055,609	426,034,264	1,198,985,693	55,412,832	2,900,370,648
	4,676,931,961	3,422,262,247	1,638,398,139	4,802,163,540	734,213,464	15,273,969,351
Derivative assets:						
Not designated as accounting hedges	–	–	–	–	–	–
Designated as accounting hedges	–	–	126,183,696	–	28,423,630	154,607,326
	–	–	126,183,696	–	28,423,630	154,607,326
AFS investments:						
Debt securities:						
Government	7,660,609,223	–	–	–	156,585,602	7,817,194,825
Private	1,262,900,322	377,275,612	198,553,184	548,513,544	287,363,417	2,674,606,079
	8,923,509,545	377,275,612	198,553,184	548,513,544	443,949,019	10,491,800,904
Equity securities:						
Quoted	50,463,671,634	–	–	1,069,926,000	–	51,533,597,634
Unquoted	24,293,371	–	–	–	–	24,293,371
	50,487,965,005	–	–	1,069,926,000	–	51,557,891,005
	59,411,474,550	377,275,612	198,553,184	1,618,439,544	443,949,019	62,049,691,909
Held-to-maturity investment	1,768,603,469	–	–	–	–	1,768,603,469
Receivables:						
Finance receivables	22,007,740,432	–	–	–	–	22,007,740,432
Trade receivables	13,719,049,838	4,132,460,847	16,191,922	244,903,488	12,862,013	18,125,468,108
Due from related parties	1,147,104,562	26,177,536	–	–	–	1,173,282,098
Interest receivable	413,361,387	69,089,311	20,651,626	48,328,319	31,268,964	582,699,607
Other receivables	1,775,362,057	101,899,231	–	–	–	1,877,261,288
	39,062,618,276	4,329,626,925	36,843,548	293,231,807	44,130,977	43,766,451,533
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	1,003,582,954	342,952,131	–	123,486,187	–	1,470,021,272
	₱138,756,062,484	₱11,419,540,413	₱1,999,978,567	₱6,849,504,688	₱1,250,717,092	₱160,275,803,244

* *Others include South American countries (i.e., Argentina and Mexico)*
** *Excludes cash on hand amounting to ₱1,682,183,840.*

	December 31, 2013					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents**	₱32,687,136,366	₱4,710,645,716	₱–	₱–	₱–	₱37,397,782,082
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	–	–	8,490,432	2,639,166,895
	4,614,274,225	2,633,206,638	1,212,363,875	3,603,177,847	678,800,632	12,741,823,217
Equity securities:						
Quoted	432,897,262	632,913,370	426,034,264	1,198,985,693	55,412,831	2,746,243,420
Unquoted	–	3,330	–	–	–	3,330
	432,897,262	632,916,700	426,034,264	1,198,985,693	55,412,831	2,746,246,750
	5,047,171,487	3,266,123,338	1,638,398,139	4,802,163,540	734,213,463	15,488,069,967
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	–	–	–	156,585,605	5,483,387,044
Private	1,737,172,156	1,084,327,403	198,553,184	548,513,544	287,363,417	3,855,929,704
	7,063,973,595	1,084,327,403	198,553,184	548,513,544	443,949,022	9,339,316,748
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	11,064,649,203	2,246,244,948	14,425,170	196,094,665	11,104,327	13,532,518,313
Due from related parties	1,354,011,641	26,131,869	–	–	–	1,380,143,510
Interest receivable	329,742,139	69,089,311	20,651,626	48,328,319	31,268,964	499,080,359
Other receivables	1,992,842,382	70,706,858	–	–	–	2,063,549,240
	32,668,535,056	2,412,172,986	35,076,796	244,422,984	42,373,291	35,402,581,113
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	615,125,458	445,442,025	–	228,857,751	–	1,289,425,234
Other financial assets (included under 'Other current assets' in the consolidated statements of financial position)	1,670,875,877	–	–	–	–	1,670,875,877
	₱126,191,756,634	₱11,918,711,468	₱2,043,878,323	₱7,038,274,341	₱1,220,535,776	₱148,413,156,542

* *Others include South American countries (i.e., Argentina and Mexico)*
** *Excludes cash on hand amounting to ₱1,234,454,510.*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2014 and 2013, before taking into account any collateral held or other credit enhancements.

	2014									
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Financial Intermediaries	Transportation, Storage and Communication	Construction	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Others*	Total
Cash and cash equivalents**	₱–	₱–	₱–	₱35,792,458,382	₱–	₱–	₱–	₱–	₱–	₱35,792,458,382
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	2,224,468,909	9,521,126,670
Government	–	–	–	–	–	–	–	–	2,852,472,033	2,852,472,033
	67,538,247	60,322,816	9,452,583	5,899,777,212	421,022,895	–	–	838,544,008	5,076,940,942	12,373,598,703
Equity securities:										
Quoted	193,008,778	36,584,046	–	1,639,998,882	362,690,623	–	–	101,587,322	566,497,643	2,900,367,294
Unquoted	–	–	–	–	–	–	–	–	3,354	3,354
	193,008,778	36,584,046	–	1,639,998,882	362,690,623	–	–	101,587,322	566,500,997	2,900,370,648
	260,547,025	96,906,862	9,452,583	7,539,776,094	783,713,518	–	–	940,131,330	5,643,441,939	15,273,969,351
Derivative financial assets:										
Not designated as accounting hedges	–	–	–	–	–	–	–	–	–	–
Designated as accounting hedges	–	–	–	126,183,696	–	–	–	–	28,423,630	154,607,326
	–	–	–	126,183,696	–	–	–	–	28,423,630	154,607,326
AFS investments:										
Debt securities:										
Government	–	–	–	119,866,500	–	–	–	–	7,697,328,327	7,817,194,827
Private	–	–	–	1,930,836,551	98,414,836	–	–	237,643,239	407,711,452	2,674,606,078
	–	–	–	2,050,703,051	98,414,836	–	–	237,643,239	8,105,039,779	10,491,800,905
Equity securities:										
Quoted	–	–	–	157,138,272	50,266,468,162	–	–	–	1,109,991,199	51,533,597,633
Unquoted	–	–	–	23,605,700	–	–	–	–	687,671	24,293,371
	–	–	–	180,743,972	50,266,468,162	–	–	–	1,110,678,870	51,557,891,004
	–	–	–	2,231,447,023	50,364,882,998	–	–	237,643,239	9,215,718,649	62,049,691,909

(Forward)

	2014									
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Financial Intermediaries	Transportation, Storage and Communication	Construction	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Others*	Total
Held-to-maturity investment	₱–	₱–	₱–	₱1,768,603,469	₱–	₱–	₱–	₱–	₱–	₱1,768,603,469
Receivables:										
Finance receivables	572,878,197	4,915,492,691	6,253,799,699	–	1,302,012,545	935,903,676	661,868,632	1,748,434,379	5,617,350,613	22,007,740,432
Trade receivables	8,887,742,641	7,256,434,580	–	–	1,463,848,055	–	456,237,358	–	61,205,475	18,125,468,109
Due from related parties	333,737,914	36,116,281	95,462,576	200,565,941	134,358,954	–	–	–	373,040,432	1,173,282,098
Interest receivable	76,701	1,021,640	78,431	160,446,900	6,198,772	–	–	7,239,148	407,638,016	582,699,608
Other receivables	603,637,909	392,626,018	–	555,147,910	305,886,363	–	17,008,142	–	2,954,944	1,877,261,286
	10,398,073,362	12,601,691,210	6,349,340,706	916,160,751	3,212,304,689	935,903,676	1,135,114,132	1,755,673,527	6,462,189,480	43,766,451,533
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	794,698,925	465,405,002	–	–	123,486,187	–	5,983,177	–	80,447,981	1,470,021,272
	₱11,453,319,312	₱13,164,003,074	₱6,358,793,289	₱48,374,629,415	₱54,484,387,392	₱935,903,676	₱1,141,097,309	₱2,933,448,096	₱21,430,221,681	₱160,275,803,245

* *Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.*
** *Excludes cash on hand amounting to ₱1,682,183,840.*

	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**	₱–	₱–	₱–	₱–	₱37,397,782,082	₱–	₱–	₱–	₱–	₱–	₱–	₱37,397,782,082
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	–	2,805,998,560	10,102,656,321
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	–	5,445,165,456	12,741,823,217
Equity securities:												
Quoted	193,008,778	36,584,046	–	–	1,483,859,997	362,690,623	–	–	101,587,322	–	568,512,655	2,746,243,421
Unquoted	–	–	–	–	–	–	–	–	–	–	3,330	3,330
	193,008,778	36,584,046	–	–	1,483,859,997	362,690,623	–	–	101,587,322	–	568,515,985	2,746,246,751
	260,547,025	96,906,862	9,452,583	–	44,781,419,291	783,713,518	–	–	940,131,330	–	6,013,681,441	52,885,852,050
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	–	–	–	–	–	5,363,520,543	5,483,387,043
Private	–	–	–	–	2,405,108,385	98,414,836	–	–	237,643,239	–	1,114,763,243	3,855,929,703
	–	–	–	–	2,524,974,885	98,414,836	–	–	237,643,239	–	6,478,283,786	9,339,316,746
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
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	6,316,155,752	5,380,921,563	–	–	–	1,250,301,848	–	551,491,122	–	–	33,648,026	13,532,518,311
Due from related parties	21,390,949	65,881,541	71,758,862	–	41,840,600	556,530,331	–	–	–	–	622,741,227	1,380,143,510
Interest receivable	488,625	1,021,640	78,431	–	183,790,011	6,198,772	–	–	7,239,148	–	300,263,733	499,080,360
Other receivables	701,287,944	481,471,257	–	–	555,000,000	28,219,763	–	23,836,883	–	–	273,733,394	2,063,549,241
	7,612,201,467	10,844,788,692	2,652,540,535	–	3,760,638,632	49,356,760,177	935,903,676	1,237,196,637	2,159,773,663	–	14,007,199,901	92,567,003,380
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	592,173,235	373,069,364	–	–	33,326,499	228,857,751	–	13,334,386	–	–	48,663,999	1,289,425,234
Other financial assets (included under 'Other current assets' in the consolidated statements of financial position)	–	–	–	–	1,670,875,877	–	–	–	–	–	–	1,670,875,877
	₱8,464,921,727	₱11,314,764,918	₱2,661,993,118	₱–	₱50,246,260,299	₱50,369,331,446	₱935,903,676	₱1,250,531,023	₱3,099,904,993	₱–	₱20,069,545,341	₱148,413,156,541

* *Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.*
** *Excludes cash on hand amounting to ₱1,234,454,510*

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:

	2014					
	Neither Past Due Nor Individually Impaired					
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due or Individually Impaired	Total
Cash and cash equivalents*	₱24,142,600,894	₱11,649,857,488	₱–	₱–	₱–	₱35,792,458,382
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	9,521,126,671	–	–	–	–	9,521,126,671
Government	1,546,680,956	1,305,791,077	–	–	–	2,852,472,033
	11,067,807,627	1,305,791,077	–	–	–	12,373,598,704
Equity securities:						
Quoted	2,900,367,293	–	–	–	–	2,900,367,293
Unquoted	3,354	–	–	–	–	3,354
	2,900,370,647	–	–	–	–	2,900,370,647
	13,968,178,274	1,305,791,077	–	–	–	15,273,969,351
Derivative financial assets:						
Not designated as accounting hedges						
Designated as accounting hedges	154,607,326	–	–	–	–	154,607,326
	154,607,326	–	–	–	–	154,607,326
AFS investments:						
Debt securities:						
Government	1,386,565,960	6,430,628,867	–	–	–	7,817,194,827
Private	1,411,705,755	1,262,900,322	–	–	–	2,674,606,077
	2,798,271,715	7,693,529,189	–	–	–	10,491,800,904
Equity securities:						
Quoted	51,533,325,134	272,500	–	–	–	51,533,597,634
Unquoted	687,671	23,605,700	–	–	–	24,293,371
	51,534,012,805	23,878,200	–	–	–	51,557,891,005
	54,332,284,520	7,717,407,389	–	–	–	62,049,691,909
Held to maturity investments	–	1,768,603,469	–	–	–	1,768,603,469
Receivables:						
Finance receivables	7,609,567,494	9,733,418,499	3,762,892,156	513,280,412	999,724,425	22,618,882,986
Trade receivables	15,960,617,954	1,097,376,854	264,239,739		1,376,045,903	18,698,280,450
Due from related parties	1,173,282,098					1,173,282,098
Interest receivable	250,491,162	318,965,286	2,341,383		10,901,776	582,699,607
Other receivables	775,674,850	834,233,139	101,917,699		354,165,058	2,065,990,746
	25,769,633,558	11,983,993,778	4,131,390,977	513,280,412	3,207,925,169	45,139,135,887
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	952,302,549	554,415,125	–	–	–	1,506,717,674
	₱119,319,607,121	₱34,980,068,326	₱4,131,390,977	₱513,280,412	₱3,207,925,169	₱161,685,183,998

* *Excludes cash on hand amounting to ₱1,682,183,840.*

	2013					
	Neither Past Due Nor Individually Impaired					
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due or Individually Impaired	Total
Cash and cash equivalents*	₱20,787,755,967	₱16,610,026,115	₱–	₱–	₱–	₱37,397,782,082
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	2,746,243,420	–	–	–	–	2,746,243,420
Unquoted	3,330	–	–	–	–	3,330
	2,746,246,750	–	–	–	–	2,746,246,750
	14,393,087,653	1,094,982,315	–	–	–	15,488,069,968
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	9,023,792,862	1,704,026,365	83,250,811		3,241,421,894	14,052,491,932
Due from related parties	1,380,143,510					1,380,143,510
Interest receivable	289,214,699	180,865,660			29,000,000	499,080,359
Other receivables	580,934,798	1,192,948,542	85,860,091		392,535,269	2,252,278,700
	16,364,335,446	12,985,544,716	2,403,941,155	339,935,945	4,356,717,234	36,450,474,496
Refundable security deposits (included under ‘Other current’ and ‘Other noncurrent assets’ in the consolidated statements of financial position)	721,841,187	534,257,548	–	33,326,499	–	1,289,425,234
Other financial assets (included under ‘Other noncurrent assets’ in the consolidated statements of financial position)	1,670,875,877	–	–	–	–	1,670,875,877
	₱105,164,159,204	₱37,110,091,686	₱2,403,941,155	₱426,140,644	₱4,356,717,234	₱149,461,049,923

** Excludes cash on hand amounting to ₱1,234,454,510.*

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
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.
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.

Aging analysis of receivables by class

The aging analysis of the Group's receivables as of December 31, 2014 and 2013 follow:

	2014						
		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	₱21,653,170,665	₱–	₱59,954,289	₱294,615,478	₱–	₱1,078,230,562	₱23,085,970,994
Trade receivables	14,941,830,505	726,734,204	300,622,722	340,540,890	1,815,739,787	572,812,342	18,698,280,450
Due from related parties	1,173,282,098	–	–	–	–	–	1,173,282,098
Interest receivable	553,699,607	24,000,000	5,000,000	–	–	–	582,699,607
Others	1,764,407,554	42,942,969	8,884,823	395,388	60,630,554	188,729,458	2,065,990,746
	₱40,086,390,429	₱793,677,173	₱374,461,834	₱635,551,756	₱1,876,370,341	₱1,839,772,362	₱45,606,223,895

	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	10,899,066,134	490,242,151	413,332,399	162,018,411	1,567,859,217	519,973,619	14,052,491,931
Due from related parties	1,380,143,510	–	–	–	–	–	1,380,143,510
Interest receivable	470,080,359	24,000,000	5,000,000	–	–	–	499,080,359
Others	1,859,743,429	40,982,025	8,843,977	2,729,779	151,250,030	188,729,458	2,252,278,698
	₱32,181,753,356	₱555,224,176	₱487,130,665	₱459,363,668	₱1,719,109,247	₱1,047,893,381	₱36,450,474,493

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, 2014 and 2013:

	2014					
	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	**₱11,056,166,509**	**₱15,181,732,033**	**₱–**	**₱–**	**₱–**	**₱26,237,898,542**
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	**–**	**–**	**9,521,126,671**	**–**	**–**	**9,521,126,671**
Government	**1,305,791,077**	**–**	**1,546,680,956**	**–**	**–**	**2,852,472,033**
	1,305,791,077	**–**	**11,067,807,627**	**–**	**–**	**12,373,598,704**
Equity securities:						
Quoted	**430,882,250**	**–**	**2,469,485,043**	**–**	**–**	**2,900,367,293**
Unquoted	**–**	**–**	**3,354**	**–**	**–**	**3,354**
	430,882,250	**–**	**2,469,488,397**	**–**	**–**	**2,900,370,647**
	1,736,673,327	**–**	**13,537,296,024**	**–**	**–**	**15,273,969,351**
Derivative financial assets designated as accounting hedges	**–**	**–**	**28,423,630**	**126,183,696**	**–**	**154,607,326**
AFS investments:						
Debt securities:						
Government	**–**	**–**	**7,817,194,827**	**–**	**–**	**7,817,194,827**
Private	**–**	**151,425,795**	**2,523,180,282**	**–**	**–**	**2,674,606,077**
	–	**151,425,795**	**10,340,375,109**	**–**	**–**	**10,491,800,904**
Equity securities:						
Quoted	**21,720,000**	**272,500**	**1,250,948,972**	**50,260,656,162**	**–**	**51,533,597,634**
Unquoted	**–**	**23,605,700**	**687,671**	**–**	**–**	**24,293,371**
	21,720,000	**23,878,200**	**1,251,636,643**	**50,260,656,162**	**–**	**51,557,891,005**
	21,720,000	**175,303,995**	**11,592,011,752**	**50,260,656,162**	**–**	**62,049,691,909**
Held to maturity investments	**–**	**954,975**	**2,864,925**	**1,681,263,070**	**83,520,499**	**1,768,603,469**
Receivables:						
Trade receivables	**7,879,523,915**	**5,113,398,521**	**1,998,049,436**	**3,180,538,453**	**–**	**18,171,510,325**
Finance receivables	**227,807,583**	**2,839,210,501**	**3,074,636,096**	**9,061,480,699**	**6,804,605,553**	**22,007,740,432**
Due from related parties	**1,173,282,098**	**–**	**–**	**–**	**–**	**1,173,282,098**
Interest receivable	**1,008,445**	**583,533,119**	**–**	**–**	**–**	**584,541,564**
Other receivables	**557,405,071**	**669,777,685**	**650,319,602**	**–**	**–**	**1,877,502,358**
	9,839,027,112	**9,205,919,826**	**5,723,005,134**	**12,242,019,152**	**6,804,605,553**	**43,814,576,777**
Refundable security deposits	**274,059,471**	**612,176,684**	**187,626**	**379,538,128**	**204,059,363**	**1,470,021,272**
	₱22,927,646,419	**₱25,176,087,513**	**₱30,883,789,091**	**₱64,689,660,208**	**₱7,092,185,415**	**₱150,769,368,646**

	2014					
	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')	**₱14,330,871,344**	**₱8,273,655,443**	**₱5,130,088,495**	**₱2,469,104,481**	**₱286,634,626**	**₱30,490,354,389**
Short-term debt	**75,291,275**	**30,108,690,155**	**14,372,902,807**	**–**	**–**	**44,556,884,237**
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)	**34,850,619,359**	**3,875,658,159**	**1,150,378,677**	**2,097,091,989**	**–**	**41,973,748,184**
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	**548,148,387**	**–**	**–**	**1,619,940,226**	**–**	**2,168,088,613**
Deposits from lessees (included under 'Other current liabilities'and 'Other noncurrent liabilities' in the consolidated statement of financial position)	**905,228,408**	**241,405,031**	**491,633,999**	**1,616,003,824**	**53,153,359**	**3,307,424,621**
Long-term debt (including current portion)	**–**	**1,743,006,941**	**4,860,710,066**	**132,177,729,889**	**39,002,686,589**	**177,784,133,485**
Derivative liabilities	**–**	**–**	**1,762,813,330**	**508,213,953**	**–**	**2,271,027,283**
Commitments and contingent liability	**–**	**–**	**–**	**–**	**–**	**–**
	₱50,710,158,773	**₱44,242,415,729**	**₱27,770,227,374**	**₱140,488,084,362**	**₱39,342,474,574**	**₱302,553,360,812**

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

	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.*

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

	2014		2013	
	Undiscounted	**Discounted**	Undiscounted	Discounted
Receive (Asset)*	**₱449,025,542**	**₱439,375,077**	₱609,523,405	₱577,574,652
Pay (Liability)**	**(318,056,093)**	**(313,191,381)**	(413,421,038)	(405,724,448)
	₱130,969,449	**₱126,183,696*****	₱196,102,367	₱171,850,204***

* *Gross carrying amount before offsettngg*
** *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 (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, 2014, 2013 and 2012, approximately 25.7%, 27.4% and 31.8%, respectively, of the Group's total sales are denominated in currencies other than the functional currency. In addition, approximately 50.5% and 67.3% of total debt are denominated in US Dollar as of December 31, 2014 and 2013, 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, 2014 and 2013:

	2014		
	US Dollar	**Other Currencies***	**Total**
Assets			
Cash and cash equivalents	**₱7,040,598,880**	**₱3,259,461,228**	**₱10,300,060,108**
Financial assets at FVPL	**13,537,296,024**	**–**	**13,537,296,024**
AFS investments	**3,868,197,715**	**–**	**3,868,197,715**
Receivables	**1,681,403,563**	**4,825,672,993**	**6,507,076,556**
Derivative assets	**126,183,696**	**28,423,630**	**154,607,326**
Other noncurrent assets	**123,547,836**	**–**	**123,547,836**
	26,377,227,714	**8,113,557,851**	**34,490,785,565**
Liabilities			
Accounts payable and accrued expenses	**4,561,534,836**	**5,302,394,100**	**9,863,928,936**
Short-term debt	**20,727,981,451**	**857,688,681**	**21,585,670,132**
Derivative liability	**2,260,559,896**	**–**	**2,260,559,896**
Long-term debt (including current portion)	**74,514,400,644**	**25,455,440,899**	**99,969,841,543**
Other noncurrent liabilities	**280,516,880**	**–**	**280,516,880**
	102,344,993,707	**31,615,523,680**	**133,960,517,387**
Net Foreign Currency-Denominated Liabilities	**(₱75,967,765,993)**	**(₱23,501,965,829)**	**(₱99,469,731,822)**

**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, New Zealand Dollar and Euro*

	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*

The exchange rates used to convert the Group's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2014 and 2013 follow:

	2014	2013
US dollar-Philippine peso exchange rate	**₱44.72 to US$1.00**	₱44.40 to US$1.00

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, 2014, 2013 and 2012.

	2014	
Reasonably Possible Changes in US Dollar-Philippine Peso Exchange Rates	Change in Income Before Income Tax	Change in Equity
2.0%	**(₱3,424,764,135)**	**(₱1,181,398,000)**
(2.0)	**3,424,764,135**	**1,181,398,000**

	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

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 2014, 2013 and 2012, 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 ₱43.5 million, ₱3.1 million and ₱29.1 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 ₱773.0 million, ₱608.5 million and ₱569.6 million as of December 31, 2014, 2013 and 2012, 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:

	2014										
	<1 year	**>1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**>5 years**	**Total (In Foreign Currency)**	**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$34,180,595**	**US$34,399,879**	**US$34,695,857**	**US$285,080,867**	**US$363,168,141**	**US$162,745,942**	**US$914,271,281**	**44,943,719,581**	**18,605,894,026**	**26,337,825,555**	**26,668,543,580**
Interest rate (London Interbank Offered Rate (LIBOR) plus margin)											
New Zealand Dollar loans											
Interest rate (NZ BKBM+1.60%)	–	–	–	–	–	**NZ$742,319,095**	**NZ$742,319,095**	**25,899,917,031**	**444,476,132**	**25,455,440,899**	**25,455,440,899**
Fixed rate											
US Dollar loans	**US$96,639,297**	–	–	–	–	**666,500,000**	**763,139,297**	**34,127,589,354**		**29,630,632,528**	**29,630,632,528**
Interest rate (0.925% to4.3%)											
Thailand Baht	**THB 630,800,010**	–	–	–	–	–	**THB630,800,010**	**857,688,681**	–	**857,688,681**	**857,688,681**
Interest rate (2.62%)											
Local currencies:											
Floating rate											
Philippine Peso loans	–	**9,000,000,000**	–	–	–	–	–	**9,000,000,000**	**43,740,870**	**8,956,259,130**	**8,956,259,130**
Interest rate (PDST-R1 +0.75%)											
Fixed rate											
Philippine Peso loans											
Interest rate (5.2% to 5.3%)	–	–	–	–	**33,510,530,000**	**5,489,470,000**	–	**39,000,000,000**	**298,034,834**	**38,701,965,166**	**38,701,965,166**
								153,828,914,647	**341,775,704**	**129,939,811,959**	**130,270,529,984**

	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											
Interest rate (3.4% to 8.3%)	99,442,969	–	–	–	–	679,700,000	779,142,969	34,505,028,370	195,794,557	34,309,233,813	34,309,233,813
Local currencies:											
Fixed rate											
Philippine Peso loans											
Interest rate (6.4% to 8.8%)	9,000,000,000	–	–	–	–	–	–	9,000,000,000	22,283,896	8,977,716,104	8,977,716,104
							US$1,230,849,881	₱63,558,556,728	₱404,565,367	₱63,153,991,361	₱63,946,597,405

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	
	2014	2013
+150 basis points (bps)	**(₱288,334,605)**	(₱148,399,702)
-150 bps	**288,334,605**	148,399,702

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.

	Reasonably Possible Changes in Market Prices	**2014**	
		Change in Income Before Income Tax	**Change in Equity**
FVPL	1.5%	**₱288,334,605**	**₱–**
	(1.5)	**(288,334,605)**	**–**
AFS	1.5	**–**	**1,016,359,645**
	(1.5)	**–**	**(1,016,359,645)**

	Reasonably Possible Changes in Market Prices	2013	
		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)

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 ₱1.8 billion in 2014, ₱1.4 billion in 2013 and ₱1.3 billion in 2012, 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):

	2014			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	**₱59.93**	**₱91.14**	**₱32.63**	**₱52.66**
Instruments sensitive to foreign interest rates	**0.12**	**0.19**	**0.04**	**0.06**

	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

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):

	2014			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	**₱38.13**	**₱59.42**	**₱12.63**	**₱37.28**
Instruments sensitive to foreign interest rates	**0.11**	**0.17**	**0.08**	**0.11**

	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

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.

2014			
		Profit or loss	Other comprehensive income
+10% USD appreciation	USD	₱46,948,519	(₱66,246,306)
	Other Foreign Currencies*	3,445,854	
-10% USD depreciation	USD	(46,948,519)	66,246,306
	Other Foreign Currencies*	(3,445,854)	

**significant positions held in EUR and AUD*

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*

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 3.0% to 4.0% in 2014 and 5.9% to 10.2% in 2013.

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 3.0% to 6.0% in 2014 and 2.0% to 6.0% in 2013.

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, 2014				
	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	**₱9,521,126,671**	**₱9,521,126,671**	**₱–**	**₱–**	**₱9,521,126,671**
Government	**2,852,472,033**	**–**	**2,852,472,033**	**–**	**2,852,472,033**
	12,373,598,704	**9,521,126,671**	**2,852,472,033**	**–**	**12,373,598,704**
Equity securities:					
Quoted	**2,900,367,293**	**2,900,367,293**	**–**	**–**	**2,900,367,293**
	15,273,965,997	**12,421,493,964**	**2,852,472,033**		**15,273,965,997**
Derivative financial assets designated as accounting hedges	**154,607,326**	**–**	**154,607,326**	**–**	**154,607,326**
	154,607,326	**–**	**154,607,326**	**–**	**154,607,326**
AFS investments:					
Debt securities:					
Government	**7,817,194,827**	**–**	**7,817,194,827**	**–**	**7,817,194,827**
Private	**2,674,606,077**	**2,674,606,077**	**–**	**–**	**2,674,606,077**
	10,491,800,904	**2,674,606,077**	**7,817,194,827**		**10,491,800,904**

(Forward)

	December 31, 2014				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**
Equity securities:					
Quoted	**₱51,533,597,634**	**₱51,533,597,634**	**₱–**	**₱–**	**₱51,533,597,634**
	62,025,398,538	**54,208,203,711**	**7,817,194,827**	**–**	**62,025,398,538**
Held-to-maturity investment	**1,768,603,469**	**–**	**–**	**–**	**1,768,603,469**
Biological assets	**1,711,012,655**	**1,711,012,655**	**–**	**–**	**1,711,012,655**
Assets for which fair values are disclosed					
Receivables:					
Trade receivables	**18,125,468,108**	**–**	**–**	**17,901,621,345**	**₱17,901,621,345**
Finance receivables	**22,007,740,432**	**–**	**–**	**23,747,135,474**	**24,143,958,833**
Other receivables	**1,877,261,288**	**–**	**–**	**1,883,397,651**	**1,646,742,259**
Refundable deposits	**1,470,021,272**	**–**	**–**	**1,467,844,282**	**1,469,061,961**
Investment properties	**56,982,694,645**	**–**	**–**	**155,407,286,445**	**155,407,286,445**
	₱181,396,773,730	**₱68,340,710,330**	**₱10,824,274,186**	**₱200,407,285,214**	**₱200,407,285,200**
Deposit liabilities	**37,241,808,391**	**–**	**–**	**37,241,808,391**	**37,241,808,391**
Derivative liabilities	**2,271,027,283**	**–**	**2,271,027,283**	**–**	**2,271,027,283**
Customer's deposits	**3,307,424,621**	**–**	**–**	**3,160,016,553**	**3,160,016,553**
Long-term debt	**157,554,735,558**	**–**	**–**	**160,304,622,877**	**160,304,622,877**
	₱200,374,995,853	**₱–**	**₱2,271,027,283**	**₱200,706,447,821**	**₱202,977,475,104**

	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	2,746,243,420	2,746,243,420	–	–	2,746,243,420
	15,488,066,638	12,848,899,742	2,639,166,896	–	15,488,066,638
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
	15,826,373,739	12,848,899,742	2,977,473,997	–	15,826,373,739
AFS Investment					
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	125,231,565	–	–	–	125,231,565
Biological assets	1,475,899,555	1,475,899,555	–	–	1,475,899,555
Assets for which fair values are disclosed					
Receivables:					
Trade receivables	13,532,518,312	–	–	13,317,014,539	13,317,014,539
Finance receivables	17,927,289,691	–	–	19,666,684,733	19,666,684,733
Other receivables	2,063,549,240	–	–	2,069,685,603	2,069,685,603
Refundable deposits	1,289,425,234	–	–	1,285,358,711	1,285,358,711
Investment properties	53,280,367,577		–	109,991,758,068	109,991,758,068
	₱162,218,204,207	₱65,538,961,548	₱8,460,861,040	₱146,330,501,654	₱220,455,555,807
Deposit liabilities	₱33,583,702,134	₱–	₱–	₱33,583,762,532	₱33,583,762,532
Derivative liabilities			2,271,027,283		2,271,027,283
Customer's deposits	2,621,673,401	–	–	2,464,306,779	2,464,306,779
Long-term debt	89,275,931,805	–	–	92,128,851,704	92,128,851,704
	₱125,481,307,340	₱–	₱2,271,027,283	₱128,176,921,015	₱130,447,948,298

In 2014 and 2013, 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	1.7% - 4.0% 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	3% - 6% 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.

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 (which represents 10.0% of Group's revenues).

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, 2014, 2013 and 2012. 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, 2014								
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Olefins**	**Banking**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**TOTAL OPERATIONS**
Revenue									
Sale of goods and services:									
External customers	₱96,653,414,632	₱52,000,018,310	₱17,432,805,294	₱3,226,178,660	₱–	₱2,717,195,606	₱461,461,847	₱–	₱172,491,074,349
Intersegment revenue	–	–	–	574,809,040	–	–	–	(574,809,040)	–
	96,653,414,632	52,000,018,310	17,432,805,294	3,800,987,700	–	2,717,195,606	461,461,847	(574,809,040)	172,491,074,349
Dividend income (Note 28)							5,074,717,636	(1,142,295)	5,073,575,341
Equity in net earnings of associates and joint ventures (Note 14)	(75,114,916)	96,326,091	2,501,304,200	–	–	–	4,737,351,905	(12,186,725)	7,247,680,555
Total revenue	96,578,299,716	52,096,344,401	19,934,109,494	3,800,987,700	–	2,717,195,606	10,273,531,388	(588,138,060)	184,812,330,245
Cost of sales and services (Note 30)	66,167,992,138	36,548,411,792	8,368,197,079	4,072,426,320	–	559,820,713	–	(710,233,142)	115,006,614,900
Gross income (loss)	₱30,410,307,578	₱15,547,932,609	₱11,565,912,415	(₱271,438,620)	₱–	₱2,157,374,893	₱10,273,531,388	₱122,095,082	₱69,805,715,345
General and administrative expenses (Note 31)									31,753,964,780
Impairment losses and others (Note 34)									576,706,999
Operating income									37,475,043,566
Financing cost and other charges (Note 35)									(5,824,349,891)
Finance income (Note 27)									1,347,723,538
Other operating income (Note 29)									(243,380,631)
Core earnings									32,755,036,582
Market valuation gain on financial assets at FVPL									(1,267,046,070)
Market valuation gain on derivative financial instruments									(2,318,346,454)
Foreign exchange gains									(358,828,037)
Gain on sale of investment in associate									1,463,233,878
Income before income tax									30,274,049,899
Provision for income tax (Note 38)									4,449,245,289
Net income									₱25,824,804,610
Net income attributable to equity holders of the Parent Company	₱6,668,221,276	₱573,838,894	₱5,412,565,199	(₱450,969,550)	(₱308,477,507)	₱88,147,232	₱6,309,365,918	(₱47,541,672)	₱18,245,149,790
EBIT	₱15,004,038,303	₱4,253,663,081	₱6,378,368,489	(₱700,609,070)	₱–	₱229,722,452	₱12,309,860,311	₱–	₱37,475,043,566
Depreciation and amortization (Notes 15, 16, 18 and 33)	4,111,226,959	4,281,525,018	2,860,204,571	299,638,813	–	168,412,070	38,600,632	–	11,759,608,063
EBITDA	₱19,115,265,262	₱8,535,188,099	₱9,238,573,060	(₱400,970,257)	₱–	₱398,134,522	₱12,348,460,943	₱–	₱49,234,651,629
Other information									
Non-cash expenses other than depreciation and amortization (Note 34):									
Impairment losses on receivables (Note 11)	₱13,183,792	₱16,316,779	₱–	₱–	₱–	₱285,735,444	₱–	₱–	₱315,236,015
Inventory obsolescence and market decline (Note 12)	104,296,754	–	–	–	–	–	–	–	104,296,754
Intangibles	5,212,591	–	–	–	–	–	–	–	5,212,591
	–	–	–	–	–	151,961,639	–	–	151,961,639
	₱122,693,137	₱16,316,779	₱–	₱–	₱–	₱437,697,083	₱–	₱–	₱576,706,999

	December 31, 2013 (As Restated - Note 2)							
	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	₱83,603,137,511	₱41,004,096,281	₱ 16,544,606,068	₱542,545,359	₱2,749,898,312	₱363,498,389	₱–	₱144,807,781,920
Intersegment revenue	–	–	–	174,803,314	–	–	(174,803,314)	–
	83,603,137,511	41,004,096,281	16,544,606,068	717,348,673	2,749,898,312	363,498,389	(174,803,314)	144,807,781,920
Dividend income (Note 28)	24,880,040	14,348,975	–	–	–	3,217,727,349	–	3,256,956,364
Equity in net earnings of associates and joint ventures (Note 14)	22,527,533	119,360,469	1,714,503,857	–	–	408,036,645	18,705,128	2,283,133,632
Total revenue	83,650,545,084	41,137,805,725	18,259,109,925	717,348,673	2,749,898,312	3,989,262,383	(156,098,186)	150,347,871,916
Cost of sales and services (Note 30)	59,241,792,951	30,075,334,423	8,072,204,223	1,121,807,566	599,241,926	–	(283,471,671)	98,826,909,418
Gross income (loss)	₱24,408,752,133	₱11,062,471,302	₱10,186,905,702	(₱404,458,893)	₱2,150,656,386	₱3,989,262,383	₱127,373,485	₱51,520,962,498
General and administrative expenses (Note 31)								25,991,358,810
Impairment losses and others (Note 34)								124,685,876
Operating income								25,404,917,812
Financing cost and other charges (Note 35)								(3,864,479,498)
Finance income (Note 27)								1,525,051,592
Other operating income (Note 29)								369,766,526
Core earnings								23,435,256,432
Market valuation gain on financial assets at FVPL								77,322,335
Market valuation gain on derivative financial instruments								
Foreign exchange gains								(3,734,654,433)
Income before income tax								19,777,924,334
Provision for income tax (Note 38)								3,041,525,316
Net income								₱16,736,399,018
Net income attributable to equity holders of the Parent Company	₱6,305,791,571	₱344,191,788	₱4,548,857,812	(₱622,626,953)	₱271,401,962	(₱19,805,946)	(₱393,676,016)	₱10,434,134,218
EBIT	₱11,285,657,992	₱2,538,121,354	₱6,223,176,395	(₱720,778,186)	₱618,252,661	₱5,460,487,596	₱–	₱25,404,917,812
Depreciation and amortization (Notes 15, 16, 18 and 33)	3,695,216,082	3,454,641,115	2,518,694,773	167,181,403	157,492,273	38,084,798	–	10,031,310,444
EBITDA	₱14,980,874,074	₱5,992,762,469	₱8,741,871,168	(₱553,596,783)	₱775,744,934	₱5,498,572,394	₱–	₱35,436,228,256
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 (As Restated - Note 2)							
	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	₱73,100,977,913	₱37,904,453,623	₱13,866,427,925	₱4,036,707,803	₱2,533,727,931	₱338,510,912	₱–	₱131,780,806,107
Intersegment revenue	–	–	–	200,355,615	–	–	(200,355,615)	–
	73,100,977,913	37,904,453,623	13,866,427,925	4,237,063,418	2,533,727,931	338,510,912	(200,355,615)	131,780,806,107
Dividend income (Note 28)	240,362,116	4,356,090	–	–	–	2,986,908,592	–	3,231,626,798
Equity in net earnings of associates and joint ventures (Note 14)	26,581,102	54,384,007	1,796,079,451	–	–	132,758,014	(5,981,635)	2,003,820,939
Total revenue	73,367,921,131	37,963,193,720	15,662,507,376	4,237,063,418	2,533,727,931	3,458,177,518	(206,337,250)	137,016,253,844
Cost of sales and services (Note 30)	53,659,850,903	27,739,594,145	6,571,192,739	4,670,903,628	779,311,082	–	(297,501,003)	93,123,351,494
Gross income (loss)	₱19,708,070,228	₱10,223,599,575	₱9,091,314,637	(₱433,840,210)	₱1,754,416,849	₱3,458,177,518	₱91,163,753	₱43,892,902,350
General and administrative expenses (Note 31)								22,279,957,365
Impairment losses and others (Note 34)								271,254,229
Operating income								21,341,690,756
Financing cost and other charges (Note 35)								(3,943,807,279)
Finance income (Note 27)								2,313,325,755
Other operating income (Note 29)								196,401,725
Core earnings								19,907,610,957
Market valuation gain								1,776,188,716
Foreign exchange gains								891,046,062
Income before income tax								22,574,845,735
Provision for income tax (Note 38)								2,887,276,581
Net income								₱19,687,569,154
Net income attributable to equity holders of the Parent Company	₱4,743,582,096	₱2,400,013,514	₱4,407,607,021	(₱741,639,633)	₱234,350,744	₱2,490,723,625	(₱137,553,352)	₱13,397,084,015
EBIT	₱8,314,235,200	₱2,722,149,333	₱5,379,693,262	(₱721,848,192)	₱579,539,354	₱5,067,921,799	₱–	₱21,341,690,756
Depreciation and amortization (Notes 15, 16, 18 and 33)	3,423,214,745	2,767,863,860	2,128,231,375	161,437,409	103,918,231	39,797,090	–	8,624,462,710
EBITDA	₱11,737,449,945	₱5,490,013,193	₱7,507,924,637	(₱560,410,783)	₱683,457,585	₱5,107,718,889	₱–	₱29,966,153,466
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

(Forward)

Other information on the Group's operating segments follow:

December 31, 2014

	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)	**₱513,978,184**	**₱591,339,486**	**₱37,315,873,321**	**₱–**	**₱–**	**₱–**	**₱73,688,495,163**	**₱–**	**₱112,109,686,154**
Segment assets	**₱106,405,416,511**	**₱76,534,793,845**	**₱88,421,498,821**	**₱15,232,478,999**	**₱40,038,099,698**	**₱49,487,848,012**	**₱265,626,167,163**	**(₱82,967,514,572)**	**₱558,778,788,477**
Short-term debt (Note 23)	**₱5,179,398,035**	**₱–**	**₱8,442,250,000**	**₱1,327,896,869**	**₱7,082,725,795**	**₱–**	**₱22,254,462,838**	**₱–**	**₱44,286,733,537**
Long-term debt (Note 23)	**₱25,455,440,899**	**₱33,849,662,665**	**₱9,926,669,718**	**₱–**	**₱–**	**₱–**	**₱88,322,962,275**	**₱–**	**₱157,554,735,557**
Segment liabilities	**₱46,657,454,612**	**₱54,939,817,674**	**₱34,464,784,066**	**₱5,753,738,342**	**₱7,745,011,441**	**₱43,712,025,871**	**₱149,387,289,349**	**(₱45,491,787,484)**	**₱297,168,333,871**
Capital expenditures (Notes 15 and 16)	**₱6,848,707,745**	**₱13,316,719,856**	**₱8,702,464,516**	**₱1,649,969,184**	**₱7,175,626,237**	**₱232,360,883**	**₱53,087,877**	**₱–**	**₱37,978,936,298**

December 31, 2013 (As Restated - Note 2)

	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)	₱99,843,095	₱578,824,453	₱34,814,569,121	₱–	₱–	₱–	₱72,824,444,769	₱–	₱108,317,681,438
Segment assets	₱73,147,308,697	₱67,673,974,204	₱77,136,668,232	₱37,196,515,936	₱–	₱46,073,637,482	₱250,740,299,630	(₱78,348,195,792)	₱473,620,208,389
Short-term debt (Note 23)	₱5,889,871,183	₱–	₱3,087,050,000	₱651,078,416	₱120,822,431	₱–	₱25,539,779,837	₱–	₱35,288,601,867
Long-term debt (Note 23)	₱–	₱29,406,465,672	₱10,000,000,000	₱–	₱–	₱–	₱49,869,466,134	₱–	₱89,275,931,806
Segment liabilities	₱19,334,410,351	₱46,543,628,035	₱26,472,361,217	₱3,782,185,803	₱–	₱40,740,793,585	₱141,000,070,185	(₱40,120,287,688)	₱237,753,161,488
Capital expenditures (Notes 15 and 16)	₱6,137,793,512	₱12,694,267,310	₱8,348,792,735	₱3,244,030,599	₱5,625,675,402	₱242,603,524	₱3,402,850	₱–	₱36,296,565,932

December 31, 2012 (As Restated - Note 2)

	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)	₱107,315,553	₱511,756,873	₱32,321,698,046	₱–	₱–	₱–	₱567,698,708	₱–	₱33,508,469,180
Segment assets	₱72,038,941,153	₱61,521,043,733	₱72,844,758,614	₱28,227,636,229	₱–	₱41,329,045,734	₱140,494,674,584	(₱70,998,352,630)	₱345,457,747,417
Short-term debt (Note 23)	₱11,038,676,498	₱–	₱–	₱1,444,476,141	₱–	₱–	₱5,937,501,925	₱–	₱18,420,654,564
Long-term debt (Note 23)	₱2,992,002,244	₱22,924,359,199	₱12,000,000,000	₱–	₱–	₱–	₱23,768,470,854	₱–	₱61,684,832,297
Segment liabilities	₱23,480,494,369	₱40,249,949,832	₱25,082,163,466	₱4,666,418,423	₱–	₱35,597,637,450	₱53,280,675,538	(₱38,462,345,874)	₱143,894,993,204
Capital expenditures (Notes 15 and 16)	₱5,577,372,164	₱10,455,747,815	₱8,632,790,686	₱824,897,178	₱10,060,288,096	₱361,907,302	₱26,201,817	₱–	₱35,939,205,058

Reconciliation of Income Before Income Tax to EBITDA and Core Earnings

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Income before income tax	**₱30,274,049,899**	₱19,777,924,334	₱22,574,845,735
Finance income	**(1,347,723,538)**	(1,525,051,592)	(2,313,325,755)
Financing cost and other charges	**5,824,349,891**	3,864,479,498	3,943,807,279
Other operating income	**242,908,270**	(369,766,526)	(196,401,725)
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**2,122,631,007**	(77,322,335)	(1,776,188,716)
Foreign exchange losses (gains)	**358,828,037**	3,734,654,433	(891,046,062)
EBIT	**37,475,043,566**	25,404,917,812	21,341,690,756
Depreciation and amortization	**11,759,608,063**	10,031,310,444	8,624,462,710
EBITDA	**₱49,234,651,629**	₱35,436,228,256	₱29,966,153,466
Income before income tax	**₱30,274,049,899**	₱19,777,924,334	₱22,574,845,735
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**2,122,158,646**	(77,322,335)	(1,776,188,716)
Foreign exchange losses (gains)	**358,828,037**	3,734,654,433	(891,046,062)
Core earnings	**₱32,755,036,582**	₱23,435,256,432	₱19,907,610,957

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 and intangible assets.

Depreciation and amortization
In 2014, 2013 and 2012, the amount of reported depreciation and amortization includes depreciation for investment properties and property, plant and equipment, and amortization of intangible assets.

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:

	2014	2013	2012
Domestic	**₱140,441,878,886**	₱109,683,098,204	₱ 98,844,481,124
Foreign	**44,370,451,359**	40,664,773,712	38,171,772,720
	₱184,812,330,245	₱150,347,871,916	₱137,016,253,844

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:

	2014	2013
Domestic	**₱269,968,945,903**	₱245,619,583,787
Foreign	**73,978,960,171**	41,945,977,046
	₱343,947,906,074	₱287,565,560,833

6. Cash and Cash Equivalents

This account consists of:

	2014	2013 (As Restated - Note 2)
Cash on hand	**₱1,682,183,840**	₱1,234,454,510
Cash in banks	**17,013,261,667**	17,258,341,345
Cash equivalents	**18,779,196,715**	20,139,440,737
	₱37,474,642,222	₱38,632,236,592

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 0.5% to 4.63%, from 0.1% to 4.3%, and from 0.2% to 3.9% in 2014, 2013 and 2012, respectively.

7. 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, 2014 and 2013. The notional amount is the basis upon which changes in the value of derivatives are measured.

	December 31, 2014				
	Notional Amounts (in Millions)				
	US Dollar	**New Zealand Dollar**	**Philippine Peso Equivalent**	**Derivative Assets**	**Derivative Liabilities**
Derivatives Not Designated as Accounting Hedges					
Freestanding:					
Commodity options		**(NZD 0.3)**	**(₱10.5)**		**₱10,467,387**
Commodity swaps*					**2,260,559,896**
					₱2,271,027,283
Derivatives Designated as Accounting Hedges					
Currency option		**NZD 4.2**	**146.5**	**₱28,423,630**	
Interest rate swaps	**USD 250.0**		**11,180.0**	**126,183,696**	
				₱154,607,326	
Presented in the consolidated statements of financial position as:					
Current				**₱28,423,630**	**₱1,762,810,918**
Noncurrent				**126,183,696**	**508,216,365**

**Nominal quantity amounted to 1,620,000 US barrels as of December 31, 2014.*

	December 31, 2013		
	Notional Amounts (in Millions)		
	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$250.0	11,098.8	₱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.*

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 value of this interest rate swap agreement amounted to ₱90.1 million. The loan and interest swap 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 up to June 16, 2013, its maturity. As of December 31, 2012, the outstanding notional amount is US$20.0 million and the negative fair value of this interest rate swap amounted to ₱12.2 million. 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 charge against credit to profit or loss. As of December 31, 2014 and 2013, the Group has outstanding fuel hedging transactions. The notional quantity is the amount of the derivatives' underlying asset or liability, reference rate or index and is the basis upon which changes in the fair value of the derivatives are measured. The options can be exercised at various calculation dates with specified quantities on each calculation date. The options have various maturity dates through December 31, 2016.

  As of December 31, 2014 and 2013, the Group recognized net changes in fair value of derivatives amounting ₱2,424.0 million loss and ₱290.3 million gain, respectively. These are recognized in "Market valuation gains (losses) on derivative financial instruments" under the consolidated statements of comprehensive income.

As of December 31, 2014 the Group has outstanding sugar hedging transactions with notional quantity of 4,225 mT. As of December 31, 2014, the negative fair values of the commodity options amounted to NZD 0.30 million (liability) or ₱10.5 million.

- 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. The positive and negative fair values of these currency options is nil as of December 31, 2013.

- Currency swaps
  On January 27, 2010, July 16, 2008 and June 11, 2008, the Group entered into a long-term currency swap agreements to hedge the foreign exchange risk on certain AFS investments. As of December 31, 2012, the positive fair value of the currency swaps amounted to ₱109.1 million, respectively. As of December 31, 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
  In 2014, the Group entered into foreign currency hedging arrangements with various counterparties to manage its exposure to foreign currency fluctuations. Such derivatives are not designated as accounting hedges. The gains or losses on these instruments are accounted for directly as a charge against or credit to profit or loss. During the year, the Group pre-terminated all foreign currency derivative contracts, where the Group recognized realized gain of ₱109.8 million from the transaction.

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$250.0 million effective January 16, 2013. The swap is intended to hedge the interest rate exposure due to the movements in the benchmark LIBOR on the US$ 250.0 million JGSPL 5-year Guaranteed Notes (see Note 23). 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.

- Foreign currency forwards
  The Group's short-term forwards have varying tenors ranging from one to eight months and have a total notional amount of NZD 19.81m in December 31, 2014. The positive and negative fair values amounted to +NZD 1.04m and -NZD 0.56m as of December 31, 2014.

- Currency options
  The Group entered into currency options and have total notional amount of NZD 4.20m in December 31, 2014. The positive fair value amounted to +NZD 0.16m as of December 31, 2014.

<u>Hedge Effectiveness Results</u>
As of December 31, 2014 and 2013, the positive fair value of the swap amounted to ₱126.2 million and ₱171.9 million, respectively, with an outstanding notional amount of US$250 million.

<u>Fair value changes in derivatives</u>

Fair value of changes in derivatives designated as accounting hedges
Movements in the net unrealized losses on cash flow hedge consist of:

	2014	2013
Beginning balance	**₱171,850,204**	₱–
Fair value of derivatives from an acquired subsidiary	**25,339,113**	–
Net changes shown in other comprehensive income (Note 36):		
Net changes in fair value of derivatives taken to other comprehensive income	**(42,581,991)**	171,850,204
	(17,242,878)	171,850,204
	₱154,607,326	₱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:

	2014	2013
Balance at beginning of year:		
Derivative assets	**₱166,456,897**	₱302,748,695
Derivative liabilities	**–**	(41,178,211)
	166,456,897	261,570,484
Fair value of derivatives from acquired subsidiary at and an acquisition date	**(6,362,917)**	–
	160,093,980	261,570,484
Net changes in fair value of derivatives taken to profit or loss	**(2,318,346,454)**	237,930,143
Fair value of settled instruments	**(112,774,809)**	(333,043,730)
	(₱2,271,027,283)	₱166,456,897

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.

8. Financial Assets at Fair Value through Profit or Loss

These investments that are held for trading consist of:

	2014	2013 (As Restated - Note 2)
Debt securities:		
Private	**₱9,521,126,671**	₱10,102,656,322
Government	**2,852,472,033**	2,639,166,896
	12,373,598,704	12,741,823,218
Equity securities:		
Quoted	**2,900,367,293**	2,746,243,420
Unquoted	**3,354**	3,330
	2,900,370,647	2,746,246,750
	₱15,273,969,351	₱15,488,069,968

The Group classified its investment in JCB shares under 'Financial assets at FVPL' at its fair value on February 19, 2014 amounting to ₱1.6 billion (see Note 14).

In 2014, the Group recognized net market valuation losses on financial assets at FVPL amounting to ₱1.2 billion. In 2013, the Group recognized net market valuation losses on financial assets at FVPL and amounting to ₱160.6 million. In 2012, the Group recognized net market valuation gain on financial assets at FVPL amounting to ₱1.4 billion.

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

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Debt securities:			
Private	**₱617,684,404**	₱571,180,142	₱610,096,434
Government	**150,577,258**	184,800,034	191,129,380
	₱768,261,662	₱755,980,176	₱801,225,814

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:

	December 31, 2012*	December 31, 2011*	December 31, 2010*	December 31, 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

As of December 31, 2013 and 2014, 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, 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 and 2012, respectively:

	2013	2012
Increase (reduction) in:		
Interest income	₱11,263,031	₱9,004,095
Foreign exchange losses	5,255,824	(19,198,021)

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:

	2014	2013
Debt securities:		
Government	**₱7,817,194,827**	₱5,483,387,043
Private	**2,674,606,077**	3,855,929,702
	10,491,800,904	9,339,316,745
Equity securities:		
Quoted	**51,533,597,634**	47,358,232,549
Unquoted	**24,293,371**	53,565,871
	51,557,891,005	47,411,798,420
	₱62,049,691,909	₱56,751,115,165

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

	2014	2013
Current portion	**₱11,789,035,747**	₱10,641,373,483
Noncurrent portion	**50,260,656,162**	46,109,741,682
	₱62,049,691,909	₱56,751,115,165

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. 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 the Philippine associate of First Pacific Company Limited and NTT Docomo, Inc. With prior consent of PLDT, the 10.4 million shares were sold in November 2011. As a result of the transaction, the Group's remaining investment in PLDT shares decreased to 17.2 million shares with corresponding fair value of ₱40.1 billion (Note 44). The Group has classified the remaining PLDT shares representing 8.0% ownership interest as AFS investments which have a carrying value of ₱50.3 billion and ₱46.1 billion as of December 31, 2014 and 2013, respectively.

In 2014, 2013 and 2012, the Group did not recognize any permanent decline in value on its AFS investments.

Interest income on AFS debt securities follows (Note 27):

	2014	2013	2012
Debt securities:			
Government	**₱256,314,160**	₱314,157,896	₱516,220,453
Private	**233,158,043**	307,591,412	274,274,087
	₱489,472,203	₱621,749,308	₱790,494,540

The movements in net unrealized gains on AFS investments follow:

	2014		
	Parent Company	**Non-controlling Interests**	**Total**
Balance at beginning of year	**₱5,617,663,796**	**(₱52,848,884)**	**₱5,564,814,912**
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	**4,239,082,133**	**142,564,930**	**4,381,647,063**
Realized gain on sale of AFS investments (Note 29)	**17,431**		**17,431**
	9,856,763,360	**89,716,046**	**9,946,479,406**
Net changes in fair value of AFS investments of an associate (Notes 14 and 36)	**(1,326,352)**		**(1,326,352)**
Balance at end of year	**₱9,855,437,008**	**₱89,716,046**	**₱9,945,153,054**

	2013		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	₱3,940,744,010	₱245,457,483	₱4,186,201,493
Effect of adoption of uniform accounting period (Note 2)	(22,140,570)	(14,371,518)	(36,512,088)
Balance at beginning of year, as restated	3,918,603,440	231,085,965	4,149,689,405
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	1,713,326,265	(281,823,033)	1,431,503,232
Realized gain on sale of AFS investments (Note 29)	(2,668,840)	(2,111,816)	(4,780,656)
	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	₱151,173,661	₱3,615,644,813
Effect of adoption of uniform accounting period (Note 2)	(22,140,570)	(14,371,518)	(36,512,088)
Balance at beginning of year, as restated	3,442,330,582	136,802,143	3,579,132,725
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	68,089,499	569,765,087
Realized gain on sale of AFS investments (Note 29)	(35,503,182)	26,194,323	(9,308,859)
	3,908,502,988	231,085,965	4,139,588,953
Net changes in fair value of AFS investments of an associate (Notes 14 and 36)	10,100,452	–	10,100,452
Balance at end of year	₱3,918,603,440	₱231,085,965	₱4,149,689,405

Held-to-Maturity Investment

As of December 31, 2014 and 2013, the HTM investment of the Group consists of investment in private debt security with interest range of 2.88% - 8.64% and 5.07% - 8.64%, respectively, which will mature on various dates from May 18, 2015 to April 2, 2015.

11. Receivables

This account consists of:

	2014	2013
Finance receivables	**₱22,618,882,986**	₱18,266,479,995
Trade receivables	**18,698,280,450**	14,052,491,931
Due from related parties (Note 40)	**1,173,282,098**	1,380,143,510
Interest receivable	**582,699,607**	499,080,359
Other receivables	**2,065,990,746**	2,252,278,698
	45,139,135,887	36,450,474,493
Less allowance for impairment losses	**1,372,684,354**	1,047,893,381
	₱43,766,451,533	₱35,402,581,112

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

	2014	2013
Current portion	**₱24,765,869,045**	₱20,559,742,373
Noncurrent portion	**19,000,582,488**	14,842,838,739
	₱43,766,451,533	₱35,402,581,112

Noncurrent receivables consist of:

	2014	2013
Trade receivables	**₱3,134,496,236**	₱2,371,948,578
Finance receivables	**15,866,086,252**	12,470,890,161
	₱19,000,582,488	₱14,842,838,739

Finance Receivables

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

	2014	2013
Receivables from customers:		
Commercial	**₱14,961,544,312**	₱11,261,164,733
Consumption	**3,537,861,514**	3,405,099,647
Real estate	**3,286,319,552**	2,883,406,449
Domestic bills purchased	**841,772,714**	717,356,029
	22,627,498,092	18,267,026,858
Less unearned interest and discounts	**8,615,106**	546,863
	₱22,618,882,986	₱18,266,479,995

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

	2014	2013	2012
Receivables from customers:			
Commercial	**₱826,332,493**	₱646,821,887	₱617,186,555
Real estate	**239,803,462**	471,751,970	387,519,795
Consumption	**765,778,798**	371,328,374	247,371,993
Domestic bills purchased	**478,965**	822,235	983,346
Unquoted debt securities	**14,987,550**	36,476,080	48,543,639
Sales contract receivable	**8,074,849**	5,846,594	3,796,013
Finance lease receivables	**–**	1,048,367	–
	₱1,855,456,117	₱1,534,095,507	₱1,305,401,341

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, 2014 and 2013 amounted to ₱264.8 million and ₱273.4 million, respectively.

Trade Receivables
Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱6.1 billion and ₱4.7 billion as of December 31, 2014 and 2013. 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 ₱499.0 million, ₱462.6 million and ₱230.2 million in 2014, 2013 and 2012, 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, and other receivables. Unquoted debt securities amounted to ₱555.0 million as of December 31, 2014 and 2013, 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 2014 and 2013,respectively.

As of December 31, 2014 and 2013, claims receivables amounted to ₱470.8 million and ₱277.6 million, respectively.

Allowance for Impairment Losses on Receivables
Changes in the allowance for impairment losses on receivables follow:

	December 31, 2014					
	Individual Assessment			**Collective Assessment**		
	Trade Receivables	**Finance Receivables**	**Other Receivables**	**Trade Receivables**	**Finance Receivables**	**Total**
Balance at beginning of year	**₱456,452,072**	**₱93,018,444**	**₱188,729,458**	**₱63,521,547**	**₱246,171,860**	**₱1,047,893,381**
Provision for impairment losses	**29,500,572**	**234,303,063**	–	–	**51,432,380**	**315,236,015**
Reclassification	–	**14,090,433**	–	–	**90,761,094**	**104,851,527**
Accounts written-off	**(31,738,613)**	**(3,763,535)**	–	–	**(114,871,185)**	**(150,373,333)**
Unrealized foreign exchange gains	**55,076,764**	–	–	–	–	**55,076,764**
Balance at end of year	**₱509,290,795**	**₱337,648,405**	**₱188,729,458**	**₱63,521,547**	**₱273,494,149**	**₱1,372,684,354**

	December 31, 2013					
	Individual Assessment			Collective Assessment		
	Trade Receivables	Finance Receivables	Other Receivables	Trade Receivables	Finance Receivables	Total
Balance at beginning of year	₱442,539,566	₱335,091,737	₱188,729,458	₱63,521,547	₱135,488,746	1,165,371,054
Provision for impairment losses	372,657	41,494,110	–	–	54,124,230	95,990,997
Reclassification	–	(70,563,608)	–	–	109,024,228	38,460,620
Accounts written-off	(3,660,551)	(213,003,795)	–	–	(52,465,344)	(269,129,690)
Unrealized foreign exchange gains	17,200,400	–	–	–	–	17,200,400
Balance at end of year	₱456,452,072	₱93,018,444	₱188,729,458	₱63,521,547	₱246,171,860	₱1,047,893,381

Provision for impairment losses on receivables for the year ended December 31, 2014, 2013 and 2012 amounted to ₱315.2 million, ₱96.0 million and ₱63.9 million, respectively.

12. **Inventories**

This account consists of inventories held as follows:

	2014	2013 (As Restated - Note 2)
At cost:		
Raw materials	**₱7,000,654,646**	₱4,057,114,966
Finished goods	**7,341,431,318**	2,606,387,307
Total	**14,342,085,964**	6,663,502,273
At NRV:		
Subdivision land, condominium and residential units for sale	**15,624,283,409**	12,199,789,056
Spare parts, packaging materials and other supplies	**5,008,323,003**	4,085,983,778
Work-in-process	**2,005,442,329**	475,061,573
By-products	**16,188,993**	45,351,498
	22,654,237,734	16,806,185,905
Materials in-transit	**3,136,443,524**	1,049,218,802
	₱40,132,767,222	₱24,518,906,980

Summary of the movements in real estate inventory follows:

	2014	2013 (As Restated - Note 2)
Balance at beginning of year	**₱12,199,789,056**	₱11,633,579,219
Construction and development costs incurred	**4,733,828,279**	3,854,262,548
Land improved transferred from property and equipment (Note 15)	**1,194,822**	–
Land cost transferred from investment property (Note 15)	**1,760,811,654**	–
Costs of real estate sales (Note 30)	**(3,071,340,402)**	(3,288,052,711)
Balance at end of year	**₱15,624,283,409**	₱12,199,789,056

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 ₱4.3 billion and ₱4.0 billion as of December 31, 2014 and 2013, 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 ₱400.9 million, ₱655.4 million and ₱673.6 million in 2014, 2013 and 2012, respectively.

The Group recognized inventory obsolescence and market decline included under ‘Impairment losses and others’amounting to ₱104.3 million, ₱28.7 million and ₱1.4 million in 2014, 2013 and 2012, respectively (see Note 34).

13. **Other Current Assets**

This account consists of:

	2014	2013 (As Restated - Note 2)
Input value-added tax (VAT)	**₱5,180,805,476**	₱1,744,323,562
Advances to suppliers	**3,595,834,167**	1,494,311,974
Advances to lot owners and joint operations	**1,033,643,180**	660,040,326
Prepaid expenses	**928,442,471**	621,517,604
Deposit to counterparties	**841,439,022**	–
Funds under escrow	**217,835,586**	2,660,748,260
Utility deposits	**5,293,698**	5,106,072
Others	**494,554,012**	354,091,277
	₱12,297,847,612	₱7,540,139,075

Input VAT
As of December 31, 2014 and 2013, the gross amount of output VAT deducted from input VAT amounted to ₱15.1 billion and ₱13.9 billion, respectively. The Group believes that the amount of input VAT is fully realizable in the future.

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 service maintenance. These are applied against progress billings which occur within one year from the date the advances arose.

Advances to Lot Owners and joint operations
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. The application is expected to be within twelve (12) months after the reporting date. This also includes deposit to various joint operations partners representing share in an ongoing real estate development which will be liquidated at the end of the joint venture agreement. This deposit will be realized through RLC's share in the completed units or share in the sales proceeds of the units, depending on the agreement with the other party.

Prepaid Expenses
This account consists of prepayments on the following:

	2014	2013
Rent	**₱341,305,221**	₱293,763,223
Insurance	**154,289,038**	129,534,743
Office supplies	**93,831,632**	99,141,773
Taxes	**24,338,971**	15,186,847
Advertising	**24,220,397**	33,599,290
Others	**290,457,212**	50,291,728
	₱928,442,471	₱621,517,604

Deposit to Counterparties
Deposit to counterparties pertains to collateral deposits provided to counterparties for fuel hedging transactions.

Funds under Escrow
Funds under escrow consists of:

	2014	2013
Restricted cash	**₱217,835,586**	₱929,874,330
Funds under escrow	–	1,670,853,930
	₱217,835,586	₱2,600,728,260

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. On December 4, 2013, the Parent Company, through its letter to PLDT, requested for the release of the funds following the completion of the post-closing review of the accounts of Digitel. On April 11, 2014, the Parent Company received an amount equivalent to ₱1.3 billion as final settlement of Escrow. The remaining balance amounting to ₱400.0 million is recorded under "Other expense" in the statement of comprehensive income.

In 2014 and 2013, total interest income recognized by the Parent Company from the funds under escrow amounted to ₱3.0 million and ₱31.7 million, respectively.

Restricted cash
RLC has restricted cash - escrow which pertains to cash placed in escrow funds 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.

Included under 'Others' account are creditable withholding taxes amounting to ₱465.3 million and ₱327.5 million as of December 31, 2014 and 2013, respectively.

14. Investments in Associates and Joint Ventures

Details of this account follow:

	2014	2013 (As Restated - Note 2)
Acquisition cost:		
Balance at beginning of year	**₱92,854,141,070**	₱19,691,511,885
Additional investments	**1,049,699,994**	73,174,629,185
Return of investment from an associate	**(45,000,000)**	(12,000,000)
Disposal of investment	**(5,645,598)**	–
Balance at end of year	**93,853,195,466**	92,854,141,070
Accumulated equity in net earnings:		
Balance at beginning of year	**15,652,387,318**	14,045,214,777
Effect of adoption of uniform accounting period (Note 2)	**14,459,095**	11,176,500
Balance at beginning of year, as restated	**15,666,846,413**	14,056,391,277
Equity in net earnings	**7,247,680,555**	2,283,133,632

(Forward)

	2014	2013 (As Restated - Note 2)
Accumulated equity in net earnings of disposed investment	**(₱4,653,656)**	₱–
Dividends received	**(4,454,790,130)**	(672,678,496)
Balance at end of year	**18,455,083,182**	15,666,846,413
Share in net unrealized gain on AFS investments of an associate:		
Balance at beginning of year	**4,548,240**	16,145,309
Share in net changes in fair value of AFS investments of an associate (Notes 10 and 36)	**(1,326,352)**	(11,597,069)
Balance at end of year	**3,221,888**	4,548,240
Share in remeasurements of the net defined benefit liability of an associate	**1,432,693**	–
Cumulative translation adjustment	**94,203,322**	89,596,112
	112,407,136,551	108,615,131,835
Less allowance for impairment losses	**297,450,397**	297,450,397
	₱112,109,686,154	₱108,317,681,438

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	
	2014	2013	**2014**	2013
			(In Million Pesos)	
Associates				
Foreign:				
United Industrial Corp., Limited (UICL)	**36.99**	37.00	**₱37,315.9**	₱34,814.5
Domestic:				
Manila Electric Company (Meralco)	**27.10**	27.10	**73,025.8**	72,127.8
OPMC	**19.40**	19.40	**575.9**	547.7
Cebu Light Industrial Park, Inc. (CLIPI)	**–**	20.00	**83.0**	126.6
Jobstreet.com Philippines, Inc. (JPI)	**–**	40.00	**–**	18.6
Sterling Holdings and Security Corporation (SHSC)	**49.00**	49.00	**–**	–
Bauang Private Power Corporation (BPPC)/First Private Power Corporation (FPPC)	**18.66**	18.66	**–**	–
			111,000.6	107,635.2
Joint Ventures				
Domestic:				
SIA Engineering (Philippines) Corp. (SIAEP)	**23.53**	23.53	**245.7**	280.5
Aviation Partnership (Philippines) Corp. (APPC)	**32.95**	32.95	**191.9**	167.1
Hunt-Universal Robina Corporation (HURC)	**27.91**	30.32	**95.2**	99.8
Philippine Academy for Aviation Training (PAAT)	**33.62**	33.62	**153.8**	131.3
MPIC-JGS Airport Holdings, Inc.	**41.25**	41.25	**3.8**	3.8
Foreign:				
Calbee- URC, Inc. (CURCI)	**27.91**	–	**325.5**	–
Danone Universal Robina Beverages, Inc. (DURBI)	**27.91**	–	**93.2**	–
			1109.1	682.5
			₱112,109.7	₱108,317.7

Investment in Meralco
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' and was fully paid on of March 25, 2014. This acquisition represents 27.1% of Meralco's total outstanding common shares.

In 2013, the purchase price allocation relating to the Group's additional investment in UICL and acquisition of Meralco shares was provisionally determined. Given the size and complexity of these transactions, the preliminary allocation was subject to revision to reflect the final determination of fair values.

In 2014, the Parent Company engaged the services of a third party valuer to perform a purchase price allocation of the purchase price of the Parent Company's investment in Meralco among the identifiable assets and liabilities based on fair values. Based on the final purchase price allocation, the difference of ₱51.4 billion between the Parent Company's share in the carrying values of Meralco's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair value and carrying value of Meralco's specific and identifiable assets and liabilities as follows: ₱4.6 billion for utility and others; ₱0.1 billion for investment properties; ₱1.7 billion for intangible assets particularly for franchise; ₱0.4 billion for long term debt and the remaining balance of ₱45.4 billion for 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.

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

On June 25, 2014, the Group elected to receive 4,828,816 ordinary shares under the UIC Scrip Dividend Scheme in lieu of cash dividend at the issue price of $3.17 per share.

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, 2014 and 2013, the Group's investments in the following listed investee companies have fair values of:

	Exchange Listed	**2014**	2013
UICL	Singapore Exchange Limited	**₱101,215,294,978**	₱53,038,755,408
OPMC	Philippine Stock Exchange	**534,304,293**	689,537,100
Meralco	Philippine Stock Exchange	**78,256,485,632**	76,728,038,647

As of December 31, 2014 and 2013, the breakdown of the total fair market value of the Group's investment in OPMC follows:

	2014	2013
Class A Common Stock	**₱117,136,910**	₱153,179,036
Class B Common Stock	**417,167,383**	536,358,064
	₱534,304,293	₱689,537,100

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

Investment in CLIPI
In 1995 and 1998, CLIPI's BOD and stockholders approved the additional capital infusion of ₱299.90 million and ₱60.00 million, respectively. These are equivalent to 2,999,000 common shares and 600,000 convertible and redeemable preferred shares, respectively.

In 1995 and 1998, the Company invested ₱60.00 million and ₱12.00 million, respectively, to CLIPI representing deposits for future stock subscription for common shares and preferred shares.

As of December 31, 2012, the said application was not yet approved by the SEC.

Hence, in 2014 and 2013, CLIPI discontinued the application and returned the Company's deposits for future stock subscription amounting to ₱45.00 million and ₱12.00 million for common and preferred shares, respectively.

Investment in Jobstreet.com Philippines, Inc. (JPI)
As of December 31, 2013, the Group had 40.0% interest in JPI amounting to ₱5.7 million.

On February 19, 2014, Jobstreet.com Pte Ltd. (JSS) ("the Purchaser") entered into a conditional share sale agreement with the Group. The agreement provides for JSS' acquisition of 5,645,600 ordinary shares of JobStreet.com Philippines Inc. (JSP) representing the remaining 40.0% of the total issued and paid-up share capital of JSP for a consideration of MYR120.5 million or ₱1.6 billion payable entirely via issuance of 49,400,000 share of Jobstreet Corporation Berhad (JCB) at an issue price of MYR2.44 per share.

As a result of the transaction, the Group obtained 6.99% of JCB's outstanding common stock. The Group recognized its investment in JCB shares at its fair value of ₱1.6 billion and classified it as a financial asset at fair value through profit or loss. The Group recognized the difference between the fair value of the JCB shares and the carrying value of the JSP shares amounting to ₱1.6 billion as 'Other income' in the statement of comprehensive income (see Note 9).

Investment in SHSC
The investment in SHSC is fully provided with allowance amounting to ₱113.4 million as of December 31, 2014 and 2013.

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

	2014						
	Statement of Financial Position				**Statement of Comprehensive Income**		
Associate	**Current Assets**	**Noncurrent Assets**	**Current Liabilities**	**Noncurrent Liabilities**	**Revenue**	**Costs and Expenses**	**Net Income**
Meralco	**₱112,612,000,000**	**₱156,441,000,000**	**₱83,528,000,000**	**₱106,051,000,000**	**₱266,336,000,000**	**₱248,283,000,000**	**₱18,053,000,000**
UICL	**41,459,891,524**	**244,835,219,753**	**29,100,342,576**	**38,044,275,073**	**15,569,252,229**	**7,761,162,136**	**7,808,090,093**
OPMC	**2,385,163,516**	**1,343,766,951**	**26,705,934**	**96,439,932**	**1,065,218,668**	**881,453,876**	**183,764,792**

	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

Investment in Joint Ventures

APPC and SIAEP
APPC and SIAEP are a jointly controlled entities which were 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.

A-plus was incorporated on May 24, 2005 and started commercial operations on July 1, 2005 while SIAEP was incorporated on July 27, 2008 and started commercial operations on August 17, 2009.

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 address 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 and started commercial operations in December 2012.

As of December 31, 2014 and 2013, CAI's investment in PAAT amounted to ₱153.8 million and ₱131.3 million.

HURC
URC has an equity interest in HURC, a domestic joint venture which is a jointly controlled entity. HURC manufactures and distributes food products under the "Hunt's" brand name, which is under exclusive license to HURC in the Philippines.

CURCI
On January 17, 2014, URC entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form CURCI, a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "Calbee Jack 'n Jill" brand name, which is under exclusive license to CURCI in the Philippines.

DURBI
On May 23, 2014, URC entered into a joint venture agreement with Danone Asia Holdings, Pte. Ltd., a corporation duly organized in the Republic of Singapore to form DURBI, a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "B'lue" brand name, which is under exclusive license to DURBI in the Philippines.

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.

2014

	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	**₱628,879,988**	**₱124,389,267**	**₱361,731,757**	**₱–**	**₱831,652,059**	**₱515,404,479**	**₱221,590,328**
HURC	**435,170,951**	**929,519**	**339,922,544**	**–**	**596,076,028**	**568,294,321**	**27,781,707**
SIAEP	**653,378,218**	**1,328,695,779**	**626,863,000**	**653,180,060**	**749,982,173**	**847,112,765**	**(99,273,113)**
PAAT	**253,137,483**	**779,873,393**	**39,454,946**	**686,005,363**	**227,958,105**	**180,244,112**	**44,984,840**
CURCI	**650,702,887**	**1,581,638**	**661,131**	**–**	**–**	**2,878,702**	**(2,878,702)**
DURBI	**66,546,385**	**–**	**3,022,635**	**–**	**57,279**	**3,033,529**	**(2,976,650)**

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	488,289,404	1,551,518	387,770,755	–	682,605,930	637,550,865	45,055,065
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

As of December 31, 2014 and 2013, 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 2014, the Parent Company has the following percentage ownership of shares in its wholly-owned and partially-owned subsidiaries as follows:

		Effective Percentage of Ownership	
Name of Subsidiaries	Country of Incorporation	**December 31, 2014**	December 31, 2013
Food			
Universal Robina Corporation and Subsidiaries	Philippines	55.83	55.83
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	-do-	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, 2014			
	URC	**RLC**	**CPAHI**	**JGSCSC**
Total Assets	**₱106,405,416,511**	**₱88,421,498,821**	**₱76,062,258,808**	**₱49,487,848,012**
Total Liabilities	**46,657,454,612**	**34,441,844,551**	**54,523,454,621**	**43,712,025,871**
Revenue	**96,578,299,760**	**17,455,023,200**	**52,000,018,310**	**2,980,650,565**
Net Income	**12,046,848,848**	**4,773,873,762**	**853,498,216**	**146,912,054**

	As of and for the year ended December 31, 2013			
	URC	RLC	CPAHI	JGSCSC
Total Assets	₱73,147,308,697	₱77,136,668,232	₱65,862,485,786	₱45,987,370,120
Total Liabilities	19,334,410,351	26,472,361,217	44,226,730,807	36,490,203,311
Revenue	83,664,477,503	16,552,437,293	30,581,860,423	2,135,747,165
Net Income	10,710,900,060	4,645,534,981	664,067,321	511,879,537

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, 2014**	December 31, 2013
Universal Robina Corporation	Philippines	**44.17**	44.17
Robinsons Land Corporation	Philippines	**39.03**	39.03
CP Air Holdings, Inc.	Philippines	**32.77**	32.77
JG Summit Capital Services Corp. (RBC)	Philippines	**40.00**	40.00

The accumulated non-controlling interest of these subsidiaries as of December 31, 2014 and 2013 follows:

Name of Subsidiary	**2014**	2013 (As Restated - Note 2)
Universal Robina Corporation	**₱26,048,267,691**	₱23,365,382,699
Robinsons Land Corporation	**21,148,034,405**	19,854,646,689
CP Air Holdings, Inc.	**7,057,213,761**	6,907,402,854
JG Summit Capital Services Corporation	**1,564,320,104**	1,387,128,806

The profit or loss allocated to non-controlling interest of these subsidiaries for the year ended December 31, 2014 and 2013 follow:

Name of Subsidiary	**2014**	2013
Universal Robina Corporation	**₱5,378,627,571**	₱4,142,409,367
Robinsons Land Corporation	**1,862,612,763**	1,811,181,026
CP Air Holdings, Inc.	**276,649,664**	167,739,766
JG Summit Capital Services Corporation	**58,764,822**	180,934,641

15. **Investment Properties**

Movements in this account follow:

	2014			
	Land and Land Improvements	**Buildings and Improvements**	**Construction In-Progress**	**Total**
Cost				
Balance at beginning of year	**₱22,182,860,723**	**₱36,392,369,346**	**₱12,194,099,545**	**₱70,769,329,614**
Additions	**1,807,603,146**	**2,572,950,672**	**3,646,012,128**	**8,026,565,946**
Transfers/other adjustments	**(1,487,629,175)**	**9,989,980,227**	**(10,559,128,578)**	**(2,056,777,526)**
Balance at end of year	**22,502,834,694**	**48,955,300,245**	**5,280,983,095**	**76,739,118,034**
Accumulated Depreciation and Amortization				
Balance at beginning of year	**92,511,125**	**17,220,673,047**	**–**	**17,313,184,172**
Depreciation and amortization	**19,880,832**	**2,419,587,681**	**–**	**2,439,468,513**
Transfers/other adjustments	**11,492,958**	**(10,413,173)**	**–**	**1,079,785**
Balance at end of year	**123,884,915**	**19,629,847,555**	**–**	**19,753,732,470**
Allowance for Impairment Losses				
Balance at beginning and end of year	**2,690,919**	**–**	**–**	**2,690,919**
Net Book Value at End of Year	**₱22,376,258,860**	**₱29,325,452,690**	**₱5,280,983,095**	**₱56,982,694,645**

	2013 (As Restated -Note 2)			
	Land and Land Improvements	Buildings and Improvements	Construction In-Progress	Total
Cost				
Balance at beginning of year	₱21,974,786,485	₱36,202,112,396	₱5,425,703,018	₱63,602,601,899
Additions	242,250,071	768,705,690	6,842,871,160	7,853,826,921
Retirement/disposals	(40,778,576)	(594,768,616)	–	(635,547,192)
Transfers/other adjustments	6,602,743	16,319,876	(74,474,633)	(51,552,014)
Balance at end of year	22,182,860,723	36,392,369,346	12,194,099,545	70,769,329,614
Accumulated Depreciation and Amortization				
Balance at beginning of year	78,248,691	15,356,723,359	–	15,434,972,050
Depreciation and amortization	23,419,176	2,115,577,104	–	2,138,996,280
Retirements/disposals	(9,107,490)	(235,460,325)	–	(244,567,815)
Transfers/other adjustments	(49,252)	(16,167,091)	–	(16,216,343)
Balance at end of year	92,511,125	17,220,673,047	–	17,313,184,172
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	₱22,087,658,679	₱19,171,696,299	₱12,194,099,545	₱53,453,454,523

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 foreclosures. 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 2014 and 2013, 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 2014 and 2013 were 5.85% and 8.46%, 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 ₱8.2 billion, ₱7.6 billion and ₱6.8 billion in 2014, 2013 and 2012, 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 ₱3.19 billion, ₱2.75 billion and ₱2.36 billion in 2014, 2013 and 2012, respectively.

Depreciation and Amortization

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

	2014	2013	2012
Depreciation and amortization expense included under:			
Cost of services (Note 30)	**₱2,419,249,565**	₱2,112,818,277	₱1,907,616,062
General and administrative expenses (Note 31)	**20,218,948**	26,178,003	15,563,694
	₱2,439,468,513	₱2,138,996,280	₱1,923,179,756

Collaterals

As of December 31, 2014 and 2013, 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, 2014							
	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	₱4,706,645,237	₱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
Effect of adoption of uniform accounting period (Note 2)	(158,307,005)	139,152,580	799,164,382	114,212,154	–	1,211,272,878	169,181,237	2,274,676,226
Balance at beginning of year, as restated	4,548,338,232	17,840,068,637	51,557,718,042	6,393,183,848	63,493,471,683	40,973,035,370	1,314,400,027	186,120,215,839
Additions	572,140,175	7,476,417,553	2,235,180,818	667,600,556	10,115,866,144	8,062,758,901	822,406,205	29,952,370,352
Additions due to business combination	661,524,525	3,290,269,011	–	350,215	3,140,278	–		3,955,284,029
Transfers, disposals and other adjustments	(64,560,876)	25,143,339,385	2,914,734,403	(142,414,755)	2,311,060,235	(29,424,450,183)	(589,077,827)	148,630,382
Balance at end of year	5,717,442,056	53,750,094,586	56,707,633,263	6,918,719,864	75,923,538,340	19,611,344,088	1,547,728,405	220,176,500,602
Accumulated Depreciation and Amortization								
Balance at beginning 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
Effect of adoption of uniform accounting period (Note 2)	12,175,930	125,062,022	746,440,709	77,200,878	–	–	–	960,879,539
Balance at beginning of year, as restated	697,468,897	8,502,592,434	34,652,214,231	3,955,987,918	16,015,719,552	–	–	63,823,983,032
Depreciation and amortization	72,439,653	850,490,160	3,600,251,370	603,548,075	4,191,761,135	–	–	9,318,490,393
Disposals and other adjustments	(194,850,053)	(1,060,874,430)	1,364,199,403	(476,806,120)	(101,769,344)	–	–	(470,100,544)
Balance at end of year	575,058,497	8,292,208,164	39,616,665,004	4,082,729,873	20,105,711,343	–	–	72,672,372,881
Allowance for impairment losses								
Balance at beginning and end of year	–	–	17,716,473	–	–	–	–	17,716,473
Net Book Value at End of Year	₱5,142,383,559	₱45,457,886,422	₱17,073,251,786	₱2,835,989,991	₱55,817,826,997	₱19,611,344,088	₱1,547,728,405	₱147,486,411,248

	December 31, 2013 (As Restated - Note 2)							
	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, as previously reported	₱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
Effect of adoption of uniform accounting period (Note 2)	211,525,532	174,140,743	824,114,821	165,445,419	–	(99,875,318)	1,572,517	1,276,923,714
Balance at beginning of year, as restated	4,352,314,464	16,959,658,476	48,741,829,858	5,724,288,333	51,778,558,320	30,435,702,308	600,526,762	158,592,878,521
Additions	191,503,813	549,634,338	1,976,414,852	577,631,720	9,721,431,828	14,045,859,769	1,380,262,691	28,442,739,011
Transfers, disposals and other adjustments	4,519,955	330,775,823	839,473,332	91,263,795	1,993,481,535	(3,508,526,707)	(666,389,426)	(915,401,693)
Balance at end of year	4,548,338,232	17,840,068,637	51,557,718,042	6,393,183,848	63,493,471,683	40,973,035,370	1,314,400,027	186,120,215,839
Accumulated Depreciation and Amortization								
Balance at beginning of year	653,502,622	7,838,693,338	32,129,220,613	3,513,461,321	12,821,392,131	–	–	56,956,270,025
Effect of adoption of uniform accounting period (Note 2)								
Balance at beginning of year, as restated								
Depreciation and amortization	55,188,311	823,448,289	3,094,943,283	519,341,156	3,396,705,101	–	–	7,889,626,140
Disposals and other adjustments	(11,222,036)	(159,549,193)	(571,949,665)	(76,814,559)	(202,377,679)	–	–	(1,021,913,133)
Balance at end of year	697,468,897	8,502,592,434	34,652,214,231	3,955,987,918	16,015,719,552	–	–	63,823,983,032
Allowance for impairment losses								
Balance at beginning and end of year	–	–	17,716,473	–	–	–	–	17,716,473
Net Book Value at End of Year	₱3,850,869,335	₱9,337,476,203	₱16,887,787,338	₱2,437,195,930	₱47,477,752,131	₱40,973,035,370	₱1,314,400,027	₱122,278,516,334

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, 2014 and 2013, the Group's capitalized pre-delivery payments as construction in-progress amounted to ₱8.6 billion and ₱8.4 billion, respectively.

JGSOC

Construction in-progress amounting to nil and ₱24.0 billion as of December 31, 2014 and 2013, 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 ₱5.6 billion and ₱4.0 billion as of December 31, 2014 and 2013, respectively, represents the expansion and rehabilitation of PE and PP plant.

RLC

Construction in progress amounting to ₱5.3 billion and ₱12.2 billion as of December 31, 2014 and 2013, 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 2014 and 2013.

Depreciation and Amortization

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

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
General and administrative expenses (Note 31)	**₱5,011,421,009**	₱3,863,214,526	₱3,107,138,028
Cost of sales (Note 30)	**3,866,114,378**	3,620,535,118	3,370,177,043
Cost of services (Note 30)	**440,955,006**	405,876,496	220,615,313
	₱9,318,490,393	₱7,889,626,140	₱6,697,930,384

Property, Plant and Equipment Pledged as Collateral

Passenger aircraft held as securing assets under various loans

The Group entered into various ECA loans and commercial loan facilities to finance the purchase of its aircraft and engines. As of December 31, 2014, the Group has ten (10) Airbus A319 aircraft, seven (7) Avion de Transport Regional (ATR) 72-500 turboprop aircraft, ten (10) Airbus A320 aircraft under ECA loans, seven (7) Airbus A320 aircraft, five (5) ATR aircraft and six (6) engine under commercial loans.

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 PTALL or PTHALL, or SAALL or by the guarantors which are CPAHI and the Parent Company. CPAHI and the Parent Company are guarantors to loans entered into by CALL, ILL, BLI, SLL and SALL. Failure to pay the obligation will allow the respective lenders to foreclose the securing assets.

As of December 31, 2014 and 2013, the carrying amounts of the securing assets (included under the 'Property, plant and equipment' in the consolidated statements of financial position) amounted to ₱49.7 billion and ₱43.1 billion, respectively.

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

Operating Fleet
As of December 31, 2014 and 2013, the Group's operating fleet follows:

	2014	2013
Owned (Note 23):		
Airbus A319	10	10
Airbus A320	22	17
ATR 72-500	8	8
Under operating lease (Note 42):		
Airbus A320	7	11
Airbus A330	5	2
	52	48

17. **Biological Assets**

The composition and movements in this account follow:

	December 31, 2014						
	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	**₱475,534,216**	**₱920,504,255**	**₱1,396,038,471**	**₱185,254,463**	**₱79,303,351**	**₱264,557,814**	**₱1,660,596,285**
Effect of adoption of uniform accounting period (Note2)	**38,552,145**	**(25,057,000)**	**13,495,145**	**(14,416,592)**	**(20,518,258)**	**(34,934,850)**	**(21,439,705)**
Balance at beginning of year, as restated	**514,086,361**	**895,447,255**	**1,409,533,616**	**170,837,871**	**58,785,093**	**229,622,964**	**1,639,156,580**
Additions	**314,868,037**	**5,495,151,421**	**5,810,019,458**	**143,024,584**	**52,959,307**	**195,983,891**	**6,006,003,349**
Disposal	**(331,042,228)**	**(5,445,171,891)**	**(5,776,214,119)**	**(201,334,559)**	**(66,824,205)**	**(268,158,764)**	**(6,044,372,883)**
Balance at end of year	**497,912,170**	**945,426,785**	**1,443,338,955**	**112,527,896**	**44,920,195**	**157,448,091**	**1,600,787,046**
Accumulated Depreciation							
Balance at beginning of year	**74,135,733**	**–**	**74,135,733**	**92,295,459**	**–**	**92,295,459**	**166,431,192**
Effect of adoption of uniform accounting period (Note2)	**6,502,450**	**–**	**6,502,450**	**(9,676,617)**	**–**	**(9,676,617)**	**(3,174,167)**
Balance at beginning of year, as restated	**80,638,183**	**–**	**80,638,183**	**82,618,842**	**–**	**82,618,842**	**163,257,025**
Depreciation	**47,121,363**	**–**	**47,121,363**	**95,754,793**	**–**	**95,754,793**	**142,876,156**
Disposal	**(42,170,759)**	**–**	**(42,170,759)**	**(116,248,979)**	**–**	**(116,248,979)**	**(158,419,738)**
Balance at end of year	**85,588,787**	**–**	**85,588,787**	**62,124,656**	**–**	**62,124,656**	**147,713,443**
Gains arising from changes in fair value less estimated costs to sell	**13,711,169**	**244,227,883**	**257,939,052**	**–**	**–**	**–**	**257,939,052**
Net Book Value at End of Year	**₱426,034,552**	**₱1,189,654,668**	**₱1,615,689,220**	**₱50,403,240**	**₱44,920,195**	**₱95,323,435**	**₱1,711,012,655**

	December 31, 2013 (As Restated - Note 2)						
	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
Effect of adoption of uniform accounting period (Note 2)	6,296,391	(65,784,911)	(59,488,520)	(10,628,272)	18,963,314	8,335,042	(51,153,478)
Balance at beginning of year, as restated	412,071,553	888,760,694	1,300,832,247	167,571,495	121,425,367	288,996,862	1,589,829,109
Additions	403,047,152	2,042,265,636	2,445,312,788	186,526,912	424,588,444	611,115,356	3,056,428,144
Disposal	(339,925,574)	(2,064,001,708)	(2,403,927,282)	(183,260,536)	(487,228,718)	(670,489,254)	(3,074,416,536)
Balance at end of year	475,193,131	867,024,622	1,342,217,753	170,837,871	58,785,093	229,622,964	1,571,840,717
Accumulated Depreciation							
Balance at beginning of year	57,055,871	–	57,055,871	97,957,467	–	97,957,467	155,013,338
Effect of adoption of uniform accounting period (Note 2)	3,871,785	–	3,871,785	10,242,376		10,242,376	14,114,161
Balance at beginning of year, as restated	60,927,656	–	60,927,656	108,199,843	–	108,199,843	169,127,499
Depreciation	48,694,822	–	48,694,822	140,975,791	–	140,975,791	189,670,613
Disposal	(28,984,295)	–	(28,984,295)	(166,556,792)	–	(166,556,792)	(195,541,087)
Balance at end of year	80,638,183	–	80,638,183	82,618,842	–	82,618,842	163,257,025
Gains arising from changes in fair value less estimated costs to sell	38,893,230	28,422,633	67,315,863	–	–	–	67,315,863
Net Book Value at End of Year	₱433,448,178	₱895,447,255	₱1,328,895,433	₱88,219,029	₱58,785,093	₱147,004,122	₱1,475,899,555

As of December 31, 2014 and 2013, the Group has about 251,930 and 238,122 heads of swine, respectively, and about 429,228 and 568,215 heads of poultry, respectively.

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

	2014	2013
Current portion	**₱1,234,574,863**	₱954,232,348
Noncurrent portion	**476,437,792**	521,667,207
	₱1,711,012,655	₱1,475,899,555

18. **Intangible Assets**

The composition and movements in this account follow:

	December 31, 2014					
	Technology Licenses	**Licenses and others**	**Software Costs**	**Trademarks and Brands**	**Product Formulation**	**Total**
Cost						
Balance at beginning of year	**₱552,331,752**	**₱863,392,879**	**₱80,077,836**	**₱251,524,581**	**₱425,000,000**	**₱2,172,327,048**
Additions	**–**	**2,200,000**	**–**	**–**	**–**	**2,200,000**
Additions due to business combination	**–**	**852,151,869**	**33,033,725**	**4,946,976,710**	**–**	**5,832,162,304**
Balance at end of year	**552,331,752**	**1,717,744,748**	**113,111,561**	**5,198,501,291**	**425,000,000**	**8,006,689,352**
Accumulated Amortization and Impairment Losses						
Balance at beginning of year	**552,331,752**	**–**	**73,179,899**	**201,524,581**	**–**	**827,036,232**
Amortization	**–**	**–**	**1,649,157**	**–**	**–**	**1,649,157**
Balance at end of year	**552,331,752**		**74,829,056**	**201,524,581**	**–**	**828,685,389**
Net Book Value at End of Year	**₱–**	**₱1,717,744,748**	**₱38,282,505**	**₱4,996,976,710**	**₱425,000,000**	**₱7,178,003,963**

	December 31, 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

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.

Brands

Bank Licenses and Others

Bank licenses pertain to RBC's bank licenses amounting to ₱951.9 million and ₱329.7 million in 2014 and 2013, 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% 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.

  In 2014, Bank licenses and others include other assets representing costs to establish brand and market opportunities under the strategic alliance with TAP amounting 852.2 million (see Note 44). Brands were acquired from NZSFHL (see Note 44).

Trademarks and Product Formulation and Brands
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. Brands were acquired from NZSFHL (see Note 44).

19. Goodwill

Movements in the Group's goodwill account follow:

	2014	2013
Cost		
Balance at beginning of year	**₱1,291,094,486**	₱1,291,094,486
Additions due to business combination (Note 44)	**15,840,262,330**	–
Balance at end of year	**17,131,356,816**	1,291,094,486
Accumulated Impairment Losses		
Balance at beginning of year	**248,139,704**	248,139,704
Impairment loss	**5,212,591**	–
Balance at end of year	**253,352,295**	248,139,704
Net Book Value at End of Year	**₱16,878,004,521**	₱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, (e) the acquisition of Southern Negros Development Corporation (SONEDCO) in 1998 and (f) the acquisition of Tiger Airways Philippines (TAP) and NZSFHL in 2014. Goodwill arising from the acquisition of TAP is attributable to the following:

Achievement of Economic Scale
Using the Parent Company's network of suppliers and other partners to improve cost and efficiency of TAP, thus, improving TAP's overall profit, given its existing market share.

Defensive Strategy
Acquiring a competitor enables the Parent Company to manage overcapacity in certain geographical areas/markets.

The goodwill arising from the acquisitions of HCFCL, UABCL, Acesfood and Advanson was translated at the applicable year-end exchange rate.

20. Other Noncurrent Assets

This account consists of:

	2014	2013 (As Restated - Note 2)
Deferred tax assets (Note 38)	**₱677,726,896**	₱638,209,363
Security and miscellaneous deposits	**671,278,080**	665,795,061
Advances to suppliers	**489,142,999**	2,247,006,370
Utility deposits	**460,111,304**	367,963,292
Advances to lot owners	**190,078,577**	43,078,577
Input VAT	–	2,283,124,955
Others	**1,026,056,809**	714,877,330
	₱3,514,394,665	₱6,960,054,948

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

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

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

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

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, prepaid rent and repossessed chattels.

21. Accounts Payable and Accrued Expenses

This account consists of:

	2014	2013 (As Restated - Note 2)
Deposit liabilities	**₱35,767,538,975**	₱32,285,232,733
Trade payables	**13,959,305,074**	13,335,438,289
Accrued expenses	**13,201,058,806**	10,791,455,419
Airport and other related fees payable	**1,211,266,625**	742,614,823

(Forward)

	2014	2013 (As Restated - Note 2)
Due to related parties (Note 40)	**₱548,148,387**	₱560,008,884
Output VAT	**399,486,473**	256,219,861
Withholding taxes payable	**188,372,227**	152,778,743
Dividends payable	**12,888,535**	10,020,929
Equity investment acquisition payable (Notes 14 and 48)	**–**	31,437,008,295
Other payables	**2,109,147,217**	1,906,993,287
	₱67,397,212,319	₱91,477,771,263

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, 2014 and 2013, 61.61% and 62.55% respectively, are subject to periodic interest repricing. Remaining deposit liabilities of the RBC and LBC incur interest at annual fixed rates of up to 2.8% for both years.

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

The liquidity and statutory reserves of RBC and LSB as reported to the BSP represent 'Due from BSP' amounting to ₱9.5 billion in 2014 and ₱6.7 billion in 2013 (see Note 2).

As of December 31, 2014 and 2013, 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):

	2014	2013	2012
Savings	**₱254,029,523**	₱306,021,071	₱533,822,581
Time	**258,935,202**	247,514,827	192,751,001
Demand	**2,393,628**	4,572,333	18,897,859
	₱515,358,353	₱558,108,231	₱745,471,441

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:

	2014	2013
Advertising and promotions	**₱3,385,230,366**	₱2,446,262,961
Landing and take-off, navigational charges, and other aircraft-related expenses	**2,389,265,736**	1,863,356,108
Accrued interest payable	**1,761,195,575**	1,380,768,803
Compensation and benefits	**1,681,743,751**	1,238,251,894
Import bills payable	**1,087,267,884**	1,164,290,656
Taxes and licenses	**794,087,716**	787,785,629
Rental expense	**509,512,181**	402,854,765
Contracted services	**424,300,870**	418,127,485
Freight and handling costs	**376,725,317**	394,419,128
Utilities	**291,215,568**	229,600,326
Insurance	**167,424,200**	89,422,662
Royalties	**12,641,343**	10,012,209
Other accrued expenses	**320,448,299**	366,302,793
	₱13,201,058,806	₱10,791,455,419

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 of management bonus and non-trade payables.

22. Other Current Liabilities

This account consists of:

	2014	2013 (As Restated - Note 2)
Unearned transportation revenue	**₱6,373,744,740**	₱5,338,917,236
Deposit from lessees (Note 42)	**1,638,267,438**	563,006,122
Deposits from real estate buyers (Note 24)	**868,006,293**	1,339,682,681
Advances from agents and others	**554,620,109**	291,742,288
Customer's deposits	**140,937,249**	231,569,906
Redeemable preference shares	**1,700,000**	1,700,000
	₱9,577,275,829	₱7,766,618,233

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).

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:

	2014	2013 (As Restated - Note 2)
Parent Company:		
Philippine Peso - with interest rates of 1.6% to 2.8% in 2014	**₱14,349,800,000**	₱–
Foreign currency - unsecured with interest rate ranging from 2.2% to 3.3% in 2013	–	18,400,000,000
	14,349,800,000	18,400,000,000
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 0.4% to 4.8% in 2014 and 2013	**21,494,683,537**	11,825,885,668
Philippine Peso - with interest rates of 2.0% in 2014 and 2013	**8,442,250,000**	5,062,716,199
	29,936,933,537	16,888,601,867
	₱44,286,733,537	₱35,288,601,867

As of December 31, 2014 and 2013, short-term debt of certain subsidiaries denominated in foreign currency and peso include trust receipts and acceptances payable amounting to ₱12.7 billion and ₱2.9 billion, respectively. The trust receipts and acceptances payable are secured by the trusteed inventories for the same amount (Note 12).

In 2014, 2013 and 2012, the Group has incurred interest expense on short-term notes amounting to ₱633.0 million, ₱120.4 million and ₱660.0 million, respectively (see Note 35).

Long-term Debts

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

	Maturities	Interest Rates	2014	2013	Condition
Parent Company:					
Fixed Rate Retail Bonds:					
₱9.0 billion Fixed Retail Bonds	2014	8.25%	**₱–**	₱8,977,716,104	Unsecured
₱30.0 billion Fixed Rate Retail Bonds					
₱24.5 billion bonds	2019	5.23%	**24,316,681,409**	–	Unsecured
₱5.3 billion bonds	2021	5.22%	**5,268,727,511**	–	Unsecured
₱0.2 billion bonds	2024	5.30%	**174,807,259**	–	Unsecured
Term Loans					
₱9.0 billion Term Loan	2019	4.50%	**8,941,748,987**	–	Unsecured
₱7.5 billion Term Loan	2016	PDST-R1+0.75%	**7,463,549,432**	–	Unsecured
₱1.5 billion Term Loan	2016	PDST-R1+0.75%	**1,492,709,698**	–	Unsecured
			47,658,224,296	8,977,716,104	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US$750.0 million guaranteed notes	2023	4.375%	**29,630,632,528**	29,979,486,943	Guaranteed
US$250.0 million guaranteed notes	2018	US$ LIBOR plus 2.2% margin	**11,034,105,451**	10,912,263,086	Guaranteed
CAI					
ECA loans (Note 16)	2024	Libor + 3bps	**17,626,804,510**	20,211,786,630	Secured
Commercial loan from foreign banks	2023	Libor + 1.15% to 1.25%	**16,222,858,155**	9,194,679,042	- do -
URC					
US$420.0 million term loan	2019	5.72%	**14,402,491,565**	–	
US$322.3 million term loan	2019	5.72%	**11,052,949,335**	–	
			99,969,841,544	70,298,215,701	
Philippine Peso:					
RLC					
₱5.0 billion loan facility	2014	8.50%	**–**	5,000,000,000	- do -
₱5.0 billion loan facility	2014	8.25%	**–**	5,000,000,000	- do -
₱9.0 billion loan facility	2019	5.04%	**8,932,698,169**	–	Unsecured
₱1.0 billion loan facility	2019	5.04%	**993,971,549**	–	Unsecured
			9,926,669,718	10,000,000,000	
			157,554,735,558	89,275,931,805	
Less current portion			**4,475,008,046**	22,674,078,899	
			₱153,079,727,512	₱66,601,852,906	

The foreign exchange rate used to revalue the foreign currency borrowings was ₱44.72 to US$1.00 and ₱44.40 to US$1.00 on December 31, 2014 and 2013, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱765.6 million (US$19.9 million) and ₱382.3 million (US$8.6 million) as of December 31, 2014 and 2013, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱415.1 million and ₱22.3 million as of December 31, 2014 and 2013, respectively.

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

	2014	2013
Due in:		
2014	**₱–**	₱22,674,078,899
2015	**4,475,008,046**	3,689,793,573
2016	**13,535,846,963**	3,761,519,831
Thereafter	**139,543,880,549**	59,150,539,502
	₱157,554,735,558	₱89,275,931,805

The details of the Group's long-term debt follow:

<u>Subsidiaries' Foreign Currency Loans</u>
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. These notes are hedged items in a cash flow hedge (see Note 8).

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 CAI. 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.

In 2012, CAI entered into a commercial loan facility to partially finance the purchase of four Airbus A320 aircraft. The security trustee of the commercial loan facility established PTALL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to ten-year finance lease arrangement for the aircraft. The semiannual rental payments of CAI correspond to the principal and interest payments made by PTALL to the commercial lenders. CAI has the option to purchase the aircraft for a nominal amount at the end of such leases.

In 2013, CAI entered into a commercial loan facility to partially finance the purchase of two Airbus A320 aircraft. The security trustee of the commercial loan facility established PTHALL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to the CAI pursuant to ten-year finance lease arrangement for the aircraft. The quarterly rental payments of the CAI correspond to the principal and interest payments made by PTHALL to the commercial lenders. The CAI has the option to purchase the aircraft for a nominal amount at the end of such leases.

In 2014, CAI entered into a commercial loan facility to partially finance the purchase of five Airbus A320 aircraft. The security trustee of the commercial loan facility established SAALL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to the Parent Company pursuant to ten-year finance lease arrangement for the aircraft. The quarterly rental payments of the CAI correspond to the principal and interest payments made by SAALL to the commercial lenders. CAI has the option to purchase the aircraft for a nominal amount at the end of such leases.

The terms of the CAI 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 CAI. CAI has the option of purchasing the aircraft for a nominal amount at the end of such leases.

In 2008, CAI entered into ECA-backed loan facilities to partially finance the purchase of six ATR 72-500 turboprop aircraft. The security trustee of the ECA loans established BLL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to the Parent Company pursuant to ten-year finance lease agreements. The semi-annual rental payments made by the Parent Company to BLL corresponds to the principal and interest payments made by

BLL to the ECA-backed lenders. The semi-annual lease rentals to BLL are guaranteed by the Parent Company. The Parent Company has the option to purchase the aircraft for a nominal amount at the end of such leases. On November 30, 2010, the Parent Company pre-terminated the lease agreement with BLL related to the disposal of one ATR 72-500 turbopop aircraft. The outstanding balance of the related loans and accrued interests were also pre-terminated. The proceeds from the insurance claim on the related aircraft were used to settle the loan and accrued interest. The Parent Company was released as guarantor on the related loans.

In 2009, CAI entered into ECA loans to partially finance the purchase of two ATR 72-500 turboprop aircraft. The security trustee of the ECA loans established SLL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to 10-year finance lease agreements. The semi-annual rental payments made by CAI to SLL corresponds to the principal and interest payments made by SLL to the ECA-backed lenders. The semi-annual lease rentals to SLL are guaranteed by the Parent Company. CAI has the option of purchasing the aircraft for a nominal amount at the end of such leases.

In 2010, CAI entered into ECA-backed loan facilities to fully finance the purchase of four Airbus A320 aircraft. The security trustee of the ECA loans established SALL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to 12-year finance lease agreements. The quarterly rental payments made by CAI to SALL corresponds to the principal and interest payments made by SALL to the ECA-backed lenders. The quarterly lease rentals to SALL are guaranteed by the Parent Company. CAI has the option to purchase the aircraft for a nominal amount at the end of such leases.

In 2011, CAI entered into ECA-backed loan facilities to fully finance the purchase of three Airbus A320 aircraft. The security trustee of the ECA loans established VALL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to 12-year finance lease agreements. The quarterly rental payments made by CAI to VALL corresponds to the principal and interest payments made by VALL to the ECA-backed lenders. The quarterly lease rentals to VALL are guaranteed by the Parent Company. CAI has the option to purchase the aircraft for a nominal amount at the end of such leases.

In 2012, CAI entered into ECA-backed loan facilities to partially finance the purchase of three Airbus A320 aircraft. The security trustee of the ECA loans established POALL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to 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.

URC NZ Finance Company Limited NZD420 Million Term Loan due 2019
On November 13, 2014, URC New Zealand Holding Finance Company, Ltd. (URCNZH Fin Co) entered into a secured term loan facility agreement payable in five (5) years, amounting to NZD420M (₱14.7 billion), with various banks for payment of acquisition costs and refinancing certain indebtedness of an acquired company, NZ Snack Foods Holdings Limited. The loan obtained bears a floating rate, margin rate + base BKBM rate, payable quarterly, and have a term of five (5) years, maturing on November 13, 2019. The loan facility bears an average effective variable interest rate of 5.72%.

URC Oceania Company Limited NZD322 Million Term Loan due 2019
On November 13, 2014, URCNZH FinCo entered into a secured term loan facility agreement payable in finve (5) years, amounting to NZD322M (₱11.2 billion), with various banks for payment of acquisition costs and refinancing certain indebtedness of an acquired company, NZ Snack Foods Holdings Limited. The loan obtained bears a floating rate, margin rate + base BKBM rate, payable quarterly, and have a term of five (5) years, maturing on November 13, 2019. The loan facility bears an average effective variable interest rate of 5.72%.

Philippine Peso Loans

Parent Company ₱9.0 Billion Fixed Retail Bonds
On November 19, 2009, the Parent Company issued ₱9.0 billion retail bonds (the Bonds) constituting direct, unconditional, unsubordinated and unsecured obligations of the Parent Company ranking *pari passu* at all times without preference with all outstanding unsubordinated debt and unsecured obligations of the Parent Company, except for any statutory preference or priority established under Philippine law. The Bonds bear fixed interest rate of 8.3% calculated based on 30/360 day count and are payable semiannually every 20th of May and November until November 20, 2014. On November 20, 2014, the Parent Company settled the said ₱9.0 billion fixed rate retail bonds.

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.

Parent Company ₱30.0 Billion Fixed Rate Retail Bonds
On February 28, 2014, the Parent Company issued a ₱30.0 billion fixed rate retail bond. The bond was issued in three series: (1) Five-year bond amounting to ₱24.5 billion fixed at 5.2317% due 2019; (2) Seven-year bond amounting to ₱5.3 billion fixed at 5.2242% due 2021; and (3) Ten year bond amounting to ₱176.3 million fixed at 5.3% due 2024. Interest is calculated on a 30/360-day count basis and are payable semi-annually starting August 27, 2014 and the 27th day of February and August of each year thereafter. Net proceeds from the bond issuance were used to partially finance its acquisition of Meralco shares and for general corporate purposes.

Parent Company ₱7.5 Billion and ₱1.5 Billion Term Loan Facilities
On December 10 and 11, 2014, the Parent Company entered into a ₱7.5 billion and a ₱1.5 billion term loan facility, respectively. The loans bear a floating interest rate based on the applicable three (3)-month PDST-R1 plus 0.75% spread. The interest is calculated based on the actual number of days lapsed over a 365-day calendar year count and are payable quarterly starting December 10, 2015 until December 10, 2016, the maturity of the loans.

Parent Company ₱9.0 Billion Term Loan Facility
On November 20, 2014, the Parent Company entered into a ₱9.0 billion term loan facility. The loan bears a fixed rate of 4.5% calculated based on the actual number of days lapsed over a 365-day calendar year count and is payable quarterly starting November 20, 2014 until November 20, 2019, the maturity of the loans.

RLC ₱5.0 Billion Retail Bonds due in July 2014
On July 13, 2009, the Group issued ₱5.0 billion bonds constituting direct, unconditional, unsubordinated and unsecured obligations of the Group ranking pari-passu in all respects and ratably without any preference or priority with all other outstanding unsecured and unsubordinated obligations of the Group. The proceeds were used for general corporate purposes, such as, but not limited to the financing various capital expenditures. The bond was paid with a lump sum payment last July 14, 2014.

The interest rate was at 8.5% per annum and paid semi-annually, computed based on the outstanding balance with payments commenced on the issue date and ended on the maturity date. The payment of the interest began on January 14, 2010.

RLC ₱5.0 Billion Retail Bonds due in August 2014
On August 26, 2009, the Group issued ₱5.0 billion bonds constituting direct, unconditional, unsubordinated and unsecured obligations of the Group ranking pari-passu in all respects and ratably without any preference or priority with all other outstanding unsecured and unsubordinated obligations of the Group. The proceeds were used for general corporate purposes, such as, but not limited to the financing various capital expenditures. The bond was paid with a lump-sum payment last August 27, 2014.

The interest rate was at 8.25% per annum and paid semi-annually, computed based on the outstanding balance with payments commenced on the issue date and ended on the maturity date. The payment of the interest began on February 27, 2010.

RLC ₱10.0 Billion Term Loan due in July 2019
On July 8, 2014, RLC borrowed ₱9.0 billion and ₱1.0 billion under aTerm Loan Facility Agreement with BDO Unibank, Inc. and BDO Leasing and Finance, Inc., respectively.

The ₱9.0 billion loan was released in two tranches amounting to ₱5.0 billion and ₱4.0 billion on July 14, 2014 and August 27, 2014, respectively. The interest rate is at 5.0438% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

The ₱1.0 billion loan was released on July 14, 2014 with interest rate at 5.0438% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

The interest rate for both loans was fixed based on the applicable five (5) - year PDSTF plus 1% spread determined one (1) banking day prior to the initial borrowing and inclusive of gross receipts tax, but subject to a floor rate of 4.5% per annum. The market rate at the date of inception is above the floor rate of 4.5% and management assessed that the interest rate floor is clearly and closely related to the host contract and is not required to be separately valued.

RLC may, subject to the penalty of one percent (1%), prepay the loan in part or in full together with accrued interest thereof to prepayment date. RLC has assessed that the embedded derivative related to this prepayment option is clearly and closely related to the host contract thus was not separately valued.

In 2014, 2013 and 2012, total interest expense on long-term debt amounted to ₱4.9 billion, ₱3.5 billion and ₱2.9 billion, respectively (see Note 35).

In 2014, 2013 and 2012, the Group recognized amortization of bond issue costs amounting to ₱125.6 million, ₱90.6 million and ₱54.3 million, respectively (see Note 35).

Debt Covenants
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.

For the Parent Company's ₱9.0 Billion, ₱7.5 Billion and ₱1.5 Billion Term Loan Facilities, the Group is required to maintain a financial ratio of Group's total borrowings to Group's shareholders' equity not exceeding 2.0:1.0.

For the Parent Company's ₱30.0 Billion Fixed Rate Retail Bonds, the Group is required to maintain the following financial ratios:

- the Group's current ratio of not less than 0.5:1.0;
- the Group's debt-to-equity ratio of not greater than 2.0:1.0

For the RLC's ₱5.0 Billion Retail Bonds due in July 2014, ₱5.0 Billion Retail Bonds due in August 2014, ₱10.0 Billion Term Loan due in July 2019, the Group is required to maintain a debt to equity ratio not exceeding 1.5:1 and interest coverage ratio of not less than 1.5:1. These loans were not guaramteed by the Parent Company.

For the ECA loans, the Group is required to maintain the following financial ratios:

- Consolidated EBITDA to consolidated interest payable ratio should not be less than 3:1 ratio;
- Consolidated total borrowings to consolidated equity should not exceed 2:1 ratio; and
- Consolidated current liabilities should not exceed consolidated current assets.

The agreements for the ECA loans also include conditions that has to be met prior to declaring CAI or the Parent Company in default or in breach of the related debt convenants, such as but not limited to, written notice of default and lapse of the relevant grace period.

For the NZ Term loans, these loans contain negative covenants which include, among others, maintenance of a debt to equity ratio of not greater than 2.5 to 1.0.

The Group has complied with all of its debt covenants as of December 31, 2014 and 2013.

24. Other Noncurrent Liabilities

This account consists of:

	2014	2013
Deposit from lessees (Note 42)	**₱1,669,157,183**	₱2,058,667,279
Due to related parties (Note 40)	**1,619,940,226**	1,027,535,597
Deposit liabilities	**1,474,269,416**	1,944,149,875
Accrued rent expense	**1,312,553,101**	1,226,985,790
Pension liabilities (Note 37)	**1,001,110,689**	1,480,250,834
Deposits from real estate buyers	**749,851,160**	249,988,442
ARO	**586,069,196**	1,637,345,608
Accrued maintenance cost	**224,413,504**	280,516,880
Others	**541,395,278**	420,740,481
	₱9,178,759,753	₱10,326,180,786

<u>Deposits from Lessees</u>
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

₱78.3 million, ₱58.5 million and ₱65.1 million in 2014, 2013 and 2012, respectively (Note 30). The deposits from lessees were discounted using PDST-F rate plus 2.0% spread.

The unearned rental income (included under 'Deposit from lessees') amounted to ₱218.0 million and ₱101.0 million as of December 31, 2014 and 2013, respectively. The rental income on amortization of unearned rental income amounted to ₱77.0 million, ₱54.0 million and ₱65.0 million in 2014, 2013 and 2012, respectively.

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

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:

	2014	2013
Balance at beginning of year	**₱1,637,345,608**	₱1,429,223,524
Provision for return cost*	**476,017,529**	590,638,099
Payment of restorations during the year	**(1,527,293,941)**	(382,516,015)
Balance at end of year	**₱586,069,196**	₱1,637,345,608

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

In 2014, 2013 and 2012, ARO expenses included as part of repairs and maintenance amounted to ₱476.0 million, ₱590.6 million and ₱577.5 million, respectively.

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

Deposits from real estate buyers also include cash collections in excess of the installment contract receivables recognized under the percentage-of-completion method which amounted to ₱1.6 billion as of December 31, 2014 and 2013.

Accrued Maintenance Cost
This account pertains mostly to accrual of maintenance cost of aircraft based on the number of flying hours or cycles 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, 2014 and 2013 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, 2014 and 2013, the paid-up capital of the Group consists of the following:

Capital stock:	
Common shares - ₱1 par value	₱7,017,191,657
Preferred voting shares - ₱0.01 par value	40,000,000
	7,057,191,657
Additional paid-in capital	14,958,145,993
Total paid-up capital	₱22,015,337,650

The movements in the total number of common shares issued, treasury shares and outstanding shares as of December 31, 2014 and 2013 follows:

	2014		2013	
	Shares	**Amount**	**Shares**	**Amount**
Issued shares:				
Balance at beginning of year	**7,017,191,657**	**₱7,017,191,657**	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**	7,017,191,657	7,017,191,657
Treasury shares:				
Balance at beginning of year	–	–	98,082,000	721,848,289
Reissuance of shares	–	–	(98,082,000)	(721,848,289)
Balance at end of year	–	–	–	–
Total issued and outstanding	**7,017,191,657**	**₱7,017,191,657**	7,017,191,657	₱7,017,191,657

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

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding 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, 2014, 2013 and 2012:

	2014	2013	2012
Common shares	**1,089**	1082	1,112
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:

	2014	2013
(a) Gross debt		
Short-term debt (Note 23)	**₱44,286,733,537**	₱35,288,601,867
Current protion of long-term debt (Note 23)	**4,475,008,048**	22,674,078,899
Long-term debt, net of current portion (Note 23)	**153,079,727,512**	66,601,852,906
Derivative liabilities (Note 8)	**–**	–
Redeemable preferred shares (Note 22)	**1,700,000**	1,700,000
	₱201,843,169,097	₱124,566,233,672
(b) Capital	**₱261,610,454,606**	₱235,867,046,901
(c) Debt-to-capital ratio (a/b)	**0.77:1**	0.53:1

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

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of RBC's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

The regulatory Gross Qualifying Capital of RBC consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated note, revaluation reserves and general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to equity investments in unconsolidated subsidiary banks and other financial allied undertakings, but excluding investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis) and equity investments in subsidiary nonfinancial allied undertakings.

Risk-weighted assets are determined by assigning defined risk weights to statement of financial position exposures and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 125.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors. Following is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0%	Cash on hand; claims collateralized by securities issued by the non-government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20%	COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75%	Direct loans of defined Small Medium Enterprise and microfinance loans portfolio; nonperforming housing loans fully secured by first mortgage
100%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred tax)
125%	All NPLs (except nonperforming housing loans fully secured by first mortgage) and all nonperforming debt securities

** Not all inclusive*

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk has a CCF of 0.00%.

In the case of derivatives, the credit equivalent amount (against which the risk weight factor is multiplied to arrive at the risk-weighted exposure) is generally the sum of the current credit exposure or replacement cost (the positive fair value or zero if the fair value is negative or zero) and an estimate of the potential future credit exposure or add-on. The add-on ranges from 0.00% to 1.50% (interest rate-related) and from 1.00% to 7.50% (exchange rate-related), depending on the residual maturity of the contract. For CLNs and similar instruments, the risk-weighted exposure is the higher of the exposure based on the risk weight of the issuer's collateral or the reference entity or entities.

As of December 31, 2014 and 2013, the RBC was in compliance with the required capital adequacy ratio (CAR).

The CAR of RBC as reported to the BSP as of December 31, 2014 and 2013 follows:

	2014	2013
Tier 1 capital	**₱4,466**	₱4,858
Tier 2 capital	**192**	–
Gross qualifying capital	**₱4,658**	4,858
Less required deductions	**–**	–
Total qualifying capital	**₱4,658**	₱4,858
Total RWA	**27,819**	₱21,410
Tier 1 capital ratio	**16.05%**	22.69%
Tier 2 capital ratio	**0.69%**	–
Risk-based capital adequacy ratio	**16.74%**	22.69%
Credit RWA	**₱23,227**	₱17,563
Market RWA	**1,499**	1,288
Operational RWA	**3,093**	2,559
Total RWA	**₱27,819**	₱21,410

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 circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10% 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), starting January 1, 2011 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.

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Circular sets out a minimum REST limit of 6.0% CET1 capital ratio and 10% risk-based capital adequacy ratio, on a solo and consolidated basis, under a prescribed write-off rate of 25% on the Group's real estate exposure. These limits shall be complied with at all times.

RBC 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 29, 2014, December 30, 2010 and December 28, 2009, the Parent Company's BOD approved the additional appropriation of retained earnings amounting to ₱39.0 billion, ₱19.0 billion and ₱15.0 billion, respectively.

The ₱81.0 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 2015
Construction of naphtha cracker plant	JGSOC	US$800.0 million	Expected completion in 2015

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 unrestricted 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.

On February 11, 2013, the BOD approved the reversal of the previously appropriated retained earnings amounting to ₱5.0 billion. On the same date, the BOD approved the appropriation of retained earnings amounting to ₱6.0 billion for the purposes of the Group's plant expansion. On September 18, 2013, the BOD approved the reversal of the previously appropriated retained earnings amounting to ₱6.0 billion.

RLC
On September 18, 2014, the BOD approved the reversal of the retained earnings it has appropriated in 2013 amounting to ₱11.2 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, the BOD also approved the appropriation of ₱17.0 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of the Group for various projects approved by the Executive Committee during meetings held in September 2014. These projects and acquisitions are expected to be completed in various dates in FY 2015 to FY 2017.

On November 27, 2014, March 8, 2013 and April 19, 2012, the RLC's BOD appropriated ₱3.0 billion, ₱2.5 billion and ₱483.3 million, respectively, from its unrestricted retained earnings as of December 31, 2014 for purposes of the Group's re-fleeting program. The appropriated amount was used for the settlement of pre delivery payments and aircraft lease commitments in 2013 and 2014 (Notes 18, 30 and 31). Planned re-fleeting program amount to an estimated ₱70.07 billion which will be spent over the next five years.of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

CAI
On November 27, 2014, March 8, 2013 and April 19, 2012, the CAI's BOD appropriated ₱3.0 billion, ₱2.5 billion and ₱483.3 million, respectively, from its unrestricted retained earnings as of December 31, 2014 for purposes of the Group's re-fleeting program. The appropriated amount was used for the settlement of pre delivery payments and aircraft lease commitments in 2013 and 2014 Planned re-fleeting program amount to an estimated ₱70.07 billion which will be spent over the next five years.

RBC
As of December 31, 2013 and 2012, RBC's surplus reserve amounted to ₱133.7 million and ₱112.2 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 and 2012.

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 ₱56.3 billion, ₱51.8 billion and ₱57.4 billion as of December 31, 2014, 2013 and 2012, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

Cash Dividends

Parent Company

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

	2014	2013	2012
Date of declaration	**June 26, 2014**	June 27, 2013	June 28, 2012
Dividend per share	**₱0.20**	₱0.18	₱0.16
Total dividends	**₱1.4 billion**	₱1.2 billion	₱1.1 billion
Date of record	**July 17, 2014**	July 17, 2013	July 18, 2012
Date of payment	**August 12, 2014**	August 12, 2013	August 13, 2012

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

	2014	2013	2012
Date of declaration	**June 26, 2014**	June 27, 2013	June 28, 2012
Dividend per share	**₱0.0020**	₱0.0018	₱0.0016
Total dividends	**₱8.0 million**	₱7.2 million	₱6.4 million
Date of record	**July 17, 2014**	July 17, 2013	July 18, 2012
Date of payment	**August 12, 2014**	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:

	2014	2013	2012
Date of declaration	**February 6, 2014**	April 18, 2013	April 18, 2012
Dividend per share	**₱3.00**	₱2.40	₱1.90
Total dividends	**₱6.5 billion**	₱5.2 billion	₱3.9 billion
Date of record	**February 26, 2014**	May 10, 2013	May 8, 2012
Date of payment	**March 24, 2014**	June 6, 2013	June 1, 2012

RLC

Details of RLC's dividend declarations follow:

	2014	2013	2012
Date of declaration	**May 12, 2014**	April 18, 2013	April 18, 2012
Dividend per share	**₱0.36**	₱0.36	₱0.36
Total dividends	**₱1.5 billion**	₱1.5 billion	₱1.5 billion
Date of record	**May 29, 2014**	May 10, 2013	May 8, 2012
Date of payment	**June 25, 2014**	June 6, 2013	June 1, 2012

CAI

Details of CAI's dividend declarations follow:

	2014	2013
Date of declaration	**June 26, 2014**	June 27, 2013
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	**₱–**	₱1.00
Date of record	**July 16, 2014**	July 17, 2013
Date of payment	**August 11, 2014**	August 12, 2013

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 shares were acquired by the subsidiary for a consideration of ₱252.8 milion in 2010. The excess of the total consideration received over the cost amounting to ₱1.2 billion was treated as an additional paid-in capital.

Equity Reserve
In December 2014, URC entered into a share purchase agreement with Nissin to sell 14.0% of its equity interest in NURC. As a result of the sale, the equity interest of URC changed from 65% to 51%. The gain from the sale amounting to ₱239.8 million is included under "Equity Reserve" in the 2014 consolidated statements of changes in equity.

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 holds 55.7% of URC's ordinary shares. 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 ₱50.1 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:

	2014	2013	2012
Beginning balance, as previously reported	**₱47,827,100,701**	₱43,499,639,414	₱39,055,441,494
Effect of the adoption of uniform accounting period	**1,863,741,646**	1,338,192,213	1,507,381,956
Beginning balance, as restated	**49,690,842,347**	44,837,831,627	40,562,823,450
Total comprehensive income:			
Net income attributable to non-controlling interests	**7,579,654,820**	5,858,148,687	6,383,652,224
Effect of the adoption of uniform accounting period	–	444,116,113	(93,167,086)
Other comprehensive income attributable to non-controlling interests:			
Net gain (loss) on AFS investments (Note 10)	**142,564,930**	(283,934,849)	94,283,822
Cumulative translation adjustments	**18,667,690**	235,850,400	(90,645,258)
Remeasurements due to defined benefit liability (Note 37)	**47,132,715**	(172,069,735)	(114,119,833)
Gain on cashflow hedge	**1,362,560**		
	7,789,382,715	6,082,110,616	6,180,003,869
Cash dividends paid to non-controlling interests	**(3,752,970,864)**	(3,089,045,925)	(2,268,172,563)
Sale of shares of subsidiary	**266,863,072**	1,982,987,430	–
Additional non-controlling interests in subsidiaries	–	(147,541,401)	(3,838,041,702)
Decrease (increase) in subsidiaries'treasury shares	–	–	4,201,218,573
Incorporation of a subsidiary	–	24,500,000	–
	₱53,994,117,270	₱49,690,842,347	₱44,837,831,627

26. **Banking Revenue**

This account consists of:

	2014	2013	2012
Interest income (Note 27)	**₱2,434,157,658**	₱2,070,885,114	₱1,925,726,487
Trading and securities gains	**128,897,110**	421,735,512	454,610,012
Service fees and commission income	**154,140,838**	257,277,686	153,391,432
	₱2,717,195,606	₱2,749,898,312	₱2,533,727,931

27. **Interest Income**

This account consists of:

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Interest income from:			
Cash and cash equivalents	**₱562,010,223**	₱680,486,145	₱1,341,794,503
Finance receivables, unquoted debt securities and sales contract receivable (Note 11)	**1,855,456,117**	1,534,095,507	1,305,401,341
Financial assets at FVPL (Note 9)	**768,261,662**	755,980,176	801,225,814
AFS debt securities (Note 10)	**489,472,203**	621,749,308	790,494,540
HTM investments	**103,971,784**	570,332	−
Others	**2,709,207**	3,055,238	136,044
	₱3,781,881,196	₱3,595,936,706	₱4,239,052,242

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

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Banking revenue (Note 26)	**₱2,434,157,658**	₱2,070,885,114	₱1,925,726,487
Finance income	**1,347,723,538**	1,525,051,592	2,313,325,755
	₱3,781,881,196	₱3,595,936,706	₱4,239,052,242

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 2014, this account includes dividends received from PLDT, Meralco and Jobstreet Corporation Berhad amounting to ₱2.4 billion, ₱3.8 billion and ₱1.7 billion, respectively. In 2013 and 2012, this account includes dividends received from PLDTonly amounting to ₱3.0 billion and ₱2.9 billion, respectively. Investment in PLDT is presented under AFS investments in the consolidated statement of financial position.

29. Other Operating Income (Expenses)

This account consists of:

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Realized gain (loss) on sale of AFS investments (Note 10)	**₱17,431**	(₱4,780,656)	₱72,642,872
Others	**1,219,835,816**	374,547,182	123,758,853
	₱1,219,853,247	₱369,766,526	₱196,401,725

In 2014, others include gain on exchange of investment in an associate amounting to ₱1.6 billion (see Note 10) and loss on escrow settlement amounting to ₱400.0 million (see Note 13). Others also include rent income and gain on sale of PPE.

30. Cost of Sales and Services

This account consists of:

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Raw materials used	**₱55,273,900,245**	₱44,272,247,594	₱44,443,493,612
Direct labor	**2,584,738,663**	2,139,578,216	2,116,758,168
Overhead cost	**16,914,550,399**	13,221,503,056	11,240,059,263
Total manufacturing cost	**74,773,189,307**	59,633,328,866	57,800,311,043
Work-in-process	**(362,986,500)**	47,976,798	(26,055,070)
Cost of goods manufactured	**74,410,202,807**	59,681,305,664	57,774,255,973
Finished goods	**(4,880,017,491)**	398,823,182	258,997,555
Cost of sales	**69,530,185,316**	60,080,128,846	58,033,253,528
Cost of services	**45,476,429,584**	38,746,780,572	35,090,097,966
Cost of sales and services	**₱115,006,614,900**	₱98,826,909,418	₱93,123,351,494

Overhead costs consist of:

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Utilities and fuel	**₱8,022,086,207**	₱5,572,546,178	₱4,258,558,942
Depreciation and amortization (Note 33)	**3,866,114,378**	3,620,535,118	3,370,177,043
Repairs and maintenance	**2,202,248,930**	1,767,280,286	1,621,464,427
Personnel (Note 32)	**1,609,642,121**	1,514,759,094	1,476,681,371
Rental	**806,764,061**	411,255,517	176,449,336
Handling and delivery charges	**77,970,588**	59,923,451	58,424,508
Research and development	**77,191,082**	78,924,211	82,674,585
Others	**252,533,032**	196,279,204	195,629,051
	₱16,914,550,399	₱13,221,503,059	₱11,240,059,263

Cost of services is composed of:

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Air transportation	**₱36,548,411,792**	₱30,075,334,423	₱27,739,594,145
Real estate	**7,185,985,589**	6,924,190,002	5,425,974,999
Hotel operations	**1,182,211,490**	1,148,014,221	1,145,217,740
Banking	**559,820,713**	599,241,926	779,311,082
	₱45,476,429,584	₱38,746,780,572	₱35,090,097,966

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

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Fuel and oil	**₱23,210,305,406**	₱19,522,716,332	₱17,561,860,875
Maintenance costs	**3,856,318,673**	3,441,318,765	3,181,354,221
Personnel (Note 32)	**3,605,293,170**	2,800,861,421	2,893,960,590
Cost of real estate sales (Note 12)	**3,043,254,449**	3,288,052,711	2,405,483,328
Depreciation and amortization (Note 33)	**2,860,204,571**	2,518,694,773	2,128,231,375
Landing and take-off	**2,339,991,606**	1,595,979,594	1,568,553,958
Ground handling charges	**1,518,884,645**	1,163,621,461	1,079,658,319
Reservation costs	**1,149,515,280**	922,992,793	811,439,034
Property operations and maintenance costs	**661,647,417**	586,211,490	584,507,170
Film rentals expense - amusement services	**602,625,787**	485,961,545	412,758,540
Interest expense (Note 21)	**515,358,353**	558,108,231	745,471,441
Passenger liability insurance	**320,144,303**	282,388,621	296,694,606
Contracted services	**248,138,199**	204,064,878	255,401,610
Cost of food and beverage - hotel operations	**186,558,215**	177,514,231	186,228,077
Customs, immigration and duties	**145,281,800**	138,359,476	135,943,169
Interrupted/delayed trips expense	**77,917,257**	54,504,557	42,456,043
Travel and transportation	**65,179,291**	41,478,273	28,909,379
Pilot and crew meals	**47,451,084**	49,036,933	44,337,026
Service charges and commission expense	**44,462,360**	41,133,695	33,839,641
Passenger food and supplies	**32,473,008**	19,981,169	18,799,334
Others	**945,424,710**	853,799,623	674,210,230
	₱45,476,429,584	₱38,746,780,572	₱35,090,097,966

31. General and Administrative Expenses

This account consists of:

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Advertising and promotions	**₱6,928,900,886**	₱5,927,621,105	5,253,323,042
Outside services	**5,804,491,300**	4,959,902,687	4,039,711,870
Depreciation and amortization (Note 33)	**5,033,289,114**	3,892,080,553	3,126,250,033
(Forward)			
Personnel (Note 32)	**4,267,493,609**	3,732,130,130	3,297,185,750
Aircraft and engine lease	**3,503,484,521**	2,314,859,021	2,033,953,783
Travel and transportation	**987,851,912**	795,494,149	721,849,694
Rental	**899,467,861**	708,601,759	617,646,114
Taxes, licenses and fees	**896,468,667**	892,201,809	596,470,566
Sales commission	**668,273,801**	513,647,848	458,915,852
Insurance	**589,551,456**	432,571,984	390,464,994
Utilities and supplies	**497,505,507**	432,284,076	404,216,438
Repairs and maintenance	**431,152,302**	455,389,722	316,647,796
Communication	**190,154,952**	161,857,324	139,091,177
Entertainment, amusement and recreation (Note 38)	**141,406,495**	101,509,843	118,959,393
Others	**914,472,397**	671,206,800	765,270,863
	₱31,753,964,780	₱25,991,358,810	₱22,279,957,365

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

32. Personnel Expenses

This account consists of:

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Salaries and wages	**₱7,665,497,840**	₱6,674,594,977	₱5,907,882,491
Other employee benefits	**1,612,382,762**	1,188,902,425	1,568,138,382
Pension expense (Note 37)	**300,883,221**	250,071,057	200,614,027
	₱9,578,763,823	₱8,113,568,459	₱7,676,634,900

The breakdown of personnel expenses follows:

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Cost of sales and services (Note 30)	**₱5,214,935,291**	₱4,315,620,515	₱4,370,641,961
General and administrative expenses (Note 31)	**4,267,493,609**	3,732,130,130	3,297,185,750
Construction in progress (Note 16)	**96,334,923**	65,817,814	8,807,189
	₱9,578,763,823	₱8,113,568,459	₱7,676,634,900

33. **Depreciation and Amortization**

The breakdown of depreciation and amortization on property, plant and equipment, investment properties, and intangible assets follows:

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Cost of sales and services (Notes 15, 16 and 30)	**₱6,726,318,949**	₱6,139,229,891	₱5,498,408,418
General and administrative expenses (Note 31)	**5,033,289,114**	3,892,080,553	3,126,250,033
	₱11,759,608,063	₱10,031,310,444	₱8,624,658,451

34. **Impairment Losses and Others**

This account consists of:

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Provision for impairment losses on:			
Intangible assets	**₱–**	₱–	₱190,223,400
Receivables (Note 11)	**315,236,015**	95,990,997	63,864,521
Property, plant and equipment	**–**	–	7,651,176
Other noncurrent assets	**151,961,639**	–	8,106,596
Goodwill (Note 19)	**5,212,591**	–	–
Inventory obsolescence and market decline (Note 12)	**104,296,754**	28,694,879	1,408,536
	₱576,706,999	₱124,685,876	₱271,254,229

35. **Financing Costs and Other Charges**

This account consists of:

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Interest expense	**₱5,713,260,142**	₱3,743,510,875	₱3,780,430,338
Bank charges and others	**111,089,749**	120,968,623	163,376,941
	₱5,824,349,891	₱3,864,479,498	₱3,943,807,279

Details of interest expense follow:

	2014	2013	2012
Long-term debt (Note 23)	**₱4,877,081,685**	₱3,463,717,567	₱2,935,584,780
Short-term debt (Note 23)	**633,044,995**	120,363,432	659,986,751
Advances from affiliates	**29,451,784**	32,150,176	83,710,483
Others	**48,055,728**	36,671,561	46,869,669
	5,587,634,192	3,652,902,736	3,726,151,683
Amortization of debt issuance costs (Note 23)	**125,625,950**	90,608,139	54,278,655
	₱5,713,260,142	₱3,743,510,875	₱3,780,430,338

36. Components of Other Comprehensive Income

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

	2014		
	Parent Company	**Non-controlling Interests**	**Total**
Net gains on AFS investments (Note 10):			
Net changes in fair value of AFS investments of the Parent Company and its subsidiaries:			
Net changes in fair value during the period	**₱4,239,082,133**	**₱142,564,930**	**₱4,381,647,063**
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	**17,431**	**–**	**17,431**
	4,239,099,564	**142,564,930**	**4,381,664,494**
Net changes in fair value of AFS investments of an associate	**(1,326,352)**	**–**	**(1,326,352)**
	4,237,773,212	**142,564,930**	**4,380,338,142**
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivative taken to OCI	**(43,944,551)**	**1,362,560**	**(42,581,991)**
	4,193,828,661	**143,927,490**	**4,337,756,151**
Cumulative translation adjustments	**26,859,787**	**18,667,690**	**45,527,477**
Remeasurements due to defined benefit liability, net of tax (Note37)	**145,943,946**	**47,132,715**	**193,076,661**
	₱4,366,632,394	**₱209,727,895**	**₱4,576,360,289**

	2013 (As Restated - Note 2)		
	Parent Company	Non-controlling Interests	Total
Net gains on AFS investments (Note 10):			
Net changes in fair value of AFS investments of the Parent Company and its subsidiaries:			
Net changes in fair value during the period	₱1,713,326,265	(₱281,823,033)	₱1,431,503,232
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	(2,668,840)	(2,111,816)	(4,780,656)
	1,710,657,425	(283,934,849)	1,426,722,576
Net changes in fair value of AFS investments of an associate	(11,597,069)	–	(11,597,069)
	1,699,060,356	(283,934,849)	1,415,125,507
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivative taken to OCI	171,850,204	–	171,850,204
	1,870,910,560	(283,934,849)	1,586,975,711
Cumulative translation adjustments	338,018,215	235,850,400	573,868,615
Remeasurements due to defined benefit liability, net of tax	(299,400,275)	(172,069,735)	(471,470,010)
	₱1,909,528,500	(₱220,154,184)	₱1,689,374,316

	2012 (As Restated - Note 2)		
	Parent Company	Non-controlling Interests	Total
Net gains on AFS investments (Note 10):			
Net changes in fair value of AFS investments of the Parent Company and its subsidiaries:			
Net changes in fair value during the period	₱329,278,021	₱68,089,499	₱397,367,520
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	46,448,549	26,194,323	72,642,872
	375,726,570	94,283,822	470,010,392
Net changes in fair value of AFS investments of an associate	10,100,452	–	10,100,452
	385,827,022	94,283,822	480,110,844
Cumulative translation adjustments	(175,435,053)	(90,645,258)	(266,080,311)
Remeasurements due to defined benefit liability, net of tax	(194,798,257)	(114,119,833)	(308,918,090)
	₱15,593,712	(₱110,481,269)	(₱94,887,557)

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

	2014		
	Before tax	**Tax benefit**	**Net of tax**
Net gains on AFS investments of Parent Company and its subsidiaries	**₱4,381,664,494**	**₱–**	**₱4,381,664,494**
Cumulative translation adjustments	**45,527,477**	**–**	**45,527,477**
Net movement in cash flow hedge	**(42,581,991)**	**–**	**(42,581,991)**
Remeasurement due to defined benefit liability	**275,823,801**	**(82,747,140)**	**193,076,661**
Net changes in fair value of AFS investments of an associate (Note 10)	**(1,326,352)**	**–**	**(1,326,342)**
	₱4,659,107,429	**(₱82,747,140)**	**₱4,576,360,299**

	2013 (As Restated - Note 2)		
	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	₱1,427,861,428	(₱1,138,852)	₱1,426,722,576
Cumulative translation adjustments	573,868,615	–	573,868,615
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)
	₱1,488,454,592	₱200,919,724	₱1,689,374,316

	2012 (As Restated - Note 2)		
	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	₱467,762,798	₱2,247,594	₱470,010,392
Cumulative translation adjustments	(266,080,311)	–	(266,080,311)
Remeasurement due to defined benefit liability	(441,311,557)	–	(441,311,557)
Net changes in fair value of AFS investments of an associate (Note 10)	10,100,452	132,393,467	142,493,919
	(₱229,528,618)	₱134,641,061	(₱94,887,557)

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:

	2014	2013 (As Restated - Note 2)
Present value of defined benefit obligation	**₱3,510,037,481**	₱3,475,571,777
Fair value of plan assets	**2,508,926,792**	1,995,320,943
Pension liabilities	**₱1,001,110,689**	₱1,480,250,834

Changes in net defined benefit liability of funded funds in 2014 and 2013 follows:

	2014		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability/(asset)**
Balance at beginning of year	**₱3,475,571,777**	**₱1,995,320,943**	**₱1,480,250,834**
Net benefit cost in consolidated statement of income:			
Current service cost	**300,883,221**	**–**	**300,883,221**
Past service cost	**–**	**–**	**–**
Net interest cost	**162,523,986**	**93,800,924**	**68,723,062**
Subtotal	**463,407,207**	**93,800,924**	**369,606,283**
Benefits paid	**(138,682,691)**	**(134,437,364)**	**(4,225,327)**
Remeasurements in other comprehensive income:			
Return on plan assets	**–**	**(43,363,269)**	**43,363,269**
Actuarial changes arising from experience adjustments	**(276,574,403)**	**–**	**(276,574,403)**
Actuarial changes arising from changes in financial/ demographic assumptions	**(13,684,409)**	**–**	**(13,684,409)**
Subtotal	**(290,258,812)**	**(43,363,269)**	**(246,895,543)**
Contributions paid		**597,625,558**	
Balance at end of year	**₱3,510,037,481**	**₱2,508,926,792**	**₱1,001,110,689**

	2013		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Balance at beginning of year	₱2,603,909,503	₱1,553,902,183	₱1,050,007,320
Net benefit cost in consolidated statement of income:			
Current service cost	250,071,057	–	250,071,057
Past service cost	–	–	–
Net interest cost	150,177,392	126,352,294	23,825,098
Subtotal	400,248,449	126,352,294	273,896,155
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	₱3,475,571,777	₱1,995,320,943	₱1,480,250,834

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

	2014	2013
ASSETS		
Cash and cash equivalents	**₱513,974,570**	₱610,429,150
Debt instruments	**1,940,205,646**	1,830,568,757
Accrued interest receivable receivables	**39,128,589**	68,244,990
Land	**91,448,545**	
	2,584,757,350	2,509,242,897
LIABILITY		
Current liabilities	**70,927**	68,074
Due to related parties	**75,759,631**	553,065,797
	₱2,508,926,792	₱1,956,109,027

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 average duration of the defined benefit obligation of the Group as of December 31, is 22.8 years.

The Group expects to contribute ₱82.4 million into the pension fund for the year ending 2015.

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

	2014			
	Retirement Age	**Average Remaining Working Life (in years)**	**Salary Rate Increase**	**Discount Rate**
Parent Company	**60**	**9**	**5.5%**	**4.8%**
URC	**60**	**15.8**	**5.5%**	**4.9% to 5.3%**
RLC	**60**	**6**	**5.5%**	**4.9%**
CAI	**60**	**12**	**5.5%**	**4.6%**
RBC	**60**	**3**	**5.5%**	**4.6%**
JGSPC	**60**	**4**	**5.5%**	**5.1%**
Unicon	**60**	**4**	**5.5%**	**4.6%**

	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% to4.5%
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%

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, 2014 and 2013, assuming if all other assumptions were held constant:

	2014						
	Parent Company	URC	RLC	CAI	RBC	JGSPC	Unicon
Discount rates							
+1.00%	**₱18,439,092**	**(₱2,020,622,827)**	**₱272,985,851**	**(₱636,565,188)**	**₱95,120,893**	**₱80,012,226**	**₱6,406,594**
(-1.00%)	**25,589,399**	**2,359,216,529**	**330,824,377**	**833,003,746**	**117,641,353**	**98,489,356**	**7,944,955**
Future salary increases							
+1.00%	**25,411,295**	**2,348,177,773**	**329,120,893**	**827,032,128**	**116,921,070**	**97,942,586**	**7,893,740**
(-1.00%)	**18,509,044**	**(2,026,795,708)**	**273,838,507**	**(568,368,766)**	**95,503,356**	**80,296,793**	**6,431,460**

	2013						
	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:

	2014	2013
Less than 1 year	**₱658,185,486**	₱500,963,684
More than 1 years to 5 years	**786,932,230**	839,360,399
More than 5 years to 10 years	**1,629,168,752**	1,676,604,529
More than 10 years to 15 years	**2,643,849,407**	2,824,300,400
More than 15 years to 20 years	**2,976,947,464**	3,555,258,512
More than 20 years	**7,937,006,955**	8,471,749,521

38. Income Taxes

Provision for income tax from continuing operations consists of:

	2014	2013	2012
Corporate	**₱3,627,997,751**	₱3,283,532,351	₱1,897,927,903
Final	**20,975,761**	54,169,774	297,836,828
Deferred	**800,271,777**	(296,176,809)	691,511,850
	₱4,449,245,289	₱3,041,525,316	₱2,887,276,581

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 ₱141.4 million, ₱101.5 million and ₱119.0 million in 2014, 2013 and 2012, respectively (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):

	2014	2013
Deferred tax assets on:		
Unfunded pension liabilities Foreign subsidiaries	**₱222,401,632**	396,536,684
Unrealized forex loss	**215,017,613**	474,978,325
Allowance for impairment losses of receivables and property and equipment	**136,707,672**	216,031,252
MCIT carryforward	**356,106**	128,634,660
Net operating loss carry-over	**–**	677,803,090
Others	**195,146,253**	792,960,097
Total	**769,629,276**	2,686,944,108
Deferred tax liabilities on:		
Unrealized profit on excess of market value over cost of hog markets	**(161,329,892)**	(83,948,177)
Double depreciation	**–**	(1,385,403,735)
Others	**(49,123,322)**	(579,382,833)
	(210,453,214)	(2,048,734,745)
Net deferred tax asset	**₱559,176,062**	₱638,209,363

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

	2014	2013
Deferred tax assets on:		
Net operating loss carry-over	**₱1,086,084,710**	₱–
Unrealized foreign exchange loss	**7,796,989**	–
Unfunded pension benefits	**203,833,791**	57,935,294
Allowance for impairment losses on receivables and property, plant and equipment	**36,505,508**	13,812,665
Foreign subsidiaries	**13,030,424**	–
Allowance for credit losses	**71,132,763**	–
MCIT carryforward	**137,233,316**	313,633
Others	**1,153,198,123**	524,712,527
Total	**2,708,815,624**	596,774,119
Deferred tax liabilities on:		
Double depreciation	**(1,910,904,546)**	–
Unamortized capitalized interest	**(1,226,444,486)**	(729,764,101)
Employee benefits	**(988,434,737)**	–
Intangibles	**(364,228,529)**	–
Accelerated depreciation	**(348,068,028)**	–
Borrowing cost	**(71,832,394)**	(71,832,394)
Others	**(2,275,159,584)**	(879,502,356)
	(7,185,072,304)	(1,681,098,851)
Net deferred tax liability	**(₱4,476,256,680)**	₱539,058,792

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

	2014	2013
Allowance for impairment losses	**₱2,817,527,461**	₱3,740,331,568
NOLCO	**2,697,317,857**	3,030,641,571
Accrued pension costs	**64,488,572**	64,488,572
Net pension liability	**47,041,980**	55,730,000
Unamortized contribution of past service costs	**42,506,048**	47,819,305
Depreciation of investment properties and repossessed chattels	**20,156,952**	20,156,952
MCIT	**7,704,553**	8,235,566
Unrealized foreign exchange losses	**1,173,911,259**	87,606
Difference between cost and NRV of inventories	**–**	–
	₱6,870,654,682	₱6,967,491,140

Under Section 11 of R. A. No. 7151 (CAI's Congressional Franchise) and under Section 15 of R. A. No. 9517 (TAP's Congressional Franchise) known as the "ipso facto clause" and the "equality clause", respectively, the CAI and TAP are allowed to benefit from the tax privileges being enjoyed by competing airlines. CAI's and TAP's major competitor, by virtue of PD No. 1590, is enjoying tax exemptions which are likewise being claimed by the CAI and TAP, if applicable, including but not limited to the following:

a.) To depreciate its assets to the extent of not more than twice as fast the normal rate of depreciation; and
b.) To carry over as a deduction from taxable income any net loss (NOLCO) incurred in any year up to five years following the year of such loss.

Included in the Group's NOLCO and MCIT are CAI's NOLCO and MCIT as follows:

NOLCO

Year Incurred	Amount	Expired/Applied	Balance	Expiry Year
2012	₱1,301,721,876	₱–	₱1,301,721,876	2017
2013	956,965,884	–	956,965,884	2018
2014	**1,361,594,609**	**–**	**1,361,594,609**	**2019**
	₱3,620,282,369	₱–	₱3,620,282,369	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Year
2012	₱30,081,311	₱–	₱30,081,311	2015
2013	45,518,668	–	45,518,668	2016
2014	**61,319,704**	**–**	**61,319,704**	**2017**
	₱136,919,683	₱–	₱136,919,683	

Included in the Group's NOLCO is TAP's NOLCO as follows:

Year Incurred	Amount	Expired/Applied	Balance	Expiry Year
2014	**₱159,636,593**	**₱–**	**₱159,636,593**	**2019**

CAI has outstanding registrations with the BOI as a new operator of air transport on a pioneer and non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order 226).

On the above registrations, the CAI can avail of bonus years in certain specified cases but the aggregate ITH availment (basic and bonus years) shall not exceed eight (8) years.

As of December 31, 2014 and 2013, CAI has complied with externally imposed capital requirements set by the BOI in order to avail of the ITH incentives for aircraft of registered activity.

The components of the CAI and TAP's deferred tax assets and liabilities follow:

	2014	2013
Deferred tax assets on:		
NOLCO	**₱1,086,084,710**	₱677,606,328
Unrealized loss on net derivative liability	**330,710,768**	–
ARO – liability	**225,926,038**	573,713,530
MCIT	**136,919,683**	128,279,309
Accrued retirement costs	**108,968,551**	161,468,411
Allowance for credit losses	**71,132,763**	70,631,406
Unrealized foreign exchange loss - net	**7,647,215**	–
	1,967,389,728	1,611,698,984
Deferred tax liabilities on:		
Double depreciation	**1,910,904,546**	1,385,403,735
Business combination (Note 7)	**185,645,561**	–
Unrealized foreign exchange gain - net	**–**	90,424,174
Unrealized gain on derivative asset	**–**	23,714,473
	2,096,550,107	1,499,542,382
Net deferred tax assets (liabilities)	**(₱129,160,379)**	₱112,156,602

Movement in accrued retirement cost amounting ₱91.9 million and ₱109.5 million in 2014 and 2013, respectively, is presented under other comprehensive income. Movement includes adjustments due to restatements.

CAI and TAP's recognized deferred tax assets and deferred tax liabilities are expected to recovered and reversed, respectively, more than twelve months after the reporting date.

CAI has the following gross deductible and taxable temporary differences which are expected to reverse within the ITH period, and for which deferred tax assets and deferred tax liabilities were not set up on account of CAI's ITH. Also, TAP has temporary differences and carry-forward benefits of NOLCO for which no deferred tax asset was recognized.

	2014	2013
Deductible temporary difference:		
Unrealized loss on derivative asset	**₱1,158,190,670**	₱–
NOLCO	**47,890,978**	–
Retirement benefit obligation	**2,244,759**	–
	1,208,326,407	₱–
Taxable temporary differences:		
ARO	**₱167,017,598**	₱275,032,811
Unrealized foreign exchange gain	**1,780,030**	–
Unrealized gain on derivative asset	**–**	87,408,654
	₱168,797,628	₱362,441,465

The related deferred tax asset on the deductible temporary differences is ₱362.5 million. The related deferred tax liability on the taxable temporary differences is ₱50.6 million and ₱108.7 million in 2014 and 2013, respectively.

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

	2014	2013	2012 (As restated - Note 44)
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Dividend income	**(5.03)**	(4.94)	(4.29)
Equity in net earnings of affiliates	**(7.18)**	(3.46)	(2.66)
Nontaxable income	**(3.38)**	(1.20)	(4.02)
Changes in unrecognized deferred tax assets	**(0.45)**	(1.01)	(0.69)
Income subjected to lower tax rates	**(0.51)**	(1.10)	(1.80)
Board of Investments (BOI) tax credits and others	**(0.67)**	(2.56)	(4.25)
Nondeductible interest expense	**0.19**	0.42	0.69
Others	**1.73**	(0.76)	(0.17)
Effective income tax rate	**14.70%**	15.39%	12.81%

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:

<u>Earnings per share attributable to equity holders of the Parent Company</u>

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Income attributable to equity holders of the Parent Company	**₱18,245,149,790**	₱10,434,134,218	₱13,397,084,016
Less: Dividends on preferred shares (Note 25)	**8,000,000**	7,200,000	6,400,000
Income attributable to holders of common shares of the Parent Company	**₱18,237,149,790**	₱10,426,934,218	₱13,390,684,016
Weighted average number of common shares	**7,017,191,657**	6,815,524,990	6,792,386,371
Basic/diluted earnings per share	**₱2.60**	₱1.53	₱1.97

There were no potential dilutive common shares in 2014, 2013 and 2012.

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:

		2014				
			Outstanding Balance			
Related Party	**Category/ Transaction**	**Amount/Volume**	**Statement of Financial Position**	**Statement of Comprehensive Income**	**Terms**	**Conditions**
Subsidiaries:						
Due from related parties	Advances	**₱125,169,000**	**₱1,253,168,441**	**₱–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	**140,883,140**	–	**140,883,140**		
	Other income	**23,474,286**	–	**23,474,286**		
	Rent expense	**22,507,906**	–	**22,507,906**		
Due to related parties	Advances	**222,929,000**	**18,091,549,330**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	**90,000,000**	–	**90,000,000**		
	Interest expense	**25,923,915**	–	**25,923,915**	Interest bearing	
Cash in bank	Deposits	–	**14,838**	–	On demand	Unsecured
Cash equivalents	Money market placements	**17,117,960,489**	**17,117,960,489**	–	2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%	Unsecured
	Interest income	**6,836,631**	–	**6,836,631**	2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%	
Dividends	Dividend receivable	**2,162,316,175**	**2,162,316,175**	–	On demand	Unsecured
	Dividend income	**6,769,894,173**	–	**6,769,894,173**		

(Forward)

2014

Related Party	Category/ Transaction	Amount/Volume	Outstanding Balance Statement of Financial Position	Outstanding Balance Statement of Comprehensive Income	Terms	Conditions
Associate:						
Due from related parties	Advances	**₱–**	**₱1,184,968**	**₱–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Dividend income	**3,778,320,947**	**–**	**3,778,320,947**		
	Rent income	**138,472**	**–**	**138,472**		
	Utilities expense	**4,069,306**	**–**	**4,069,306**		
Other Related Parties:						
Due from related parties	Advances	**–**	**334,228,711**	**–**	On demand; Non-interest bearing	
	Management fees	**14,195,768**	**–**	**14,195,768**		
	Rent income	**33,162,761**	**–**	**33,162,761**		
Due to related parties	Advances	**–**	**1,689,064,098**	**–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Interest expense	**3,527,870**	**–**	**3,527,870**		
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	**4,845,000**	**–**	**4,845,000**		

			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						
			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	₱–	₱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						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
Subsidiaries:						
Due from related parties	Advances	₱154,343,416	₱1,235,103,950	₱–	On demand; Interest bearing with interest rate ranging from 3.8% to 3.9% / Non-interest bearing	Unsecured; Not impaired
	Rent income	100,573,452	–	100,573,452		
	Other income	66,186,445	–	66,186,445		
	Rent expense	18,270,890	–	18,270,890		
Due to related parties	Advances	569,565,026	3,170,200,468	–	On demand; Interest bearing with interest rate of 3.8% / Non-interest bearing	Unsecured
	Management fees	72,000,000	–	72,000,000		
Cash in bank	Deposits	13,429,726,961	16,039	–	On demand	Unsecured
Cash equivalents	Money market placements	65,558,502,968	121,714,155	–	1 to 35 days; Interest bearing with interest rate ranging from 1.5% to 4.6%	Unsecured
	Interest receivable/ Interest income	164,907,214	80,916	164,907,214	1 to 35 days; Interest bearing with interest rate ranging from 1.5% to 4.6%	
Dividend receivable/ Dividend income	Dividends	3,423,620,329	867,130,262	3,423,620,329		
Associate:						
Due from related parties	Advances	–	361,346	–	On demand; Non-interest bearing	Unsecured; Not impaired

(Forward)

		2012				
			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	₱–	₱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

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 2014 and 2013. Interest expense incurred amounted to ₱29.5 million in 2014, ₱41.2 million in 2013 and ₱78.3 million in 2012.

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 ₱9.2 billion and ₱2.0 billion as of December 31, 2014 and 2013, respectively (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.

2014

			Outstanding Balance			
	Category / Transaction	**Amount / Volume**	**Statement of Financial Position**	**Statement of Comprehensive Income**	**Terms**	**Conditions**
Due to retirement plan	**Advances**	**(₱9,453,192)**	**₱1,661,322,453**	**₱671,987**	**1 to 32 days; Interest bearing with interest rates ranging from 0.4% to 3.75%**	**Unsecured**

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

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:

	2014	2013	2012
Short-term employee benefits	**₱1,214,321,181**	₱1,070,334,562	₱1,017,081,160
Post-employment benefits	**110,107,632**	112,067,015	105,999,049
	₱1,324,428,813	₱1,182,401,577	₱1,123,080,209

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 ₱161.1 million, ₱117.3 million and ₱104.5 million in 2014, 2013 and 2012, respectively.

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

	2014	2013	2012
Within one year	**₱71,984,748**	₱68,556,903	₱70,670,008
After one year but not more than five years	**269,942,806**	274,227,612	282,680,032
	₱341,927,554	₱342,784,515	₱353,350,040

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 ₱67.2 million, ₱67.9 million and ₱64.7 million in 2014, 2013 and 2012, 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 ₱0.9 million in 2014and 2013 and ₱2.6 million in 2012.

Future minimum lease receivables under noncancellable operating leases of the URC Group that are due within one year amounted to ₱56.8 million, ₱61.6 million and ₱65.3 million in 2014, 2013 and 2012, 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 ₱23.3 million, ₱11.8 million and ₱3.7 million in 2014, 2013 and 2012, 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 ₱153.0 million, ₱104.6 million and ₱157.4 million in 2014, 2013 and 2012, respectively.

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

	2014	2013	2012
Within one year	**₱60,225,464**	₱143,352,457	₱54,522,307
After one year but not more than five years	**274,917,570**	716,762,285	247,979,627
Over five years	**5,477,062,851**	4,114,089,434	6,063,324,450
	₱5,812,205,885	₱4,974,206,189	₱6,365,826,384

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 ₱8.0 billion, ₱7.4 billion and ₱6.7 billion in 2014, 2013 and 2012, respectively. Total percentage rent recognized as income amounted to ₱2.2 billion, ₱2.0 billion and ₱1.8 billion in 2014, 2013 and 2012, respectively.

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

	2014	2013	2012
Within one year	**₱4,252,470,638**	₱2,137,034,461	₱1,111,914,481
After one year but not more than five years	**5,915,813,342**	2,016,336,718	1,921,108,789
Over five years	**437,292,732**	351,280,338	380,702,108
	₱10,605,576,712	₱4,504,651,517	₱3,413,725,378

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 ₱29.5 million, ₱17.0 million and ₱12.3 million in 2014, 2013 and 2012, respectively.

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

	2014	2013	2012
Within one year	**₱9,386,226**	₱12,148,926	₱6,686,500
After one year but not more than five years	**12,633,062**	28,390,642	12,901,370
	₱22,019,288	₱40,539,568	₱19,587,870

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:

	2014	2013
Within one year	**₱103,090**	₱137,967
After one year but not more than five years	**327,743**	588,368
	₱430,833	₱726,335

CAI

Operating Aircraft Lease Commitments - Group as a Lessee

CAI entered into operating lease agreements with certain leasing companies which cover the following aircraft:

A320 aircraft

The following table summarizes the specific lease agreements on 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:

	2014		2013		2012	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso Equivalent
Within one year	**US$88,551,265**	**₱3,960,012,577**	US$73,094,439	₱3,245,027,618	US$54,171,098	₱2,223,723,588
After one year but not more than five years	**314,017,649**	**14,042,869,274**	307,184,942	13,637,475,503	258,475,371	10,610,413,991
Over five years	**395,380,828**	**17,681,430,645**	463,829,248	20,591,699,480	333,453,833	13,688,279,865
	US$797,949,742	**₱35,684,312,496**	US$844,108,629	₱37,474,202,601	US$646,100,302	₱26,522,417,444

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 ₱3.5 billion, ₱2.3 billion and ₱2.0 billion in 2014, 2013 and 2012, 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:

	2014	2013	2012
Within one year	**₱127,970,825**	₱114,110,716	₱108,795,795
After one year but not more than five years	**539,700,300**	665,809,830	487,021,206
Over five years	**2,065,948,495**	799,242,568	266,875,198
	₱2,733,619,620	₱1,579,163,114	₱862,692,199

Lease expenses relating to non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱337.1 million, ₱304.8 million and ₱263.7 million in 2014, 2013 and 2012, 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 ₱187.6 million, ₱125.6 million and ₱95.8 million in 2014, 2013 and 2012, respectively.

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

	2014	2013	2012
Within one year	**₱155,319,477**	₱111,685,416	₱85,806,828
After one year but not more than five years	**406,835,950**	285,684,755	176,408,491
Over five years	**45,394,754**	32,009,632	62,012,908
	₱607,550,181	₱429,379,803	₱324,228,227

43. **Other Commitments and Contingent Liabilities**

Parent Company

On May 4, 2012, the BOD of the Parent Company approved and authorized the Parent Company to act as surety with respect to the credit accommodation 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 accommodation.

On February 4, 2014, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSOC from Banco de Oro Unibank, Inc. in the aggregate principal amount of ₱9.0 billion, including the extensions, renewals or modifications of such loan/credit accommodation.

RLC

Capital Commitments

RLC has contractual commitments and obligations for the construction and development of investment properties and property and equipment items aggregating ₱11.6 billion, ₱11.2 billion and ₱4.2 billion as of December 31, 2014, 2013 and 2012, respectively. Moreover, RLC has contractual obligations amounting to ₱2.1 billion and ₱1.6 billion as of December 31, 2012 and 2011, 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 ₱70.1 billion and ₱68.2 billion as of December 31, 2014 and 2013, respectively, which are payable over the following periods:

	December 31, 2014		December 31, 2013	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent
Within one year	**US$260,795,946**	**₱11,662,794,707**	US$247,380,188	₱10,982,443,447
After one year but not more than five years	**1,458,101,728**	**65,206,309,259**	1,400,472,358	62,173,970,322
	US$1,718,897,674	**₱76,869,103,966**	US$1,647,852,546	₱73,156,413,769

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.

As of December 31, 2014, the Group will take delivery of 9 more Airbus A320, 1 Airbus A330 and 30 Airbus A321 NEO aircraft.

The above-indicated commitments relate to the Group’s re-fleeting and expansion programs. These agreements remained in effect as of December 31, 2014.

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.

These agreements remained in effect as of December 31, 2014.

Off-Balance Sheet Items
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:

	2014	2013
Trust and investment group accounts	**₱9,462,183,960**	₱4,988,508,329
Spot exchange - foreign currency	**2,287,921,501**	424,860,317
Committed credit lines	**4,452,039,310**	2,276,299,665
Domestic standby letters of redit	**119,868,315**	243,353,864
Contingent - foreign currency swap	**2,630,668,955**	–
Inward bills for collection	**401,510,039**	282,155,080
Late deposit/payment received	**19,238,989**	58,127,241
Guarantees issued	**7,232,310**	11,479,860
Outward bills for collection	**250,058,849**	13,655,160
Items held for safekeeping	**92,669**	72,229
Other contingent accounts	**298,566**	297,227

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.

The CAB assessed the Group with the amount of ₱52.1 million recognized mainly in the operating and general and administrative expenses. The amount was settled in January 29, 2015 (Notes 22 and 23).

44. **Business Combination**

Acquisition of Griffin's

URC NZ FinCo, a newly formed wholly-owned subsidiary of URCICL entered into a Sale and Purchase Agreement with Pacific Equity Partners (PEP) for the acquisition of 100% equity interest in NZSFHL, which is the holding company of Griffin's Food Limited, the leading snack food company in New Zealand, subject to the approval of New Zealand's Overseas Investment Office (OIO) as required by Overseas Investment Act 2005 and Overseas Investment Regulation of 2005. The total consideration of the acquisition is NZ$700.0 million (approximately ₱24.5 billion), including the initial deposit of NZ$100.0 million (₱3.5 billion) and the balance upon completion.

On October 29, 2014, New Zealand's OIO granted its consent on the application for the acquisition of NZSFHL. On November 14, 2014, following the approval from OIO, the transaction was completed and the remaining balance of the consideration was settled.

URC engaged a third party valuer to conduct a purchase price allocation.

The fair values of the identifiable assets and liabilities of NZSFHL at the date of acquisition follow:

	Fair Value recognized in the acquisition
Cash and cash equivalents	₱1,066,628,343
Trade receivables	2,022,403,012
Inventories	1,500,415,759
Property, plant and equipment	4,365,177,575
Intangibles	4,980,010,435
Total Assets	13,934,635,124
Trade payables	(2,889,821,927)
Deferred tax liability	(1,777,189,656)
Income tax liability	(1,020,200)
External bank debt	(16,387,274,619
Total Liabilities	(21,055,306,402)
Total fair value of identifiable net liabilities	(7,120,671,278)
Goodwill	15,273,480,774
Purchase consideration transferred	₱8,152,809,497

Had the acquisition been made on January 1, 2014, total sales of the Group would have been ₱191.0 billion and net income attributable to equityholders of the Parent Company would have been ₱21.7 billion.

Acquisition of TAP

As part of the strategic alliance between the CAI and Tiger Airways Holding Limited (TAH), on February 10, 2014, the CAI signed a Sale and Purchase Agreement (SPA) to acquire 100.0% of TAP. Under the terms of the SPA, closing of the transaction is subject to the satisfaction or waiver of each of the conditions contained in the SPA. On March 20, 2014, all the conditions precedent has been satisfactorily completed. The CAI has paid the purchase price covering the transfer of shares from TAH. Consequently, CAI gained control of TAP on the same date. The total consideration for the transaction amounted to ₱265.1 million.

The fair values of the identifiable assets and liabilities of TAP at the date of acquisition follow:

	Fair Value recognized in the acquisition
Total cash, receivables and other assets	₱1,234,084,305
Total accounts payable, accrued expenses and unearned income	1,535,756,691
Net liabilities	(301,672,386)
Goodwill	566,781,533
Acquisition cost at post-closing settlement date	₱265,109,147

As of December 31, 2014, the Goodwill amounted to ₱566.8 million.

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 ₱620.00 million. On December 19, 2012, RBC infused the ₱620.00 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.

The fair value of the identifiable assets and liabilities of LSB as of acquisition date 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

(Forward)

	Fair Value Recognized on Acquisition
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.

On July 25, 2012, RBC's BOD approved the 100.0% acquisition of the controlling interest (both common and preferred shares) in Legazpi Savings Bank, Inc. (LSB). Further, it was resolved that RBC would seek approval from the BSP for the acquisition and other incentives.

On August 15, 2012, the Monetary Board (MB) of the BSP issued its approval in principle of RBC's request to acquire LSB and of all the incentives requested by RBC subject to the submission of the necessary requirements.

45. Subsequent Events

The following non-adjusting events happened subsequent to the respective reporting dates of the Parent Company and its subsidiaries:

- On January 21, 2015, shares of the Parent Company were sold via an accelerated overnight equity placement at a price of ₱61 per share through a top-up placement of 145,650,000 common shares from a selling shareholder, raising a total of approximately ₱8.8 billion. The proceeds from the placement will be used for general corporate purposes.

- The BOD of URC approved on March 10, 2015 the merger of CFC Clubhouse Property, Inc. (CCPI) with and into URC. CCPI is a wholly-owned subsidiary of URC and is one of the major suppliers of flexible packaging materials for URC's snacks and beverages division. The proposed merger is expected to benefit URC in the reduction of expenses through the economies of scale, centralized administration and greater efficiency.

46. **Supplemental Disclosures to Cash Flow Statements**

The principal noncash activities of the Group are as follows:

a. Movements in the cumulative translation adjustment amounted to ₱45.5 million, ₱573.9 million and ₱266.1 million in 2014, 2013 and 2012, respectively.

b. In 2014, 2013 and 2012, the Group capitalized depreciation as part of the cost of new born biological assets (suckling) amounting to ₱47.1 million, ₱48.7 million and ₱41.6 million, respectively.

c. In 2014, 2013 and 2012, the Group foreclosed some assets, which are recorded under 'Investment properties' in the consolidated statements of financial position, amounting to ₱27.3 million, ₱47.1 million and ₱18.0 million, respectively.

d. In 2014, 2013 and 2012, the Group acquired a total of fourteen (14) passenger aircraft by assuming direct liabilities. This transaction is considered as a non-cash financing activity.

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

f. On December 31, 2013 and 2012, the Group recognized a liability based on the schedule of pre-delivery payments amounting ₱514.4 million and ₱34.1 million. These incurred costs are recognized under the 'Construction-in progress' account. The liability was paid the following year.

g. CAI paid ₱488.6 million for the acquisition of TAP (Note 44). Cash flows used to acquire TAP after the cash attributable to the business combination of ₱256.7 million, amounted to ₱231.8 million.

47. **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 24, 2015.

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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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
ON SUPPLEMENTARY SCHEDULES

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, in accordance with Philippine Standards on Auditing, the consolidated financial statements of JG Summit Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated March 24, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

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 April 30, 2015
Tax Identification No. 152-884-691
BIR Accreditation No. 08-001998-54-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751296, January 5, 2015, Makati City

March 24, 2015

CORPORATE DIRECTORY

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

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

Corporate Head Office
JG Summit Holdings, Inc.
43/F Robinsons Equitable Tower
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Independent Public Accountants
Sycip, Gorres, Velayo & Co.
Certified Public Accountants
SGV Building, 6760 Ayala Avenue, Makati City, Philippines

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