JG SUMMIT
HOLDINGS, INC.

43rd FLOOR ROBINSONS EQUITABLE TOWER ADB AVE. COR. POVEDA RD. ORTIGAS CENTER, PASIG CITY
TEL. NO.: 633-76-31.637-1670, 240-8801 FAX NO.: 633-9387 OR 633-9207

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
June 10, 2015

Notice is hereby given that the Annual Meeting of the Stockholders of JG SUMMIT HOLDINGS, INC. will be held on June 10, 2015 at 5:00 p.m. at Ruby Ballroom of Crowne Plaza Manila Galleria, ADB Avenue corner Ortigas Avenue, Quezon City.

The Agenda for the meeting is as follows:

1. Proof of notice of the meeting and existence of a quorum.
2. Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on June 26, 2014.
3. Presentation of Annual Report and approval of Financial Statements for the preceding year.
4. Election of Board of Directors.
5. Election of External Auditor.
6. Ratification of all acts of the Board of Directors and its committees, officers and management since the last annual meeting.
7. Consideration of such other matters as may properly come during the meeting.
8. Adjournment.

For convenience in registering your attendance, please have available some form of identification such as Voter's I.D. or Driver's License.

Pursuant to Section 9, Article II of the Amended By-Laws of JG Summit Holdings, Inc. proxies must be received by the Corporate Secretary for inspection and recording not later than five (5) working days before the time set for the meeting, or not later than June 3, 2015. We are not, however, soliciting proxies.

Registration starts at 4:00 p.m. and will close at exactly 5:15 p.m. Only stockholders of record as of May 14, 2015 shall be entitled to vote.

By Authority of the Chairman:

ROSALINDA F. RIVERA
Corporate Secretary

JG SUMMIT HOLDINGS, INC.
("JGS" or the "Corporation")

ANNUAL MEETING OF STOCKHOLDERS
JUNE 10, 2015

EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL

Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on June 26, 2014

Copies of the minutes will be distributed to the stockholders before the meeting and will be presented to the stockholders for approval.

Presentation of annual report and approval of financial statements for the preceding year

The annual report and the financial statements for the preceding fiscal year will be presented to the stockholders for approval.

Election of Board of Directors

The incumbent members of the Board of Directors of the Corporation are expected to be nominated for re-election this year. A brief description of the business experience of the incumbent directors is provided in the Information Statement sent to the stockholders.

The members of the Board of Directors of the Corporation shall be elected by plurality vote.

Election of External Auditor

The Corporation's external auditor is SyCip Gorres Velayo & Co. and will be nominated for reappointment for the current fiscal year.

Ratification of all acts of the Board of Directors and its committees, officers and management since the last annual meeting

The acts of the Board of Directors and its committees, officers and management of the Corporation since the last annual stockholders' meeting up to the current stockholders' meeting will be presented to the stockholders for ratification.

Consideration of such other matters as may properly come during the meeting

The Chairman will open the floor for comments and questions by the stockholders. The Chairman will decide whether matters raised by the stockholders may be properly taken up in the meeting or in another proper forum.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS
Information Statement Pursuant to Section 20
of the Securities Regulation Code

1. Check the appropriate box:

    Preliminary Information Statement

    ✓ Definitive Information Statement

2.	Name of Registrant as specified in its charter	:	**JG SUMMIT HOLDINGS, INC.** **(the "Corporation")**
3.	Province, country or other jurisdiction of incorporation or organization	:	**Metro Manila, Philippines**
4.	SEC Identification Number	:	**SEC Registration No. 184044**
5.	BIR Tax Identification Code	:	**TIN No. 000-775-860**
6.	Address of principal office	:	**43/F Robinsons Equitable Tower** **ADB Ave., corner Poveda St.** **Ortigas Center, Pasig City,** **Metro Manila, 1605**
7.	Registrant's telephone number, including area code	:	**(632) 633-7631 to 40**
8.	Date, time and place of the meeting of security holders	:	**June 10, 2015** **5:00 P.M.** **Ruby Ballroom** **Crowne Plaza Manila Galleria** **ADB Avenue corner Ortigas Avenue,** **Quezon City**
9.	Approximate date on which copies of the Information Statement are first to be sent or given to security holders	:	**May 20, 2015**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of April 30, 2015)
Common Stock	**7,162,841,657**
Long Term Debt	**30,000,000,000**

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes ____✓______ No _______

    The common shares of the Corporation are listed on the Philippine Stock Exchange.

Date, Time and Place of Meeting of Security Holders

Date, Time, and Place of Meeting	:	**June 10, 2015** **5:00 P.M.** **Ruby Ballroom** **Crowne Plaza Manila Galleria** **ADB Avenue corner Ortigas Avenue,** **Quezon City**
Complete Mailing Address of Principal Office:		**43/F Robinsons Equitable Tower** **ADB Ave., corner Poveda St.** **Ortigas Center, Pasig City** **Metro Manila, 1605**
Approximate date on which copies of the Information Statement are first to be sent or given to security holders	:	**May 20, 2015**

Dissenters' Right of Appraisal

Any stockholder of the Corporation may exercise his appraisal against the proposed actions which qualify as instances giving rise to the exercise of such right pursuant to and subject to the compliance with the requirements and procedure set forth under Title X of the Corporation Code of the Philippines.

There are no matters to be acted upon by the stockholders at the Annual Meeting of the Stockholders to be held on June 10, 2015 which would require the exercise of the appraisal right.

Interest of Certain Persons in or Opposition to Matters to be acted upon

None of the following persons have any substantial interest, direct or indirect, in any matter to be acted upon other than election to office:

1. **Directors or officers of the Corporation at any time since the beginning of the last fiscal year;**

2. **Nominees for election as directors of the Corporation;**

3. **Associate of any of the foregoing persons.**

Voting Securities and Principal Holders Thereof

(a) The Corporation has 7,162,841,657 outstanding common shares as of April 30, 2015. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

(b) All stockholders of record as of May 14, 2015 are entitled to notice and to vote at the Corporation's Annual Meeting of the Stockholders.

(c) Pursuant to Section 10, Article II of the By-Laws of the Corporation, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders. For purposes of determining the stockholders entitled to notice of, or to vote or be voted at any meeting of stockholders or any adjournments thereof, or entitled to receive payment of any dividends or other distribution or allotment of any rights, or for the purpose of any other lawful action, or for making any other proper determination of stockholders, the Board of Directors may provide that the stock and transfer books be closed for a stated period, which shall not be more than sixty (60) days nor less than thirty (30) days before the date of such meeting. In lieu of closing the stock and transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders. A determination of stockholders of record entitled to notice of or to vote or be voted at a meeting of stockholders shall apply to any adjournment of

the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(d) Cumulative Voting for Directors

Article II, Section 8 of the By-Laws provides that the directors of the Corporation shall be elected by plurality vote at the annual meeting of the stockholders for the year at which a quorum is present. At each election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes as the same principle among any number of candidates.

The report attached to this SEC Form 20-IS is the management report to stockholders required under SRC Rule 20 to accompany the SEC Form 20-IS and is hereinafter referred to as the "Management Report".

Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Corporation's voting securities as of April 30, 2015

Title of Class	Names and Addresses of record owners and relationship with the Corporation	Names of beneficial owner and relationship with record owner	Citizenship	No. of Shares Held	% to Total Outstanding
Common	Gokongwei Brothers Foundation, Inc. 43/F Robinsons Equitable Tower ADB Ave. cor. Poveda St. Ortigas Center, Pasig City (stockholder)	same as record owner (see note 1)	Filipino	1,997,076,451	27.88%
Common	PCD Nominee Corporation (Filipino) 37/F Tower I, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PCD Participants and their clients (see note 2)	Filipino	1,304,052,626	18.21%
Common	Robinsons Savings Bank – Trust & Investment Group No. 030-46-000001-9 17/F Galleria Corporate Center Edsa Cor. Ortigas Ave., Quezon City (stockholder)	Trustee's designated Officers (see note 3)	Filipino	1,033,319,225	14.43%
Common	PCD Nominee Corporation (Non-Filipino) 37/F Tower I, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PCD Participants and their clients (see note 2)	Non-Filipino	843,675,908	11.78%
Common	John Gokongwei, Jr. 43/F Robinsons Equitable Tower ADB Ave. cor. Poveda St. Ortigas Center, Pasig City (stockholder and Chairman Emeritus)	same as record owner (see note 4)	Filipino	816,917,160	11.41%

Notes:

1. Gokongwei Brothers Foundation, Inc. (the "Foundation") is a non-stock, non-profit corporation organized by the irrevocable donation by the incorporators, who are also Trustees of the Foundation, of shares of JG Summit Holdings, Inc. Under the Articles of Incorporation and By-Laws of the Foundation, except for salaries of employees and honoraria of consultants and similar expenses for actual services rendered to the Foundation or its projects, no part of the corpus or its income and increments shall benefit or be used for the private gain of any member, trustee, officer or any juridical or natural person whatsoever. The Chairman of the Board of Trustees shall exercise exclusive power and authority to represent and vote for any shares of stock owned by the Foundation in other corporate entities. The incumbent Chairman of the Board of Trustees of the Foundation is Mr. John L. Gokongwei, Jr.

2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current PDTC system, only participants (brokers and custodians) will be recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares though his participant will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. Out of the PCD Nominee Corporation (Filipino) account, "BPI Securities Corporation" holds for various trust accounts the following shares of the Corporation as of April 30, 2015:

	No. of shares held	% to total outstanding
BPI Securities Corporation	629,958,046	8.79%

The securities are voted by the trustee's designated officers who are not known to the Corporation.

3. Robinsons Savings Bank – Trust & Investment Group is the trustee of this trust account.

The securities are voted by the trustee's designated officers who are not known to the Corporation.

4. Sum of shares in the name of "John Gokongwei, Jr." and "John Gokongwei, Jr. and/or Lance Gokongwei" for 675,886,710 and 141,030,450 shares, respectively.

Security Ownership of Management as of April 30, 2015

Title of Class	Names of beneficial owner	Amount & nature of beneficial ownership	Citizenship	% to Total Outstanding
A. Named Executive Officers[1]				
Common	1. John L. Gokongwei, Jr.	816,917,160[2] (D)	Filipino	11.41%
Common	2. James L. Go	148,679,656 (D)	Filipino	2.08%
Common	3. Lance Y. Gokongwei	235,513,855[3] (D)	Filipino	3.29%
Common	4. Patrick Henry C. Go	93,500 (D)	Filipino	*
Common	5. Robina Y. Gokongwei-Pe	74,145,278[4] (D)	Filipino	1.04%
	Sub-Total	1,275,349,449		17.82%
B. Other directors, executive officers and nominees				
Common	6. Lily G. Ngochua	388,018 (D)	Filipino	0.01%
Common	7. Johnson Robert G. Go, Jr.	1(D)	Filipino	*
Common	8. Ricardo J. Romulo	1(D)	Filipino	*
Common	9. Cornelio T. Peralta	11,000(D)	Filipino	*
Common	10. Jose T. Pardo	1(D)	Filipino	*
Common	11. Renato de Guzman	1 (D)	Filipino	*
Common	12. Aldrich T. Javellana	0	Filipino	*
	13. Constante T. Santos	0	Filipino	*
	14. Bach Johann M. Sebastian	0	Filipino	*
	15. Nicasio L. Lim	0	Filipino	*
	16. Chona R. Ferrer	0	Filipino	*
	17. Rosalinda F. Rivera	0	Filipino	*
	Sub-Total	399,022		0.01%
C. All directors, executive officers & nominees as a group unnamed		1,275,748,471		17.83%

Notes:
1. Chief Executive Officer and four (4) most highly compensated executive officers as of April 30, 2015.
2. Sum of shares in the name of "John Gokongwei, Jr. " and "John Gokongwei, Jr. and/or Lance Gokongwei" for 816,917,160 and 141,030,450 shares, respectively.
3. Sum of shares in the name of "Lance Gokongwei, " and " Lance Y. Gokongwei &/or Elizabeth Gokongwei" for 668,575 and 234,845,280 shares respectively.
4. Held in the name of "Robina Y. Gokongwei-Pe &/or Elizabeth Gokongwei".
* less than 0.01%.

Shares owned by Foreigners

The total number of shares owned by foreigners as of April 30, 2015 is 1,111,888,199 common shares.

Voting Trust Holders of 5% or More – as of April 30, 2015.

There are no persons holding more than 5% of a class under a voting trust or similar agreement.

Changes in Control

There has been no change in the control of the Corporation since the beginning of its last fiscal year.

The information as of April 30, 2015 on the section "Security Ownership of Certain Record and Beneficial Owners and Management" are found in Item 12, pages 55 to 56 of the Management Report.

Directors and Executive Officers

Information required hereunder is incorporated by reference to the section entitled "Directors and Executive Officers of the Registrant" on Item 10, pages 49 to 52 of the Management Report.

The incumbent directors of the Corporation are expected to be nominated for re-election this year.

The By-Laws of the Corporation was amended on June 16, 2006 to include the provisions of SRC Rule 38, as amended.

The members of the Nomination Committee of the Corporation are the following:

1) **John L. Gokongwei, Jr.**
2) **James L. Go - Chairman**
3) **Lance Y. Gokongwei**
4) **Johnson Robert G. Go, Jr.**
5) **Jose T. Pardo (Independent Director)**

Information required by the SEC under SRC Rule 38 on the nomination and election of Independent Directors.

The following criteria and guidelines shall be observed in the pre-screening, short listing, and nomination of Independent Directors**:**

A. Definition

1. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the corporation and includes, among others, any person who:

1.1 Is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;

1.2 Does not own more than two percent (2%) of the shares of the corporation and/or its related companies or any of its substantial shareholders;

1.3 Is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

1.4 Is not acting as a nominee or representative of any director or substantial shareholder of the corporation, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

1.5 Has not been employed in any executive capacity by the corporation, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;

1.6 Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the corporation, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or

1.7 Has not engaged and does not engage in any transaction with the corporation and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.

2. No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice to other disqualifications which the corporation's Manual on Corporate Governance provides.

3. Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the Commission by appointing independent directors from the list of nominees submitted by the stockholders.

4. When used in relation to a company subject to the requirements above:

4.1 Related company means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and

4.2 Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

B. Qualifications and Disqualifications of Independent Directors

1. An independent director shall have the following qualifications:

1.1 He shall have at least one (1) share of stock of the corporation;

1.2 He shall be at least a college graduate or he has sufficient management experience to substitute for such formal education or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;

1.3 He shall be twenty one (21) years old up to seventy (70) years old, however, due consideration shall be given to qualified independent directors up to the age of eighty (80);

1.4 He shall have been proven to possess integrity and probity; and

1.5 He shall be assiduous.

2. No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:

2.1 He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under letter (A) hereof;

2.2 His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the corporation where he is such director;

2.3 Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family;

2.4 Such other disqualifications that the Corporate Governance Manual provides.

C. Number of Independent Directors

All companies are encouraged to have independent directors. However, issuers of registered securities and public companies are required to have at least two (2) independent directors or at least twenty percent (20%) of its board size.

D. Nomination and Election of Independent Directors

1. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the corporation's information or proxy statement or such other reports required to be submitted to the Commission.

2. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

3. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.

4. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Corporation is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.

5. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained nor allowed on the floor during the actual annual stockholders' meeting.

6. Election of Independent Director/s

    6.1 Except as those required under this Rule and subject to pertinent existing laws, rules and regulations of the Commission, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the company or its by-laws.

    6.2 It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that an independent director/s are elected during the stockholders' meeting.

    6.3 Specific slot/s for independent directors shall not be filled-up by unqualified nominees.

    6.4 In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

E. Termination/Cessation of Independent Directorship

In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

The procedure for the Nomination and Election of Independent Directors pursuant to SRC Rule 38 are set out in the By-Laws of the Corporation. However, any further amendments or updating of such procedure can be implemented upon approval of the Board of Directors. There is no need to seek further approval of the stockholders because under the By-Laws of the Corporation, the stockholders representing at least two-thirds of the outstanding capital stock have delegated to the Board of Directors the power to amend the By-Laws.

Presented below is the Final List of Candidates for Independent Directors:

1. Cornelio T. Peralta, 81, was elected as an independent director of JGSHI on July 26, 2000. He is a director of Philippine Stock Exchange, University of the East, UERM Medical Center, Inc., Makati Commercial Estate Association, Inc., Securities Clearing Corporation of the Philippines, and Wan Hai Lines, Inc. He was formerly Chairman, CEO and President of Kimberly Clark Philippines, Inc. (1971-1998) and former President of P.T. Kimsari Paper Indonesia (1985-1998) and Chairman & CEO of University of the East (1982-1984). He finished Bachelor of Arts, cum laude, and Bachelor of Laws, degrees from the University of the Philippines and took up Advanced Management Program at Harvard Graduate School of Business.

2. Jose T. Pardo, 75, was elected as an independent director of JGSHI on August 6, 2003. He is presently the Chairman of the Philippine Stock Exchange, Securities Clearing Corporation of the Philippines, Philippine Savings Bank, Bank of Commerce, and Electronic Commerce Payment Networks, Inc. (ECPay). He is also a director of National GRID Corporation of the Philippines, and ZNN Radio Veritas. He also held positions in government as the former Secretary of the Department of Finance and former Secretary of the Department of Trade and Industry. He obtained his Bachelor of Science in Commerce, Major in Accounting and his Masters Degree in Business Administration from the De La Salle University.

3. Renato de Guzman, 64, was elected as an independent director of JGSHI on April 28, 2015. He is presently a Senior Adviser of the Bank of Singapore. He was formerly the Chief Executive Officer of the Bank of Singapore (January 2010-January 2015), and ING Asia Private Bank (May 2000-January 2010), Country Manager Philippines of ING Barings (1990-2000) , and Deputy Branch Manager of BNP Philippines (1980-2000). He holds a Bachelor of Science in Management Engineering from Ateneo de Manila University, Masters Degree in Business Administration with Distinction at the Katoliele Universiteit Leuven, Belgium and a Masters in Management from McGill University, Canada.

The Certification of Independent Directors executed by the aforementioned independent directors of the Corporation are attached hereto as Annex "A" (Cornelio T. Peralta), Annex "B" (Jose T. Pardo) and Annex "C" (Renato de Guzman).

The nominees were formally nominated to the Nomination Committee by a shareholder of the Corporation, Mr. Lance Y. Gokongwei. The Nomination Committee evaluated the qualifications of the nominees and prepared a final list of nominees in accordance with SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and the By-Laws of the Corporation.

Significant Employees

There are no persons who are not executive officers of the Corporation who are expected by the Corporation to make a significant contribution to the business.

Family Relationships

1. **Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr.**
2. **Ms. Lily G. Ngochua is the sister of Mr. John L. Gokongwei, Jr.**
3. **Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr.**
4. **Ms. Robina Y. Gokongwei-Pe is the daughter of Mr. John L. Gokongwei, Jr.**
5. **Mr. Patrick Henry C. Go and Mr. Johnson Robert G. Go, Jr. are the nephews of Mr. John L. Gokongwei, Jr.**

Involvement in Certain Legal Proceedings of Directors and Executive Officers

Except as otherwise disclosed, to the best of the Corporation's knowledge and belief and after due inquiry, none of the Corporation's directors, nominees for election as director, or executive officer during the past five years up to the latest date that are material to evaluation: i) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two year period of that time; ii) convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offences: iii) subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or iv) found by a domestic or foreign court competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission

(SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Certain Relationships and Related transactions

The Corporation and its subsidiaries and affiliates, in their regular conduct of business, have engaged in transactions with each other and with other affiliated companies, consisting principally of sales and purchases at market prices and advances made and obtained. (See Note 40 of the Consolidated Financial Statements as of and for the fiscal year ended December 31, 2014).

Compensation of Directors and Executive Officers

Summary Compensation Table

The following tables list the names of the Corporation's Chief Executive Officer and the four (4) most highly compensated executive officers and summarizes their aggregate compensation for the two most recent fiscal years and the ensuing year.

Name	Position	**Projected - Fiscal Year 2015**			
		Salary	Bonus	Others	Total
A. CEO and Four (4) most highly compensated executive officers		P125,474,771	P2,100,000	P475,000	P128,049,771
1. John Gokongwei, Jr.	Chairman Emeritus				
2. James L. Go	Director, Chairman & Chief Executive Officer				
3. Lance Y. Gokongwei	Director, President & Chief Operating Officer				
4. Patrick Henry C. Go	Director				
5. Robina Y. Gokongwei-Pe	Director				
B. All other officers and directors as a group unnamed		P176,867,837	P3,600,000	P715,000	P181,182,837

Name	Position	**Fiscal Year 2014**			
		Salary	Bonus	Others	Total
A. CEO and Four (4) most highly compensated executive officers		P111,298,434	P2,100,000	P370,000	P113,768,434
1. John Gokongwei, Jr.	Chairman Emeritus				
2. James L. Go	Director, Chairman & Chief Executive Officer				
3. Lance Y. Gokongwei	Director, President & Chief Operating Officer				
4. Patrick Henry C. Go	Director				
5. Gabriel C. Singson	Director				
B. All other officers and directors as a group unnamed		P168,843,069	P3,600,000	P510,000	P172,953,069

Standard arrangements or other arrangements pursuant to which directors of the Corporation are compensated

Standard Arrangement

Other than payment of reasonable per diem, there are no standard arrangements pursuant to which directors of the Corporation are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for the last completed fiscal year and the ensuing year.

Other Arrangements

There are no other arrangements pursuant to which any director of the Corporation was compensated, or is to be compensated, directly or indirectly, during the Corporation's last completed fiscal year, and the ensuing year, for any service provided as a director.

The members of the Remuneration and Compensation Committee of the Corporation are the following:

1) **John L. Gokongwei, Jr.**
2) **James L. Go**
3) **Lance Y. Gokongwei**
4) **Johnson Robert G. Go, Jr.**
5) **Cornelio T. Peralta (Independent Director)**

Employment Contracts and Termination of Employment and Change-in-Control Arrangement

There are no special employment contracts between the Corporation and the named executive officers.

There are no compensatory plan or arrangement with respect to a named executive officer.

Warrants and Options Outstanding

There are no outstanding warrants or options held by the Corporation's Chief Executive Officer, the named executive officers, and all officers and directors as a group.

Appointment of Independent Public Accountants

The Corporation's independent public accountant is the accounting firm of SyCip, Gorres, Velayo & Co. (SGV & Co.). The same accounting firm will be nominated for reappointment for the current fiscal year at the annual meeting of stockholders. The representatives of the principal accountant have always been present at prior years' meetings and are expected to be present at the current year's annual meeting of stockholders. They may also make a statement and respond to appropriate questions with respect to matters for which their services were engaged.

The current handling partner of SGV & Co. has been engaged by the Corporation as of the fiscal year 2014 and is expected to be rotated every five (5) years in accordance with SRC Rule 68, as amended.

The members of the Audit Committee of the Corporation are the following:

1) **John L. Gokongwei, Jr.**
2) **James L. Go**
3) **Lance Y. Gokongwei**
4) **Johnson Robert G. Go, Jr.**
5) **Cornelio T. Peralta (Independent Director) - Chairman**
6) **Jose T. Pardo (Independent Director)**

Action with respect to reports

The following are included in the agenda of the annual meeting of the stockholders for approval of the stockholders:

1. **Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on June 26, 2014.**

2. **Presentation of Annual Report and approval of Financial Statements for the preceding year.**

3. **Election of Board of Directors.**

4. **Election of External Auditors.**

5. **Ratification of all acts of the Board of Directors and Management since the last annual meeting.**

The summary of the matters approved and recorded in the Annual Meeting of the Stockholders last June 26, 2014 are as follows: a) reading and approval of the minutes of the annual meeting of the stockholders held on June 27, 2013; b) presentation of Annual Report and approval of Financial Statements for the preceding year; c) approval to amend Article Third of the Articles of Incorporation of the Corporation in order to change the Corporation's principal office address in accordance with SEC Memorandum Circular No. 6, Series of 2014; d) election of Board of Directors e) election of External Auditors; and f) ratification of all acts of the Board of Directors and Management since the last annual meeting.

Brief description of material matters approved by the Board of Directors and Management and disclosed to the SEC and PSE since the last annual meeting of the stockholders held on June 26, 2014 for ratification by the stockholders:

Date of Board Approval	**Description**
June 26, 2014	**1. Results of the Organizational Meeting of the Board of Directors.** **2. Approval of the revisions made to the Corporate Governance Manual of the Corporation in accordance with SEC Memorandum Circular No. 9, Series of 2014.**
April 28, 2015	**Election of an Independent Director**

Voting Procedures

The vote required for approval or election:

Pursuant to Section 6, Article II of the By-Laws of the Corporation, a majority of the subscribed capital, present in person or by proxy, shall be sufficient in a stockholders' meeting to constitute a quorum for the election of directors and for the transaction of any business whatsoever, except in those cases where the Corporation Code requires the affirmative vote of a greater proportion.

Article VII of the By-Laws also provides that the By-Laws may be amended or repealed by stockholders owning or representing a majority of the outstanding capital stock and by a majority of the Board of Directors at any regular meeting, or at any special meeting called for the purpose, or the Board of Directors may, in any regular or special meeting thereof amend or repeal these By-Laws or adopt new By-Laws, provided, however, that this power delegated to the Board of Directors, to amend or repeal these By-Laws or adopt new By-Laws shall be considered as revoked whenever stockholders representing majority of the outstanding capital stock of the Corporation shall so vote at a regular or special meeting called for the purpose.

The method by which votes will be counted:

In accordance with Article II, Section 7 of the By-Laws, every stockholder shall be entitled to vote, in person or by proxy, for each share of stock held by him which has voting power upon the matter in questions. The votes for the election of directors, and except upon demand by any stockholder, the votes upon any question before the meeting, except with respect to procedural questions determined by the Chairman of the meeting, shall be by viva voce or show of hands.

Article II, Section 8 of the By-Laws also provides that the directors of the Corporation shall be elected by plurality vote at the annual meeting of the stockholders for that year at which a quorum is present. At each election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes as the same principle among any number of candidates.

The Secretary shall record all the votes and proceedings of the stockholders and of the Directors in a book kept for that purpose.

Additional Information Required by the SEC Pursuant to paragraph (4) of SRC Rule 20 (Disclosures to Stockholders Prior to Meeting)

Market Price for the Corporation's Common Equity and Related Stockholder Matters

Market Price

Fiscal Year 2015	**High**	**Low**
First Quarter (January to March 2015)	**P72.60**	**P61.80**

The market price of the Corporation's common equity as of April 30, 2015 is P71.50.

The number of shareholders of record as of April 30, 2015 was 1,066.

Common shares outstanding as of April 30, 2015 were 7,162,841,657 shares with a par value of P1.00 per share.

Restriction that Limits the Payment of Dividends on Common Shares

None

Discussion on compliance with leading practices on corporate governance

The Corporation adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual, Code of Business Conduct and related SEC Circulars.

In March 17, 2010, the Board of Directors approved the adoption of a revised Corporate Governance Manual, in accordance with SEC Memorandum Circular No.6 (Series of 2009) dated June 22, 2009. On June 26, 2014, the Board of Directors approved the revisions made to the Corporate Governance Manual of the Corporation in accordance with SEC Memorandum Circular No.9, Series of 2014. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Corporation observes good governance and management practices. This is to assure the shareholders that the Corporation conducts its business with the highest level of integrity, transparency and accountability.

SEC Memorandum Circular No.5, Series of 2013 mandates all listed companies to submit an Annual Corporate Governance Report (ACGR). On July 30, 2013, the Corporation submitted its ACGR for the year 2012 to the SEC. On January 6, 2015, the Board of Directors approved the consolidated changes made to the ACGR of the Corporation for the year 2014 in compliance with SEC Memorandum Circular No. 12, Series of 2014.

Beginning January 30, 2011 in accordance with PSE Memorandum No.2010-0574, the Corporation submits every year a Corporate Governance Disclosure Report to the PSE.

The Corporation likewise consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards.

JG SUMMIT HOLDINGS, INC., AS REGISTRANT, WILL PROVIDE WITHOUT CHARGE, UPON WRITTEN REQUEST, A COPY OF THE REGISTRANT'S ANNUAL REPORT ON SEC FORM 17-A. SUCH WRITTEN REQUESTS SHOULD BE DIRECTED TO THE OFFICE OF THE CORPORATE SECRETARY, 40/F ROBINSONS EQUITABLE TOWER, ADB AVENUE CORNER POVEDA ST., ORTIGAS CENTER, PASIG CITY, METRO MANILA, PHILIPPINES.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct in all material respects. This statement is signed in the City of Pasig on May 19, 2015.

JG SUMMIT HOLDINGS, INC.

LANCE Y. GOKONGWEI
President and Chief Operating Officer

ANNEX "A"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **CORNELIO T. PERALTA**, Filipino, of legal age and a resident of No. 19 Oliva St., Valle Verde IV, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of JG Summit Holdings, Inc.

2. I am affiliated with the following companies or organizations:

Company/ Organization	Position/ Relationship	Period of Service
University of the East	Director	1974 - Present
UE Ramon Magsaysay Memorial Medical Center	Director	1974 - Present
Makati Commercial Estate Association, Inc.	Director	1990 - Present
Wan Hai Lines, Inc.	Director	2001 - Present
Grow Holdings Philippines, Inc.	Director	2003 - Present
Philippine Stock Exchange, Inc.	Director	2004 – Present
Securities Clearing Corporation of the Philippines	Director	2005 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of JG Summit Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the corporate secretary of JG Summit Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 05 2015 at PASIG CITY.

CORNELIO T. PERALTA
Affiant

SUBSCRIBED AND SWORN to before me this MAY 05 2015, at PASIG CITY, affiant personally appeared before me and exhibited to me his Tax Identification No.115-365-627.

ATTY. PATRICK ARNOLD P. TETANGCO
Notary Public for Pasig City
Commission No. 313 (2014-2015)
40th Flr., Robinsons Equitable Tower,
Ortigas Center, Pasig City
IBP No. 012638; Quezon City Chapter
Roll No. 63825; 05/08/2014
PTR No. 0599804; 1/12/15; Q.C.
MCLE No. N/A; N/A

Doc No. 277;
Page No. 57;
Book No. I;
Series of 2015.
/lbo

ANNEX "B"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JOSE T. PARDO**, Filipino, of legal age and a resident of 704 Acacia St., Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of JG Summit Holdings, Inc.
2. I am affiliated with the following companies or organizations:

Company/ Organization	Position/ Relationship	Period of Service
Philippine Savings Bank	Chairman	2002 to present
Philippine Stock Exchange	Chairman	2011 to present
Securities Clearing Corporation of the Philippines	Chairman	2011 to present
Bank of Commerce	Chairman	2011 to present
Philippine Seven Corporation	Chairman	2015
ZNN Radio Veritas	Director	2006 to present
National GRID Corporation of the Philippines	Director	2009 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of JG Summit Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the corporate secretary of JG Summit Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 05 2015 PASIG CITY.

JOSE T. PARDO
Affiant

SUBSCRIBED AND SWORN to before me this MAY 05 2015, at PASIG CITY, affiant personally appeared before me and exhibited to me his Tax Identification No.116-203-611.

Doc No. 278;
Page No. 57;
Book No. I;
Series of 2015.
/lbo

ATTY. PATRICK ARNOLD P. TETANGCO
Notary Public for Pasig City
Commission No. 313 (2014-2015)
40th Flr., Robinsons Equitable Tower,
Ortigas Center, Pasig City
IBP No. 012636; Quezon City Chapter
Roll No. 63825; 05/08/2014
PTR No. 0599801; 1/12/15; Q.C.
MCLE No. N/A; N/A

ANNEX "C"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **RENATO DE GUZMAN**, Filipino, of legal age and a resident of Singapore, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of JG Summit Holdings, Inc.

2. I am affiliated with the following companies or organizations:

Company/ Organization	Position/ Relationship	Period of Service
Bank of Singapore	Senior Advisor	2015 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of JG Summit Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the corporate secretary of JG Summit Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this 29 APR 2015 at QUEZON CITY.

RENATO DE GUZMAN
Affiant

SUBSCRIBED AND SWORN to before me this 29 APR 2015, at QUEZON CITY, affiant personally appeared before me and exhibited to me his Tax Identification No. 127-386-444.

Stella Marie A. Medina
Notary Public for Quezon City
Commission No. NP-183 (2014-2015)
18th Floor, Aurora Tower, Araneta Center, Q.C.
IBP No. 0986635; 01.9.15; Q.C. Chapter
PTR No. 0643080; 01.12.15; Q.C.
Roll No. 50379
MCLE No. IV-0020843; 06.18.13

Doc No. 100;
Page No. 21;
Book No. II;
Series of 2015.
/lbo

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Description of Business

(A) Business Development

JG Summit Holdings, Inc. (the Company), which is controlled by the Gokongwei Family, was incorporated in November 1990 as the holding company for a group of companies with substantial business interests in foods, agro-industrial and commodities, real estate and hotel, air transportation, banking and petrochemicals. The Company also has core investments in telecommunications and power distribution.

The Company is one of the largest and most diversified conglomerates within the Philippines. The Company was listed on the PSE in 1993.

The Company and its subsidiaries (the Group), conduct business throughout the Philippines, but primarily in and around Metro Manila (where it is based) and in the regions of Visayas and Mindanao.

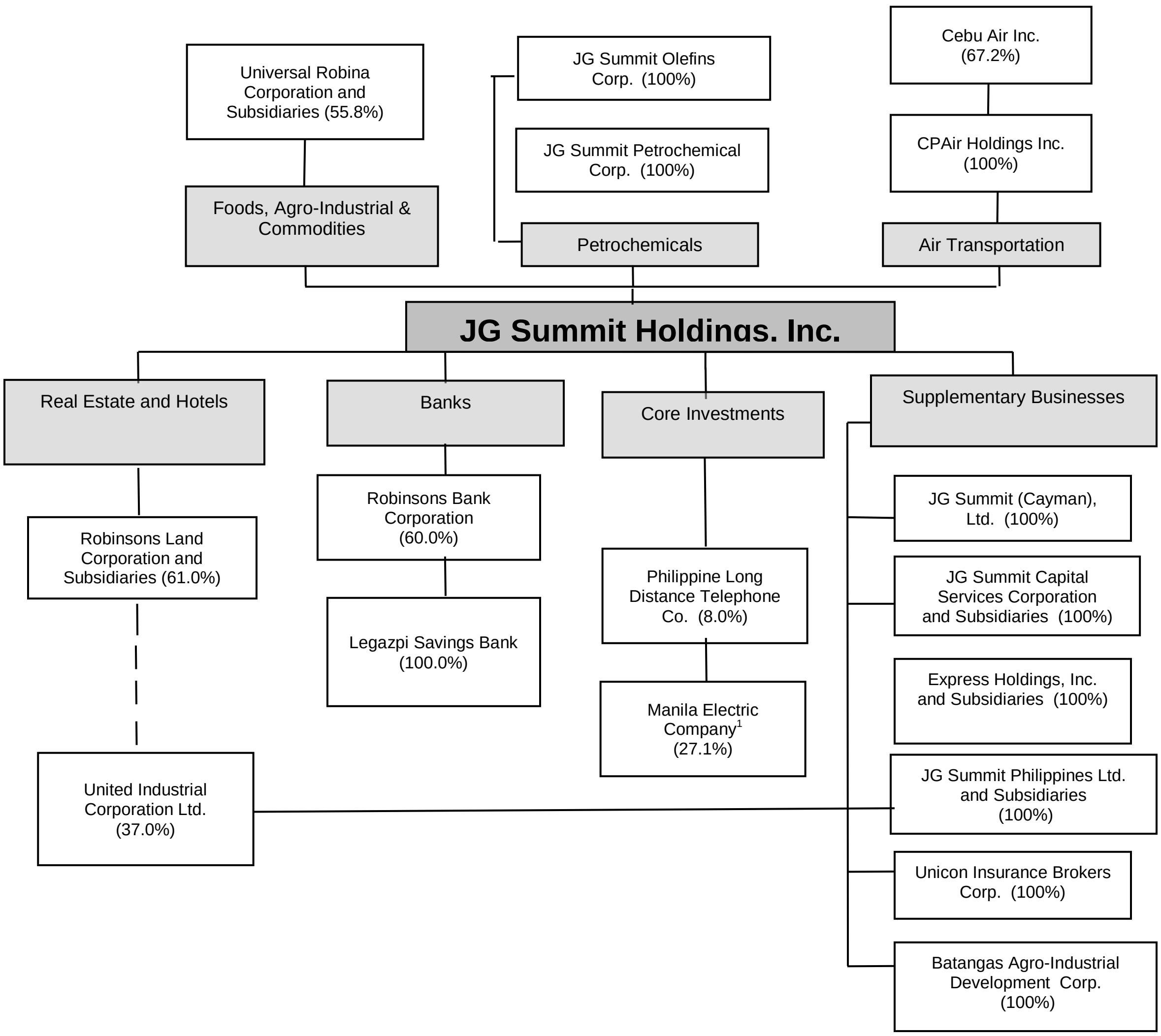
The Group also has a branded consumer foods business in the People's Republic of China (PRC), the ASEAN region and recently in New Zealand and a core investment in a property development company in Singapore.

The Company has not been into any bankruptcy, receivership or similar proceedings for the past two years.

The Gokongwei Family beneficially owns approximately 24.40% of the outstanding share capital of the Company. In addition, certain members of the Gokongwei Family are trustees of the Gokongwei Brothers Foundation, which holds interest in approximately 28.46% of the existing outstanding share capital of the Company.

(B) Business of Issuer

The industry segments where the Company and its subsidiaries and affiliates operate are summarized below:



The following table shows the breakdown of the Company's revenues and net profits from continuing operations by business areas (in millions except % amounts):

	REVENUES						Net Income attributable to Parent Co.					
	2012		2013		2014		2012		2013		2014	
	Peso	%	Peso	%	Peso	%	Peso	%	Peso	%	Peso	%
Food, Agro-Industrial and Commodity Food Products	73,368	54	83,651	55	96,578	52	4,744	35	6,306	60	6,668	36
Air Transportation	37,963	28	41,138	27	52,096	28	2,400	18	344	3	574	3
Real estate and hotels	15,663	11	18,259	12	19,934	11	4,408	33	4,549	44	5,413	29
Petrochemicals	4,237	3	717	1	3,801	2	(742)	(6)	(623)	(6)	(759)	(4)
Banks	2,533	2	2,750	2	2,717	1	234	2	272	3	88	1
Other Supplementary Businesses	3,458	2	3,989	3	10,274	6	2,491	19	(20)	(0)	6,309	35
Adjustments/elim	(206)		(156)		(588)		(138)	(1)	(394)	(4)	(48)	(0)
Total from Continuing Operations	137,016	100	150,348	100	184,812	100	13,397	100	10,434	100	18,245	100

Information as to domestic and foreign revenues, including foreign currency denominated revenues and dollar linked revenues, and their contributions to total revenues follow (in millions except % amounts):

	2012		**2013**		**2014**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Domestic	98,844	72	109,683	73	140,442	76
Foreign	38,172	28	40,665	27	44,370	24
	137,016	100	150,348	100	184,812	100

a) FOODS, AGRO-INDUSTRIAL AND COMMODITIES

Business Development

The Company operates its food business through Universal Robina Corporation (URC), which is one of the largest branded food product companies in the Philippines, with the distinction of being called the country's first "Philippine Multinational", and has a growing presence in other Asian markets. It was founded in 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing plant in Pasig. The Company is involved in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, production of hogs and day-old chicks, manufacture of animal and fish feeds, glucose and veterinary compounds, flour milling, and sugar milling and refining. The Company is a dominant player with leading market shares in Savory Snacks, Candies and Chocolates, and is a significant player in Biscuits, with leading positions in Cookies and Pretzels. URC is also the largest player in the RTD Tea market, and is a respectable 2nd player in the Cup Noodles and 2nd in Coffee businesses.

Principal Products or Services

URC operates its food business through operating divisions and wholly owned or majority-owned subsidiaries that are organized into three core business segments: branded consumer foods, agro-industrial products and commodity food products.

Branded consumer foods (BCF) segment, including URC's packaging division, is the largest segment contributing about 83.9% of revenues for the year ended December 31, 2014. Established in the 1960s, URC's BCF segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, bakery products, beverages, instant noodles and pasta and tomato-based products. The manufacture, distribution, sales and marketing activities for URC's consumer food products are carried out mainly through the branded consumer foods division consisting of snack foods, beverage and grocery groups, although URC conducts some of its branded consumer foods operations through its majority-owned subsidiaries and joint venture companies (i.e. Nissin-URC and Hunt-URC). URC established URC Packaging division to engage in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies. The BOPP plant, located in Batangas, began commercial operation in June 1998 and holds the distinction of being the only Integrated Management System ISO-certified BOPP plant in the country today, with its Quality ISO 9001:2008 and Environmental ISO 14001:2004

Standards. URC also formed Food Service and Industrial division that supply BCF products in bulk to certain institutions like hotels, restaurants, and schools.

In July 2014, URC announced that it will acquire 100% shares of NZ Snack Foods Holdings Limited (NZSFHL), 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 and the transaction was completed in November 2014. URC also entered into joint ventures, Calbee-URC Inc. and Danone Universal Robina Beverages Inc.

Majority of URC's branded consumer foods business is conducted in the Philippines. In 2000, URC began to expand its BCF business more aggressively into other Asian markets, primarily through its subsidiary, URC International and its subsidiaries in China: Shanghai Peggy Foods Co. Ltd., Guangzhou Peggy Foods Co. Ltd., and URC Hongkong Co. Ltd.; in Malaysia: URC Snack Foods (Malaysia) Sdn. Bhd. and Ricellent Sdn. Bhd.; in Thailand: URC (Thailand) Co. Ltd.; in Singapore: URC Foods (Singapore) Pte. Ltd.: Acesfood Network Pte, Ltd. in 2007 and Advanson International Pte, Ltd. in 2008; in Indonesia: PT URC Indonesia; in Vietnam: URC Vietnam Company Ltd. in 2006, URC Hanoi Company, Ltd. in 2009 and URC Central Co. Ltd. in 2013; and in Myanmar: URC (Myanmar) Co. Ltd in 2013. The Asian operations contributed about 26.3% of the URC's revenues for the year ended December 31, 2014.

URC has a strong brand portfolio created and supported through continuous product innovation, extensive marketing and experienced management. Its brands are household names in the Philippines and a growing number of consumers across Asia are purchasing URC's branded consumer food products.

URC's agro-industrial products segment operates three divisions, which engage in hog and poultry farming (Robina Farms or "RF"), the manufacture and distribution of animal feeds, glucose and soya products (Universal Corn Products or "UCP"), and the production and distribution of animal health products (Robichem). This segment contributed approximately 8.7% of the sale of goods and services in 2014.

URC's commodity food products segment engages in sugar milling and refining through its Sugar divisions URSUMCO, CARSUMCO, SONEDCO, PASSI and Tolong and flour milling and pasta manufacturing through URC Flour division. In 2014, the segment contributed approximately 7.4% of aggregate sale of goods and services.

In 2013, URC started the construction of its fuel-grade ethanol plant in Negros Oriental and started commercial operations in January 2015. The plant aims to produce fuel-grade anhydrous ethanol suitable for gasoline blending using sugar molasses as feedstock. It has a capacity of 100, 000 liters per day. In the same year, URC also started the installation of Biomass Fired Power Cogeneration plant in Negros Occidental. Phase 1 of the project with 16 MW new steam turbine generator systems using the upgraded existing boiler system, was completed and started exporting excess power of 4 MW to the grid under a must-run unit undergoing commissioning and testing in December 2014. Installation of Phase 2 with 30 MW steam turbine generator and completely new boiler system, is ongoing and is expected to be completed and will be ready to export power to the grid by second half of 2015.

The percentage contribution to URC's revenues for the three years ended December 31, 2012, 2013 and 2014 by each of URC's principal business segments is as follows:

	For the fiscal years ended December 31		
	2012	2013	2014
Branded Consumer Foods	79.0%	82.0%	83.9%
Agro-Industrial Products	10.4%	8.9%	8.7%
Commodity Food Products	10.6%	9.1%	7.4%
	100.0%	100.0%	100.0%

The geographic percentage distribution of the Company's revenues for the period ended December 31, 2012, 2013 and 2014 is as follows:

	For the fiscal years ended December 31		
	2012	2013	2014
Philippines	71.7%	72.8%	74.2%
ASEAN	26.4%	24.8%	23.4%
China	1.9%	2.4%	2.4%
	100.0%	100.0%	100.0%

Customers

URC's businesses are not dependent upon a single customer or a few customers that a loss of anyone of them would have a material adverse effect on the Company. URC has no single customer that, based upon existing orders, will account for 20.0% or more of its total sale of goods and services.

Distribution, Sales and Marketing

URC has developed an effective nationwide distribution chain and sales network that it believes provide its competitive advantage. URC sells its branded food products primarily to supermarkets, as well as directly to top wholesalers, large convenience stores, large scale trading companies and regional distributors, which in turn sell its products to other small retailers and down line markets. URC's branded consumer food products are distributed to approximately 120,000 outlets in the Philippines and sold through its direct sales force and regional distributors. URC intends to enlarge its distribution network coverage in the Philippines by increasing the number of retail outlets that its sales force and distributors directly service.

The branded consumer food products are generally sold by URC from salesmen to wholesalers or supermarkets, and regional distributors to small retail outlets. 15 to 30 day credit terms are extended to wholesalers, supermarkets and regional distributors.

URC believes that its emphasis on marketing, product innovation and quality, and strong brand equity has played a key role in its success in achieving leading market shares in the different categories where it competes. In particular, URC launched "Jack n' Jill" as a master umbrella brand for all its snack food products in order to enhance customer recognition. URC devotes significant expenditures to support advertising and branding to differentiate its products and further expand market share both in the Philippines and its overseas markets, including funding for advertising campaigns, such as television commercials and radio and print advertisements, as well as promotions for new product launches.

Competition

The BCF business is highly competitive and competition varies by country and category. URC believes that the principal competitive factors include price, taste, quality, convenience, brand recognition and awareness, advertising and marketing, availability of products and ability to get its product widely distributed.

Generally, URC faces competition from both local and multinational companies in all of its markets. In the Philippines, major competitors in the market segments in which it competes include Liwayway Manufacturing Corp., Columbia Foods International, Republic Biscuit Corporation, Suncrest Foods Inc., Del Monte Phil. Inc., Monde Nissin Corporation, Nestle Philippines Inc., San Miguel Pure Foods Company Inc. and Kraft Foods Inc. Internationally, major competitors include Procter & Gamble, Effem Foods/Mars Inc., Lotte Group, Perfetti Van Melle Group, Mayora Inda PT, Apollo Food, Frito-Lay, Nestlé S.A., Cadbury Schweppes PLC and Kraft Foods International.

URC AIG has four major segments namely: Commercial Feeds, Commercial Drugs, Robina Farm Hogs and Poultry. The market for AIG is highly fragmented, very competitive, cyclical and principally domestic. URC is focused and known in providing Total Agri-Solution and farm management expertise including state of the art diagnostic capability.

URC's commercial feeds segment principal competitive factors are quality, brand equity, credit term and price. As of December 31, 2014, there were about 150 registered feed mills in the Philippines, 25% of which sell commercial feeds. URC's principal competitors are San Miguel Corporation (B-Meg and Integra), UNAHCO (Sarimanok, Thunderbird and GMP) and Aboitiz Inc. (Pilmico). A number of multinationals including Cargil Purina Phils. Inc, CJ and Sun Jun of Korea, and New Hope of China are also key players in the market. The market for commercial drugs is dominated by multinationals and URC AIG is one of only few Philippine companies in this market. URC's principal competitors are Pfizer, Inc., UNAHCO (Univet), and Merial Limited, a company jointly owned by Merk and Co., Inc. and Aventis. S.A.

URC believes that the principal competitive factors for hogs are quality, reliability of supply, price and proximity to market. Local hog population in the market decreased by 10% in 2014 as compared to 2013 mainly due to high input costs, disease outbreaks and calamities that lead to decrease in consumer standing on food items and farm closures. URC's principal competitors are San Miguel Corp. (Monterey) and Foremost Farms, Inc. URC considers quality, price, egg productivity and disease resistance as the principal competitive factors of its poultry business. For layer chicks, principal competitors are Bounty Farms, Inc., Brookdale Farms, and Heritage Vet Corp.

Enhancement and development of New Products
URC intends to continuously introduce innovative new products, product variants and line extensions in the snackfoods (snacks, biscuits, candies, chocolates and bakery), beverage and grocery (instant noodles and tomato-based) products. In 2014 alone, URC's Philippines Branded Consumer Foods has introduced 41 new products, which contributed to sales growth.

URC supports the rapid growth of the business through line expansion, construction and acquisition of plants. In 2013, the Company acquired a plant facility in San Pedro, Laguna to further enhance its production and warehouse capacities.

Raw Materials/Suppliers
A wide variety of raw materials are required in the manufacture of URC's food products, including corn, wheat, flour, sugar, robusta coffee beans, palm oil and cocoa powder. Some of which are purchased domestically and some of which URC imports. URC also obtains a major portion of its raw materials from its agro-industrial and commodity food products segments, such as flour and sugar, and flexible packaging materials from wholly owned subsidiary, CFC Clubhouse Property, Inc. A portion of flexible packaging material requirements is also purchased both locally and from abroad (Vietnam and Indonesia), while Tetra-pak packaging is purchased entirely from Singapore.

For its feeds segment, URC requires a variety of raw materials, including corn grains, soya beans and meals, feed-wheat grains, wheat bran, wheat pollard, soya seeds, rice bran, copra meal and fish meal. URC purchases corn locally from corn traders and imports feed-wheat from suppliers in China, North America, and Europe. Likewise, soya seeds are imported by URC from the USA. For its animal health products, URC requires a variety of antibiotics and vitamins, which it acquires from suppliers in Europe and Asia. URC maintains approximately two months physical inventory and one month in-transit inventory for its imported raw materials.

For its hog business, URC requires a variety of raw materials, primarily imported breeding stocks or semen. For its poultry business, URC purchases the parent stock for its layer chicks from Hendrix Genetics of France and Hyline from USA. URC purchases vaccines from various suppliers, including Merial, Intervet Philippines, Inc. (through authorized local distributor Castle Marketing and Vetaide Inc.) and Boehringer Ingelheim GmbH and Ceva. Robina Farms obtain all of the feeds it requires from its UCP division and substantially all of the minerals and antibiotics from its Robichem division as part of the vertical integration. URC purchases vaccines, medications and nutritional products from a variety of suppliers based on the values of their products.

URC obtains sugar cane from local farmers. Competition for sugar cane supply is very intense and is a critical success factor for its sugar business. Additional material requirements for the sugar cane milling process are either purchased locally or imported.

URC generally purchases wheat, the principal raw material for its flour milling and pasta business, from suppliers in the United States, Canada and Australia.

URC's policy is to maintain a number of suppliers for its raw and packaging materials to ensure a steady supply of quality materials at competitive prices. However, the prices paid for raw materials generally reflect external factors such as weather conditions, commodity market fluctuations, currency fluctuations and the effects of government agricultural programs. URC believes that alternative sources of supply of the raw materials that it uses are readily available. URC's policy is to maintain approximately 30 to 90 days of inventory.

Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract
Intellectual property licenses are subject to the provisions of the Philippine Intellectual Property Code. URC owns a substantial number of trademarks registered with the Bureau of Trademarks of the Philippine Intellectual Property Office. In addition, certain of its trademarks have been registered in other Asian countries in which it operates. These trademarks are important in the aggregate because brand name recognition is a key factor in the success of many of URC's product lines. In

the Philippines, URC's licensing agreements are registered with the Philippine Intellectual Property Office. The former Technology Transfer Registry of the Bureau of Patents, Trademarks and Technology Transfer Office issued the relevant certificates of registration for licensing agreements entered into by URC prior to January 1998. These certificates are valid for a 10-year period from the time of issuance which period may be terminated earlier or renewed for 10-year periods thereafter. After the Intellectual Property Code of the Philippines (R.A. No. 8293) became effective in January 1998, technology transfer agreements, as a general rule, are no longer required to be registered with the Documentation, Information and Technology Transfer Bureau of the Intellectual Property Office, but the licensee may apply to the Intellectual Property Office for a certificate of compliance with the Intellectual Property Code to confirm that the licensing agreement is consistent with the provisions of the Intellectual Property Code. In the event that the licensing agreement is found by the Intellectual Property Office to be not in compliance with the Intellectual Property Code, the licensor may obtain from the Intellectual Property Office a certificate of exemption from compliance with the cited provision.

URC also uses brand names under licenses from third parties. These licensing arrangements are generally renewable based on mutual agreement. URC's licensed brands include: Nissin's Cup Noodles, Nissin's Yakisoba instant noodles and Nissin's Pasta Express for sale in the Philippines; and Hunt's tomato and pork and bean products for sale in the Philippines.

URC has obtained from the Intellectual Property Office certificates of registration for its licensing agreements with Nissin-URC and Hunt-URC. URC was also able to renew its licenses with Nissin-URC and Hunt-URC for another term.

Regulatory Overview

As manufacturer of consumer food and commodity food products, URC is required to guarantee that the products are pure and safe for human consumption, and that it conforms to standards and quality measures prescribed by the Bureau of Food and Drugs.

URC's sugar mills are licensed to operate by the Sugar Regulatory Administration and renews its sugar milling licenses at the start of every crop year. URC is also registered with the Department of Energy as a manufacturer of bio-ethanol and as a renewable energy developer.

All of URC's livestock and feed products have been registered with and approved by the Bureau of Animal Industry, an agency of the Department of Agriculture which prescribes standards, conducts quality control test of feed samples, and provides technical assistance to farmers and feed millers.

Some of URC's projects, such as the sugar mill and refinery, bio-ethanol production, biomass power cogeneration, poultry and hog farm operations, certain snacks products, BOPP packaging, flexible packaging and PET bottle manufacturing, are registered with the Board of Investments (BOI) which allows URC certain fiscal and non-fiscal incentives.

Effects of Existing or Probable Governmental Regulations on the Business

URC operates its businesses in a highly regulated environment. These businesses depend upon licenses issued by government authorities or agencies for their operations. The suspension or revocation of such licenses could materially and adversely affect the operation of these businesses.

Research and Development

URC develops new products and variants of existing product lines, researches new processes and tests new equipment on a regular basis in order to maintain and improve the quality of its food products. In Philippine operations alone, about ₱43 million was spent for research and development activities for 2014 and approximately ₱37 million and ₱43 million for 2013 and 2012, respectively.

URC has research and development staff for its branded consumer foods and packaging divisions of approximately 103 people located in its research and development facility in Metro Manila. It also has research and development staff in each of its manufacturing facilities. In addition, URC hires experts from all over the world to assist its research and development staff. URC conducts extensive research and development for new products, line extensions for existing products and for improved production, quality control and packaging as well as customising products to meet the local needs and tastes in the international markets. URC's commodity foods segment also utilizes this research and development facility to improve their production and quality control. URC also strives to capitalize on its existing joint ventures to effect technology transfers.

URC has a dedicated research and development team for its agro-industrial business that continually explores advancements in feeds, breeding and farming technology. URC regularly conducts market research and farm-test for all of its products. As a policy, no commercial product is released if it was not tested and used in Robina Farms.

Transactions with Related Parties

The largest shareholder, JG Summit Holdings, Inc., is one of the largest conglomerates listed on the Philippine Stock Exchange based on total net sales. JG Summit provides URC with certain corporate center services including corporate finance, corporate planning, procurement, human resources, legal and corporate communications. JG Summit also provides URC with valuable market expertise in the Philippines as well as intra-group synergies.

Costs and Effects of Compliance with Environmental Laws

The operations of URC are subject to various laws enacted for the protection of the environment, including the Pollution Control Law (R.A. No. 3931, as amended by P.D. 984), the Solid Waste Management Act (R.A. No. 9003), the Clean Air Act (R.A. No. 8749), the Environmental Impact Statement System (P.D. 1586) and the Laguna Lake Development Authority (LLDA) Act of 1966 (R.A. No. 4850). URC believes that it has complied with all applicable environmental laws and regulations, an example of which is the installation of wastewater treatments in its various facilities. Compliance with such laws does not have, and in URC's opinion, is not expected to have, a material effect upon its capital expenditures, earnings or competitive position. As of December 31, 2014, URC has invested about ₱218 million in wastewater treatment in its facilities in the Philippines.

b) REAL ESTATE AND HOTELS

Business Development

The Company, through Robinsons Land Corporation (RLC), which is one of the Philippines' leading real estate developers in terms of revenues, number of projects and total project size. It is engaged in the development and operation of shopping malls and hotels, and the development of mixed-use properties, office and residential buildings, as well as land and residential housing developments, including socialized housing projects located in key cities and other urban areas nationwide. RLC adopts a diversified business model, with both an "investment" component, in which it develops, owns and operates commercial real estate projects (principally shopping malls, office buildings and hotels) and a "development" component, in which it develops residential real estate projects for sale (principally residential condominiums, upper-middle to high-end residential developments and low-and-middle cost lots and houses in its subdivision developments).

RLC was incorporated on June 4, 1980 and its shares were offered to the public in an initial public offering and were subsequently listed in the Manila Stock Exchange and the Makati Stock Exchange (predecessors of the Philippine Stock Exchange) on October 16, 1989. RLC had successful follow-on offering of primary and secondary shares in October 2006 where a total of 932.8 million shares were offered to domestic and international investors generating US$223 million or ₱ 10.87 billion in proceeds. Of this amount, approximately ₱5.3 billion was raised from the primary portion, intended to fund its capital expenditure programs for fiscal 2007. The additional shares were listed on October 4, 2006.

On November 19, 2010, the Board of Directors approved the increase in the authorized capital stock of RLC from three billion common shares into eight billion two hundred million commons shares, with a par value of one peso per share.

In line with the foregoing, the Board of Directors also approved on February 16, 2011 a 1:2 stock rights offering to stockholders of record as of March 30, 2011 (ex – date March 25, 2011). Accordingly, RLC received subscriptions for 1,364,610,228 shares at an offer price of ₱10 per share on April 11-15, 2011. The subscription receivables were fully collected in October 2011.

The SEC approved the increase in capital stock on May 17, 2011.

Principal Products or Services

RLC has four business divisions: a) Commercial Centers, b) Residential, c) Office Buildings, and d) Hotels.

a.) Commercial Centers

RLC's Commercial Center Division develops, leases and manages shopping malls throughout the Philippines. As of December 31, 2014, it operated 39 shopping malls, comprising 9 malls in Metro Manila and 30 malls in other urban areas throughout the Philippines, and had another 6 new malls and 3 expansion projects in the planning and development stage for completion in the next two years.

The Commercial Centers Division's main revenue stream is derived from the lease of commercial spaces. Revenues from the Commercial Centers Division, which represent recurring lease rentals, comprise significant part of RLC's revenues. Historically, revenues from lease rentals have been a steady source of operating cash flows for the Company. RLC expects that the revenues and operating cash flows generated by the commercial centers business shall continue to be the driver for the Company's growth in the future.

b.) Residential
The Residential Division is now categorized into four brands. The different brands differ in terms of target market, location, type of development and price ranges to allow clear differentiation among markets. These four brands are.

- **Luxuria** – builds its brand on providing a seamless pampered experience via its generous living spaces, distinctive style infrastructure, iconic locations and attention to service and detail. It provides uniquely luxurious living spaces through its projects located in iconic locations such as Cebu, Ortigas Center and Makati. As of December 31, 2014, there are eight (8) residential projects under the Luxuria portfolio, of which six (6) have been completed and two (2) projects are under various stages of development.
- **Robinsons Residences** – offers the perfect urban home for professionals and urbanities, combining prime locations with contemporary designs, comfortably spacious units, stress-busting amenities and lifestyle perks and privileges. As of December 31, 2014, Robinsons Residences segment had a portfolio of 26 residential projects, of which 17 had been completed and 9 projects are under various stages of development.
- **Robinsons Communities** - is the residential brand of RLC which caters to the needs of early nesters, young mobile achievers and families coming from B to BB segment who wish to live independently and comfortably close to their workplace, schools and leisure centers. As of December 31, 2014, Robinsons Communities had completed twenty-two (22) residential condominium buildings/towers and two (2) subdivision projects. It has five (5) on-going projects in different stages that are scheduled for completion over the next five years. Robinsons Communities is currently focusing on the development of both Mid-rise and High-rise residential condominium projects that primarily offer compact units with price levels below ₱3.0 million.
- **Robinsons Homes** - offers choice lots in master planned, gated subdivisions with option for house construction to satisfy every Filipino's dream of owning his own home. As of December 31, 2014, Robinsons Homes has 32 projects in its portfolio. Ten (10) of these projects are on-going construction, one (1) of which is awaiting the receipt of License to Sell (LS) to launch. Among the 32 projects, twenty two (22) have been substantially completed and sold.

c.) Office Building
This Office Buildings division develops and manages prime office buildings for lease. As of December 31, 2014, the Office Buildings Division of RLC has completed ten (10) office buildings, located in key cities such as Makati, Pasig, Quezon City, Mandaluyong and Cebu City. This division caters to the Offshoring and Outsourcing sector and traditional and headquarter office requirements of local and multinational companies. It continues to innovate and update its buildings specifications to meet the demands of the sectors and industries it caters to. The office buildings are primarily developed as investment properties that provide stable and recurring cash flows to the Company.

d.) Hotels
RLC's Hotels division owns and operates hotels within Metro Manila and other urban areas throughout the Philippines. Currently, it has a portfolio of thirteen (13) hotel properties under the three brand segments, namely Crowne Plaza Manila Galleria and Holiday Inn Manila Galleria both managed by the InterContinental Hotels Group, Summit Circle Cebu (formerly Cebu Midtown Hotel) and Tagaytay Summit Ridge Hotel both under the Summit brand, and a network of nine Go Hotels, with the flagship in Mandaluyong, eight(8) Go Hotels branches in Palawan, Dumaguete, Tacloban, Bacolod, Otis-Manila, Iloilo, Ortigas Center and its newest branch in Butuan City.

Although the hotels division is an important part of RLC's business, it considers its primary value to be as a complement to its other developments. It is studying plans to increase its presence in this market segment with its Go Hotels and the possible expansion of its Summit Hotels. Encouraged by positive response to the Company's mid-scale hotel brand, more Summit Hotels are earmarked for development. The first Summit Hotel in Metro Manila opened in 2014. Located within the Magnolia Town Center along New Manila, its 82 contemporary-designed guest rooms and suites will deliver the live-work-play promise of the complex and anchors itself as the center's boutique shopping hotel.

Go Hotels has steadily increased its presence in the Philippines with eight operational branches, offering a total of more than 1,100 rooms, in strategic cities across the country. Its thrust is to build in locations with high market demand. Thus, prior to the decision to expand, the Company cautiously studies the location as market characteristic differ. To support expansion of the brand, Go Hotels has also opened its business to franchising.

The percentage contribution to RLC's revenues for the three years ended December 31, 2012, 2013 and 2014 by each of business segment is as follows:

	For the fiscal years ended December 31		
	2012	2013	2014
Commercial Centers	47.5%	45.7%	47.8%
Residential Buildings	31.9%	36.5%	33.7%
Office Buildings	10.2%	8.7%	9.5%
Hotels	10.4%	9.1%	9.0%
	100.0%	100.0%	100.0%

Competition

Commercial Centers Division

RLC has two major competitors in its commercial centers division – SM Prime Holdings, Inc. (SM) and Ayala Land, Inc. (ALI). Each of these companies has certain distinct advantages over RLC, including SM's considerably larger mall portfolio and ALI's access to prime real estate in the heart of Metro Manila. There are a number of other players in the shopping mall business in the Philippines, but they are significantly smaller and, because of the high barriers to entry into the business (which include cost, branding, reputation, scale and access to prime real estate), RLC expects that it will continue to compete principally with these two major companies in this market sector for the foreseeable future. RLC has, however, recently seen an increase in the development of specialty malls for companies that are not traditional players in the industry, and it is unclear whether or how this trend might affect the competitive landscape. Shopping mall operators also face competition from specialty stores, general merchandise stores, discount stores, warehouse outlets and street markets.

RLC believes its strength is in its mixed-use, retail, commercial and residential developments. RLC operates on the basis of its flexibility in developing malls with different sizes depending on the retail appetite of the market per location. It is focused on balancing its core tenant mix and providing a more distinctive shopping mall experience to its loyal customers, as well as its ability to leverage the brand equity and drawing power of its affiliated companies in the retail trade business.

Residential Division

- **Luxuria**
  The Luxuria brand continues to develop projects that caters to the high-end market. It strives to compete with developers who have already established their names in tapping this slice of the market. RLC aims to increase its share of this elite market segment and steer buyers of competitors such as ALI, Rockwell Land (Rockwell) and Megaworld Corporation (Megaworld) to its developments. In 2013, the International Property Awards for Asia Pacific awarded RLC's Signa Designer Residences as the Best Residential Condominium in the Philippines.
- **Robinsons Residences**
  RLC's close competitors (ALI and Megaworld, Filinvest and Ortigas & Co.) under this segment targets the same market and offers similar products. There are also a number of players who try to compete in this segment with one or two projects. Projects under this segment remain one of the top of mind developments as a result of our growing experienced sales and distribution network and our convenient locations. Projects are found within Central Business Districts or a RLC mixed-use development. In 2013, the International Property Awards for Asia Pacific awarded RLC's Magnolia Town Center as the Best Mixed-Use Development in the Philippines.
- **Robinsons Communities**
  RLC Robinsons Communities in particular, has numerous competitors in the middle income segment. This is in part a function of the fact that as compared to other business areas, RLC does not enjoy the same "early mover" advantage. Currently, Robinsons Communities' competitors include companies like Avida Land (AL), Filinvest Land (FL), SM Development Corporation (SMDC) and DMCI Homes. Based on public records and independent industry reports and its own market knowledge, RLC believes that it is among the top five middle-ranged condominium developers in the Philippines in terms of revenues from sales. RLC believes that it can successfully compete in this market segment on the basis of its brand name, technical expertise, financial standing and track record of successfully completed, quality projects.
- **Robinsons Homes**
  Robinsons Homes stands in close competition with ALI, FL and Vista Land (VL). It competes on the basis of location. It is a nationwide residential subdivision developer with projects in Laoag, Tarlac, Pampanga, Antipolo, Cavite, Batangas, Cebu, Cagayan de Oro, Davao and General Santos. Robinsons Homes is creating not just subdivisions but is forming nurturing communities with lifestyle amenities and support developments in response to

the changing lifestyle of Filipinos. The Company believes that its market specific branding, reliability to deliver and consistent quality products at an affordable price has contributed to its ability to generate sales and its overall success. In order to cater to varying market profiles, Robinsons Homes launched its four sub-brands namely: *Happy Homes* for socialized housing, *Springdale* for affordable market segment, *Brighton* for mid-cost development and *Bloomfields* for high-end market.

Office Buildings Division
RLC believes that competition for office space is principally on the basis of location, availability of space and quality of office space. The biggest competitors of RLC under this segment are ALI, Megaworld and SM. It competes in this market on the basis of the strategic locations of its buildings, including their proximity to the Company's malls and residences as part of mixed-use developments, and has also began to design its office space with BPO and call center-specific requirements in mind, in order to better serve that market and make its office buildings more attractive to those potential tenants. The Company also believes that its established reputation for completing projects on time and at the committed specifications, as well as delivering quality products on time and at the committed specifications, as well as delivering quality products at good value has contributed to its ability to retain the services of its exclusive and non-exclusive brokers and to its overall success.

Hotel
Hotel occupancy trends in the Philippines are affected by a variety of factors, including the general levels of business and tourist travel to the Philippines, which are in turn influenced by general political and economic conditions within the country. The Philippines is a preferred destination in the global tourism industry because of its competiveness in terms of pricing hotel rooms and airline ticket, natural resources and eco-tourism.

However, concerns on safety and security/travel advisories, infrastructure and health and hygiene must be addressed. The hotel business has seen a continued stabilized situation due to remittances from Filipino overseas workers, the continued booming of business outsource processing & IT infrastructure projects in the Philippines, and the continuous drive of the local tour operators in developing affordable tour packages.

The tourism outlook in the Philippines seems optimistic, driven by the presence of low cost carriers and with several hotels opening in Makati, Ortigas, and Fort Bonifacio CBD. With total expected supply of 8,500 rooms from year 2014-2017, the DOT aims to attract 6.8 million tourists by end of 2014 and increase to 10 million by 2015. Taking advantage of the increasing inbound and outbound travels looking for accommodation, a number of locan and foreign competitors have entered or signified interest to enter the country. These chains, considered competitors of the Company's Go Hotels, include Tune Hotels of Malaysia, Fave Hotels of Indonesia, Microtel by Wyndham and the local Islands Stay Hotels. Other hotel chains which have also been growing geographically include Park Inn by Radisson, Seda Hotels by Ayala, and Remington Hotel. These hotel chains cater to the mid-scale market and are thus considered competitors of the Company's Summit Hotel brand. In the Ortigas Central Business District, new players such as Marco Polo, Citadines, Accor, Exchange Regency and Oakwood compete with the Company's two IHG-managed hotels. The Crowne Plaza Manila Galleria has undergone a repositioning program from the Place to Meet to Traveling for Success that aims to strengthen its brand identity through a distinct service culture which delivers a unique guest experience, creating emotional connection with each guest through understanding their individuality to ensure they have a productive stay.

Raw Materials/Suppliers
Construction and development of malls, high-rise office and condominium units as well as land and housing construction are awarded to various reputable construction firms subject to a bidding process and management's evaluation of the price and qualifications of and its relationship with the relevant contractor. Most of the materials used for the construction are provided by the contractors themselves in accordance with the underlying agreements, although sometimes RLC will undertake to procure the construction materials when it believes that it has an advantage in doing so. RLC typically will require the contractor to bid for a project on an itemized basis, including separating the costs for project materials that it intends to charge. If RLC believes that it is able to acquire any of these materials (such as cement or steel) at a more competitive cost than is being quoted to it, it may remove these materials from the project bid and enter into a separate purchase order for the materials itself, to reduce project costs.

Customers
RLC has a broad market base. The loss of any one customer would not have a materially adverse effect upon the Company.

Related Party Transactions

RLC leases significant portions of its commercial centers and office buildings to various subsidiaries and affiliates. Anchor tenants of the shopping malls are generally composed of affiliates in the retail trade business, namely Robinsons Department Store, Robinsons Supermarket and Handyman. Other affiliates include Top Shop, Robinsons Savings Bank and Cebu Pacific. RLC's lease contracts and/or supply services with these affiliate companies are under commercial terms at least as favorable as the terms available to non-affiliated parties.

Regulatory Overview

Shopping Malls

Shopping mall centers are regulated by the local government unit of the city or municipality where the establishment is located. In line with this, mall operators must secure the required mayor's permit or municipal license before operating. In addition, no mall shall be made operational without complying first with the provisions of the fire code and other applicable local ordinances. Furthermore, shopping malls with food establishments must obtain a sanitary permit from the Department of Health. It is also compulsory for shopping malls discharging commercial wastewater to apply for a wastewater discharge permit from the DENR and to pay the fee incidental to the permit.

As a tourism-related establishment, shopping malls may obtain accreditation from the Department of Tourism. A shopping mall can only be accredited upon conformity with the minimum physical requirements promulgated by the Department of Tourism.

Residential Condominium and Housing and Land Projects

Presidential Decree No. 957 as amended, is the principal statute which regulates the development and sale of real property as part of a condominium project or subdivision. Presidential Decree No. 957 covers subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes as well as condominium projects for residential or commercial purposes. The HLURB is the administrative agency of the Government which, together with local government units, enforces this decree and has jurisdiction to regulate the real estate trade and business. All subdivision and condominium plans for residential, commercial, industrial and other development projects are subject to approval by the relevant local government unit in which the project is situated. The development of subdivision and condominium projects can commence only after the relevant government body has issued the development permit.

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at low-cost housing, must comply with Batas Pambansa Blg. 220, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with Presidential Decree 957, which set out standards for lower density developments.

Under current regulations, a developer of a residential subdivision is required to reserve at least 30% of the gross land area of such subdivision for open space for common uses, which include roads and recreational facilities. A developer of a commercial subdivision is required to reserve at least 3.5% of the gross project area for parking and pedestrian malls. Further, Republic Act No. 7279 requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer, within the same or adjacent regions, whenever feasible, and in accordance with the standards set by the HLURB. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with other developers engaged in socialized housing development. Under current law, income derived by domestic corporations from the development and sale of socialized housing which currently, among other things, must have a basic selling price of no more than ₱300,000, is exempt from project related income taxes. Under the current Investment Priorities Plan issued by the Board of Investments, mass housing projects including development and fabrication of housing components, are eligible for government incentives subject to certain policies and guidelines. In the future, since the sale of socialized housing units comprise a portion of homes sold by RLC, any changes in the tax treatment of income derived from the sale of socialized housing units may affect the effective rate of taxation of the latter.

Hotels

The Philippine Department of Tourism promulgated the Hotel Code of 1987 (the "Hotel Code") in order to govern the business and operation of all hotels in the Philippines. Investors that wish to operate a hotel must first register and apply for a license with the local government of the city or municipality where the hotel is located. For purposes of registration and licensing, hotels are classified into four groups: De Luxe Class, First Class, Standard Class and Economy Class. The Hotel Code provides minimum standards for the establishment, operation and maintenance of hotels depending on the hotel's

classification. The Philippine Department of Tourism is in the process of revising the current classification from Hotel Class System to Hotel Star Rating System.
A certificate of registration and license as a hotel will not be granted unless the relevant establishment has passed all the conditions of the Hotel Code, the Fire and Building Codes, Zoning Regulations and other municipal ordinances. Furthermore, hotels can only be opened for public patronage upon securing of a sanitary permit from the city or municipal health office having jurisdiction over the establishment. The Department of Tourism is the government agency which is tasked with the accreditation of hotels. The Department promulgates the minimum standards and procedures for hotel accreditation. While accreditation is non-compulsory, accredited hotels are given incentives by the Department of Tourism.

Zoning and Land Use
Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the DAR, land classified for agricultural purposes as of or after 15 June 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

Special Economic Zone
The Philippine Economic Zone Authority (PEZA) is a government corporation that operates, administers and manages designated special economic zones (Ecozones) around the country. PEZA registered enterprises locating in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty free importation of equipment, machinery and raw materials. Information technology (IT) enterprises offering IT services (such as call centers and business process outsourcing using electronic commerce) are entitled to fiscal and non-fiscal incentives if they are PEZA-registered locators in a PEZA-registered IT Park, IT Building, or Ecozone.. RLC actively seeks PEZA registration of its buildings, as this provides significant benefits to its tenants. As of fiscal year 2013, the Pioneer mixed-use complex is in a PEZA Ecozone, the Robinsons Equitable Tower and Robinsons Summit Center are PEZA-registered buildings. A number of malls are also PEZA-registered.

United Industrial Corporation Limited
In May 1999, the Company, through a subsidiary, acquired a 23% stake in a Singapore listed company, United Industrial Corporation Limited (UIC) which is one of the largest property developers in Singapore owning various office buildings that are located in prime locations in Singapore and China. In December 2014, the Company's indirect interest in the shares of UIC increased to 37.0%. Other than the Company, the only significant stockholder in UIC is the United Overseas Bank Group of Singapore.

c) AIR TRANSPORTATION

Business Development
Cebu Air, Inc. (CEB) was incorporated on August 26, 1988. With the liberalization of the airline industry in 1995, JG Summit acquired 49% of Cebu Air's outstanding capital stock to undertake domestic and international flights to and from major cities in the Philippines and around the world. In September 2001, the Company, through a subsidiary, acquired the remaining 51% of Cebu Air's capital stock, thus making it a wholly owned subsidiary as of year end 2001. In May 2006, CEB was acquired by CP Air Holdings Inc. (CPAir) through a deed of assignment by the Company, which resulted in the 100% ownership by CPAir of Cebu Air. CPAir is a wholly owned subsidiary of the Company.

Cebu Air operates under the trade name "Cebu Pacific Air" and is the leading low-cost carrier in the Philippines. It pioneered the "low fare, great value" strategy in the local aviation industry by providing scheduled air travel services targeted to passengers who are willing to forego extras for fares that are typically lower than those offered by traditional full-service airlines while offering reliable services and providing passengers with a fun travel experience.

In 2005, CEB adopted the low cost carrier (LCC) business model. The core element of the LCC strategy is to offer affordable air services to passengers. This is achieved by having: high-load, high-frequency flights; high aircraft utilization; a young and simple fleet composition; and low distribution costs.

As of December 31, 2014, CEB operates an extensive route network serving 57 domestic routes and 37 international routes with a total of 2,652 scheduled weekly flights. It operates from seven hubs, including 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.

As of December 31, 2014, CEB operates a fleet of 52 aircraft which comprises of ten Airbus A319, twenty-nine Airbus A320, eight ATR 72-500 and five Airbus A330 aircraft. It operates its Airbus aircraft on both domestic and international routes and operates the ATR 72-500 aircraft on domestic routes, including destinations with runway limitations. The average aircraft age of the Group's fleet is approximately 4.41 years as of December 31, 2014.

CEB has four principal distribution channels: the internet; direct sales through booking sales offices, call centers and government/corporate client accounts; and third-party sales outlets. Aside from passenger service, it also provides airport-to-airport cargo services on its domestic and international routes. In addition, it offers ancillary services such as cancellation and rebooking options, in-flight merchandising such as sale of duty-free products on international flights, baggage and travel-related products and services.

The percentage contributions to the Cebu Air's revenues of its principal business activities are as follows:

For the years ended December 31	2012	2013	2014
Passenger Services	78.0%	77.2%	77.3%
Cargo Services	6.3%	6.4%	6.1%
Ancillary Services	15.7%	16.4%	16.6%
	100.0%	100.0%	100.0%

Distribution Methods of Products or Services

CEB has three principal distribution channels: the internet, direct sales through booking sales offices, call centers and government/corporate client accounts, and third-party sales outlets.

- **Internet**

In January 2006, CEB introduced its internet booking system. Through www.cebupacificair.com, passengers can book flights and purchase services online. The system also provides passengers with real time access to the CEB's flight schedules and fare options.

As part of the initial phase of the strategic alliance between the Parent Company and Tiger Airways Holdings Limited (TA), Tiger Airways Philippines' (TAP) flights can be booked through the Cebu Pacific website and its other booking channels starting March 2014. The two carriers also made further progress on their interline agreement with the first interline flights made available for sale in TA's website starting July 2014. Interline services were made available in Cebu Pacific's website in September 2014. With this, guests of both airlines now have the ability to cross-book flights on a single itinerary and enjoy seamless connections with an easy one-stop ticketing for connecting flights and baggage check-in.

- **Booking Offices and Call Centers**

As of December 31, 2014, CEB has a network of eight booking offices located throughout the Philippines and one booking office located in Hong Kong. It directly operates these booking offices, which also handle customer service issues, such as customer requests for change of itinerary. In addition, it operates two in-house call centers, one in Manila and the other in Cebu. It also uses a third-party call centre outsourcing service to help accommodate heavy call traffic. Its employees who work as reservation agents are also trained to handle customer service inquiries and to convert inbound calls into sales. Purchases made through call centers can be settled through various modes, such as credit cards, payment centers and authorized agents.

- **Government/Corporate Client Accounts**

As of December 31, 2014, CEB has government and corporate accounts for passenger sales. It provides these accounts with direct access to its reservation system and seat inventory as well as credit lines and certain incentives. Further, clients may choose to settle their accounts by post-transaction remittance or by using pre-enrolled credit cards.

- **Third Party Sales Outlets**

As of December 31, 2014, CEB had a network of distributors in the Philippines selling its domestic and international air services within an agreed territory or geographical coverage. Each distributor maintains and grows its own client base and can impose on their clients a service or transaction fee. Typically, a distributor's client base would include agents, travel agents or end customers. It also has a network of foreign general sales agents, wholesalers, and preferred sales agents who market, sell and distribute its air services in other countries.

Competition
The Philippine aviation authorities deregulated the airline industry in 1995 eliminating certain restrictions on domestic routes and frequencies which resulted in fewer regulatory barriers to entry into the Philippine domestic aviation market. On the international market, although the Philippines currently operates under a bilateral framework, whereby foreign carriers are granted landing rights in the Philippines on the basis of reciprocity as set forth in the relevant bilateral agreements between the Philippine government and foreign nations, in March 2011, the Philippine government issued EO 29 which authorizes the Civil Aeronautics Board (CAB) and the Philippine Air Panels to pursue more aggressively the international civil aviation liberalization policy to boost the country's competitiveness as a tourism destination and investment location.

Currently, CEB faces intense competition on both its domestic and international routes. The level and intensity of competition varies from route to route based on a number of factors. Principally, it competes with other airlines that service the routes it flies. However, on certain domestic routes, CEB also considers alternative modes of transportation, particularly sea and land transport, to be competitors for its services. Substitutes to its services also include video conferencing and other modes of communication.

CEB's competitors in the Philippines are Philippine Airlines ("PAL"), a full-service Philippine flag carrier; PAL Express (formerly Airphil Express) a low-cost domestic operator that has the same major shareholders as PAL (but separate management team) and which code shares with PAL on certain domestic routes and leases certain aircraft from PAL; Air Asia Philippines and Air Asia Zest (formerly Zest Air). Most of CEB's domestic and international destinations are also serviced by these airlines. According to CAB data, CEB is the leading domestic airline in the Philippines by passengers carried, with a market share of 60.8% for the year ended December 31, 2014. CEB further builds on its leading domestic market share with its acquisition of TAP.

CEB is the leading regional low-cost airline offering services to more destinations and serving more routes with a higher frequency between the Philippines and other ASEAN countries than any other airline in the Philippines. Currently, it competes with the following LCC's and full-service airlines in its international operations: AirAsia, Jetstar Airways, PAL, Cathay Pacific, Singapore Airlines, Thai Airways, among others.

Raw Materials
Fuel is a major cost component for airlines. CEB's fuel requirements are classified by location and sourced from various suppliers.

CEB's fuel suppliers at its international stations include PTT-Bangkok Aviation, Petronas-Kuala Lumpur, Shell-Singapore, Shell-Hongkong, Shell-Dubai and SK Corp-Korea, among others. It also purchases fuel from PTT Philippines and Phoenix Petroleum. CEB purchases fuel stocks on a per parcel basis, in such quantities as are sufficient to meet its monthly operational requirements. Most of it's contracts with fuel suppliers are on a yearly basis and may be renewed for subsequent one-year periods.

Customers
CEB Company's business is not dependent upon a single customer or a few customers that a loss of anyone of which would have a material adverse effect on CEB.

Regulatory Overview
Cebu Air operates its business in highly regulated environment. The business depends upon the permits and licenses issued by the government authorities or agencies for its operations which include the following:

- Legislative Franchise to Operate a Public Utility
- Certificate of Public Convenience and Necessity
- Letter of Authority
- Air Operator Certificate
- Certificate of Registration
- Certificate of Airworthiness

CEB also has to seek approval from the relevant airport authorities to secure airport slots for its operations.

Publicly-Announced New Product or Service
CEB continues to analyze its route network. It can opt to increase frequencies on existing routes or add new routes/destinations. It can also opt to eliminate unprofitable routes and redeploy capacity.

CEB plans to expand its fleet over the course of the next three years to 56 aircraft by the end of 2017 (net of redelivery of three leased A320 Airbus aircraft and sale of six A319 Airbus aircraft). The additional aircraft will support CEB's plan to increase frequency on current routes and to add new city pairs and destinations. Cebu Air has increased frequencies on domestic routes such as Manila to Busuanga, Caticlan and Cebu, Cebu to Puerto Princesa, Iloilo, Butuan, Davao, Siargao and Zamboanga, Zamboanga to Tawi-Tawi and international routes such as Manila to Hanoi, Hong Kong and Taipei. New domestic and international routes were also launched during the year. CEB launched direct flights from Davao to Bacolod and also added direct flights from Cebu to Tandag, Surigao del Sur to its growing inter-island network It also commenced direct flights from Manila to Tokyo (Narita) and Nagoya, boosting Philippine visitor arrivals to Japan by over 100% in 2014. After launching its long haul operations in October 2013 with non-stop flights to Dubai, the Group further expanded its long haul services in 2014 with direct flights to Sydney, Australia, Dammam and Riyadh, Saudi Arabia and Kuwait which all utilize the Airbus A330-300 aircraft with a configuration of more than 400 all-economy class seats. CEB will lease up to six Airbus A330-300 aircraft for its long-haul operations. CEB currently has five Airbus A330-300, with the one more aircraft due to be delivered in 2015. The Airbus A330-300 has a range of up to 11 hours which means CEB could serve markets such as Australia, Middle East, parts of Europe and the US. On November 2014, CEB also introduced GETGO, its newest lifestyle rewards program that gives points to loyal members which can then be used to pay for airfare and other add-ons through it's website or other booking channels.

Further, CEB has turned into firm orders its existing options for seven Airbus A320 aircraft for delivery between 2015 to 2016. It has also placed a new firm order for 30 Airbus A321NEO (New Engine Option) aircraft with options for a further ten Airbus A321neos. Airbus A321neos will be a first of its type to operate in the Philippines, being a larger and longer-haul version of the familiar Airbus A320. These 220-seater aircraft will have a much longer range which will enable Cebu Air to serve cities in Australia, India and Northern Japan, places the A320 cannot reach. This order for A321neo aircraft will be delivered between 2017 and 2021.

Cebu Air has also signed a joint venture agreement with CAE, world leader in aviation training, to establish an aviation training center for airlines in the Asia Pacific region. The joint venture is known as the Philippine Academy for Aviation Training, Inc. (PAAT) and is located in Clark Freeport Zone, northwest of Manila. On January 24, 2012, Cebu Air broke ground in Clark, Pampanga and the facility was formally inaugurated on December 3, 2012. The new training center will be a world-class, one-stop training center for CEB and a hub for training services for other airlines. The facility will initially cater to Airbus A319/320/321 series pilot type-rating training requirements, among others. It will be initially equipped with two Airbus A320 Full Flight Simulators with the capability to expand by two additional simulators. Training is also expected to be added for other aviation personnel in the future, such as cabin crew, dispatch, ground handling personnel and cadets. Each simulator can train/certify approximately 300-700 pilots per simulator per year.

On March 20, 2014, the Parent Company acquired 100% ownership of TAP, including 40% stake in Roar Aviation II Pte. Ltd. (Roar II), a wholly owned subsidiary of TA.

Aside from this, there is no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business that was made in the past three years. CEB has not been subjected to any bankruptcy, receivership or similar proceeding in the said period.

Effects of Existing or Probable Government Regulations on the Business

Civil Aeronautics Administration and Civil Aviation Authority of the Philippines (CAAP)

Policy-making for the Philippine civil aviation industry started with RA 776, known as the Civil Aeronautics Act of the Philippines (the "Act"), passed in 1952. The Act established the policies and laws governing the economic and technical regulation of civil aeronautics in the country. It established the guidelines for the operation of two regulatory organizations, CAB for the regulation of the economic activities of airline industry participants and the Air Transportation Office, which was later transformed into the CAAP, created pursuant to RA 9497, otherwise known as the Civil Aviation Authority Act of 2008.

The CAB is authorized to regulate the economic aspects of air transportation, to issue general rules and regulations to carry out the provisions of RA 776, and to approve or disapprove the conditions of carriage or tariff which an airline desires to adopt. It has general supervision and regulation over air carriers, general sales agents, cargo sales agents, and airfreight forwarders, as well as their property, property rights, equipment, facilities and franchises.

The CAAP, a government agency under the supervision of the Department of Transportation and Communications for purposes of policy coordination, regulates the technical and operational aspects of air transportation in the Philippines, ensuring safe, economic and efficient air travel. In particular, it establishes the rules and regulations for the inspection and registrations of all aircraft and facilities owned and operated in the Philippines, determines the charges and/or rates pertinent to the operation of public air utility facilities and services, and coordinates with the relevant government agencies in relation to airport security. Moreover, CAAP is likewise tasked to operate and maintain domestic airports, air navigation and other similar facilities in compliance with the International Civil Aviation Organization (ICAO), the specialized agency of the United Nations whose mandate is to ensure the safe, efficient and orderly evolution of international civil aviation.

Cebu Air complies with and adheres to existing government regulations.

Aviation Safety Ranking and Regulations

In early January 2008, the Federal Aviation Administration (FAA) of the United States (U.S.) downgraded the aviation safety ranking of the Philippines to Category 2 from the previous Category 1 rating. The FAA assesses the civil aviation authorities of all countries with air carriers that operate to the U.S. to determine whether or not foreign civil aviation authorities are meeting the safety standards set by the ICAO. The lower Category 2 rating means a country either lacks laws or regulations necessary to oversee airlines in accordance with minimum international standards, or its civil aviation authority is deficient in one or more areas, such as technical expertise, trained personnel, record-keeping or inspection procedures. Further, it means Philippine carriers can continue flying to the U.S. but only under heightened FAA surveillance or limitations. In addition, the Philippines has been included in the “Significant Safety Concerns” posting by the ICAO as a result of an unaddressed safety concern highlighted in the recent ICAO audit. As a result of this unaddressed safety concern, Air Safety Committee (ASC) of the European Union banned all Philippine commercial air carriers from operating flights to and from Europe. The ASC based its decision on the absence of sufficient oversight by the CAAP

On February 2013, the ICAO has lifted the significant safety concerns on the ability of CAAP to meet global aviation standards. The ICAO SSC Validation Committee reviewed the corrective actions, evidence and documents submitted by the Philippines to address the concerns and determined that the corrective actions taken have successfully addressed and resolved the audit findings.

On April 10, 2014, the ASC of the European Union lifted its ban on Cebu Air, Inc. after its evaluation of the airline’s capacity and commitment to comply with relevant aviation safety regulations. On the same date, the US FAA also announced that the Philippines has complied with international safety standards set by the ICAO and has been granted a Category 1 rating. The upgrade to Category 1 status is based on a March 2014 FAA review of the CAAP. With this, Philippine air carriers can now add flights and services to the U.S.

Although CEB does not currently operate flights to the U.S. and Europe, this development opens the opportunity for the Company to establish new routes to other countries that base their decision on flight access on the FAA and ASC’s evaluation.

EO 28 and 29

In March 2011, the Government issued EO 28 which provides for the reconstitution and reorganization of the existing Single Negotiating Panel into the Philippine Air Negotiating Panel (PANP) and Philippine Air Consultation Panel (PACP) (collectively, the Philippine Air Panels). The PANP shall be responsible for the initial negotiations leading to the conclusion of the relevant Air Services Agreements (ASAs) while the PACP shall be responsible for the succeeding negotiations of such ASAs or similar arrangements.

Also in March 2011, the government issued EO 29 which authorizes the CAB and the Philippine Air Panels to pursue more aggressively the international civil aviation liberalization policy to boost the country’s competitiveness as a tourism destination and investment location. Among others, EO 29 provides the following:

- In the negotiation of the ASAs, the Philippine Air Panels may offer and promote third, fourth and fifth freedom rights to the country’s airports other than the NAIA without restriction as to frequency, capacity and type of aircraft, and other arrangements that will serve the national interest as may be determined by the CAB; and
- Notwithstanding the provisions of the relevant ASAs, the CAB may grant any foreign air carriers increases in frequencies and/or capacities in the country’s airports other than the NAIA, subject to conditions required by existing laws, rules and regulations. All grants of frequencies and/or capacities which shall be subject to the approval of the President shall operate as a waiver by the Philippines of the restrictions on frequencies and capacities under the relevant ASAs.

The issuance of the foregoing EOs may significantly increase competition.

Air Passenger Bill of Rights

The Air Passenger Bill of Rights (the "Bill"), which was formed under a joint administrative order of the Department of Transportation and Communications, the CAB and the Department of Trade and Industry, was signed and published by the Government on 11 December 2012 and came into effect on 21 December 2012. The Bill sets the guidelines on several airline practices such as overbooking, rebooking, ticket refunds, cancellations, delayed flights, lost luggage and misleading advertisement on fares.

Republic Act (RA) No. 10378 - Common Carriers Tax Act

RA No. 10378, otherwise known as the Common Carriers Tax Act, was signed into law on March 7, 2013. This act recognizes the principle of reciprocity as basis for the grant of income tax exceptions to international carriers and rationalizes other taxes imposed thereon by amending sections 28(A)(3)(a), 109, 108 and 236 of the National Internal Revenue Code, as amended.:

Among the relevant provisions of the act follows:

a.) An international carrier doing business in the Philippines shall pay a tax of two and one-half percent (2 1/2 %) on its Gross Philippine Billings, provided, that international carriers doing business in the Philippines may avail of a preferential rate or exemption from the tax herein imposed on their gross revenue derived from the carriage of persons and their excess baggage on the basis of an applicable tax treaty or international agreement to which the Philippines is a signatory or on the basis of reciprocity such that an international carrier, whose home country grants income tax exemption to Philippine carriers, shall likewise be exempt from the tax imposed under this provision;
b.) International air carriers doing business in the Philippines on their gross receipts derived from transport of cargo from the Philippines to another country shall pay a tax of three percent (3%) of their quarterly gross receipts;
c.) VAT exemption on the transport of passengers by international carriers.

While the removal of CCT takes away the primary constraint on foreign carrier's capacity growth and places the Philippines on an almost level playing field with that of other countries, this may still be a positive news for the industry as a whole, as it may drive tourism into the Philippines. With Cebu Pacific's dominant network, it can benefit from the government's utmost support for tourism.

Costs and Effects of Compliance with Environmental Laws

The operations of CEB are subject to various laws enacted for the protection of the environment. CEB has complied with the following applicable environmental laws and regulations:

- Presidential Decree No. 1586 (Establishing an Environmental Impact Assessment System) which directs every person, partnership or corporation to obtain an Environmental Compliance Certificate (ECC) before undertaking or operating a project declared as environmentally critical by the President of the Philippines. Petro-chemical industries, including refineries and fuel depots, are considered environmentally critical projects for which an ECC is required. CEB has obtained ECC's for the fuel depots it operates and maintains for the storage and distribution of aviation fuel for its aircraft.
- RA 8749 (The Implementing Rules and Regulations of the Philippines Clean Air Act of 1999) requires operators of aviation fuel storage tanks, which are considered as a possible source of air pollution, to obtain a Permit to Operate from the applicable regional office of the Environmental Management Bureau (EMB). CEB's aviation fuel storage tanks are subject to and are compliant with this requirement.
- RA 9275 (Implementing Rules and Regulations of the Philippines Clean Water Act of 2004) requires owners or operators of facilities that discharge regulated effluents to secure from the Laguna Lake Development Authority (LLDA) (Luzon area) and/or the applicable regional office of the EMB (Visayas and Mindanao areas) a Discharge Permit, which is the legal authorization granted by the Department of Energy and Natural Resources for the discharge of waste water. CEB's operations generate waste water and effluents for the disposal of which a Discharge Permit was obtained from the LLDA and the EMB of Region 7 which enables it to discharge and dispose of liquid waste or water effluent generated in the course of its operations at specifically designated areas. CEB also contracted the services of government-licensed and accredited third parties to transport, handle and dispose its waste materials.

d) PETROCHEMICALS

Business Development

JG Summit Petrochemical Corporation (JGSPC) was incorporated in the Philippines on February 24, 1994 and is 100% owned by the Company.

Its primary purpose is to engage in, operate, conduct, maintain, manage and carry on the business of manufacturing, dealing and marketing of polyethylene and polypropylene and related petrochemical products or by-products, in all their forms, varieties and stages of production and preparation, or of any article or commodity consisting of, or partly consisting of petrochemicals. The plant is the Philippines' first integrated polypropylene and polyethylene complex and is located at Brgy. Simlong, Batangas City.

JGSPC completed its capacity expansion and rehabilitation projects in March 2014, which increased its polymer production capacity to 320,000 MT for PE and 190,000 MT for PP from its initial production capacity of 175,000 MT for PE and 180,000 MT for PP.

Principal Products or Services

JGSPC manufactures PE and PP. JGSCPC's principal product lines include High Density Polyethylene (HDPE) grades for film, blow molding, monofilament, pipe and injection molding applications. Linear Low Density Polyethylene (LLDPE) grades for film and injection molding applications and Polypropylene (PP) homopolymer grades for yarn, film, injection molding and thermoforming applications and random copolymer PP grades for blow molding and injection molding applications.

The percentage contribution to JGSPC's revenues for the three years ended December 31, 2012, 2013 and 2014 by each of its principal product categories is as follows:

	For the years ended December 31		
	2012	2013	2014
Polypropylene	20.4%	43.0%	59.3%
Polyethylene	79.6%	57.0%	40.7%
	100.0%	100.0%	100.0%

JGSPC products are sold under the EVALENE brand name and are manufactured under strict compliance with a Quality Management System based on ISO 9002 certified standards.

Distribution, Sales and Marketing

JGSPC sells directly to small, medium and large plastic converters in the Philippines through its in-house sales group. Product distribution to the domestic market is handled directly by JGSPC in coordination with third party trucking services. JGSPC also sells PE and PP for export to international markets, either direct to resin end users or through reputable trading companies.

In 2013, JGSPC underwent a technical shutdown to pave way for the safe implementation of JGSPC's capacity expansion and rehabilitation projects and the completion of the integration to the adjacent naphtha cracker. JGSPC's sales for the year 2013 pertain to winding-down of the remaining inventories from last fiscal year's production.

Competition

To be highly competitive, JGSPC is committed to produce consistently good quality products using world-class technology and by employing highly competent plastics processing personnel. Continuous research and development is conducted in-house by the Product & Marketing Division, with the assistance of polymer technology licensors Univation.

JGSPC is the largest polymer resins producer and the only local manufacturer that can produce both PE and PP in an integrated complex. The two other companies that produce polyolefins produce either PE or PP only. These are NPC Alliance Corporation (NPCAC), whose production capacity is 250,000 MT per annum for PE, and Philippine Polypropylene Inc. (PPI), whose production capacity is 160,000 MT per annum for PP. Manufacturing sites of both competitors are located in Bataan province, north of Manila. The balance for the local polyolefins demand is supplied by imported material brought in either directly by local plastic products manufacturers or by international and local traders. Imported PE and PP resin goods are currently JGSPC's primary competition.

JGSPC through its Product & Marketing Division also is able to develop specialty PE and PP grades for specific niche markets, products for which may be difficult to source via the import market.

Raw Materials/Suppliers
The principal raw materials used by JGSPC in the production of its polyolefin products are polymer-grade propylene and ethylene, commonly known as olefins, which are mainly derived from naphtha produced in the oil refining process. Prior to the completion of JGSOC's Naphtha Cracker Plant, JGSPC purchased olefins from international sources though suppliers which include Japanese trading companies Marubeni and Mitsui & Co. Ltd.

Since November 2014, JGSOC now directly supplies JGSPC with previously imported raw materials ethylene and propylene. Per design, the olefins output capacity of JGSOC matches the feedstock volume requirements of JGSPC.

Customers
JGSPC aims to supply the majority of manufacturers of plastic-based products in the Philippines. It also sells its products to internal parties which include the packaging division of URC, and to external parties comprised of more than 300 local manufacturers. Loss of any one customer would not have a materially adverse effect on JGSPC. JGSPC also exports PE and PP worldwide.

Related Party Transactions
JGSPC, in its regular conduct of business, has engaged in transactions with the Company and its affiliates. These transactions principally consist of sales, advances to and from these affiliated companies.

Regulatory Overview
The Philippine Government through the Department of Trade and Industry's Board of Investments (BOI) implements policies which directly affect the various manufacturing industries including the petrochemical industry. Under the Philippine Investment Priorities Plan, the BOI has the power to grant fiscal incentives to manufacturers establishing new plants or undertaking rehabilitation or expansion programs. Through several dialogues held with the BOI, JGSPC has emphasized the importance of fully developing the petrochemical industry to help with the sustainable development of the Philippine economy. The BOI has granted JGSPC's capacity expansion project generous fiscal incentives such as tax holidays and duty free importation of capital equipment, as well as tax credits on locally purchased equipment.

Costs and Effects of Compliance with Environmental Laws
JGSPC takes pride in consistently undertaking projects to help preserve the environment. The safety of employees and the community is foremost and is never compromised. JGSPC complies with all applicable laws on the environment and is committed to be environmentally responsible by having an effective environmental management system based on the requirements of ISO 14001:2004 (EMS). Compliance with such laws has not had, and in JGSPC's opinion, is not expected to have, a material effect upon JGSPC's capital expenditures, earnings or competitive position.

e) OLEFINS

JG SUMMIT OLEFINS CORPORATION (JGSOC) is a company wholly-owned by JG Summit Holdings and is set-up to operate the country's first Naphtha Cracker Plant.

The naphtha cracker is a back integration for the existing Polyethylene (PE) and Polypropylene (PP) plants of JG Summit Petrochemical Corporation (JGSPC). The cracking facility was constructed adjacent to the existing PE and PP Plants of JGSPC. Commercial operations commenced on November 1, 2014.

Principal Products or Services
The technology selected for the naphtha cracking facility of JGSOC is licensed by CB&I Lummus (formerly ABB Lummus Global), an experienced licensor and worldwide supplier of ethylene technology with around 40% of worldwide capacity currently licensed. The cracker is the first of its kind in the Philippines.

The plant has the capacity to produce on a per annum basis around 320,000 MT of ethylene, 190,000 MT of propylene, 216,000 MT of pyrolysis gas and 110,000 MT of mixed C4.

Customers
JGSOC will sell its primary products ethylene and propylene directly to JGSPC, while other products pyrolysis gasoline and mixed C4 for export to international markets.

Raw Materials/Suppliers

The feedstock naphtha was purchased from international sources. Discussions are likewise ongoing with various potential suppliers of LPG for use as alternate cracker feedstock.

Registration with the Board of Investments (BOI)

The Company is registered with the BOI under the Omnibus Investments Code of 1987 (E.O. 226) on December 15, 2010 as a new producer of ethylene, propylene, pyrolysis gasoline and other by-products produced by the Naphtha Cracker Project on a Pioneer status. Under its certificate of registration, the Company shall be entitled to certain tax and nontax incentives such as: (a) income tax holiday (ITH) for six (6) years from actual start of commercial operations; only income generated from the registered activity shall be entitled to ITH incentives; additional deduction for from taxable income of fifty percent (50%) of wages corresponding to the increment of direct labor; (c) employment of foreign nationals, (d) tax credit for taxes and duties on raw materials and supplies and semi-manufactured products used on its export products and forming part thereof, among others; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW); (g) exemption from wharfage dues, export taxes, duties, imposts and fees on export products; (h) importation of consigned equipment.

f) BANKING SERVICES

Robinsons Bank Corp. (RobinsonsBank), a commercial bank, is the surviving entity between the merger of Robinsons Savings Bank and Robinsons Bank Corp. (formerly known as The Royal Bank of Scotland (Phils.) as approved by the BSP in December 2010 and by the SEC in May 2011. 60% of the common stocks are owned by JG Capital Services Corp., while Robinsons Holdings Inc. owns the remaining 40%.

Robinsons Savings Bank started its operations in November 1997, and was a wholly-owned subsidiary of JG Summit Capital Services at that time.

In the second quarter of 2010, JG Capital Services (100%-owned subsidiary of the Company) and Robinsons Holdings Inc. (RHI) bought 100% of the shares of The Royal Bank of Scotland (Phils.). Then with the approval of the BSP and SEC in December 2010 and May 2011, respectively, RobinsonsBank was made officially a commercial bank; with JG Capital Services owning 60% of RobinsonsBank’s common stocks.

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

Principal Products or Services

As of December 2014, RobinsonsBank (on a Parent/Solo basis) has a network of ninety-two (92) branches; forty-six (46) of which are strategically located in Metro Manila and forty-six (46) others are situated in Luzon, Visayas and Mindanao. Moreover, thirty-eight (38) of its branches are located inside malls, mostly in Robinsons’ Malls, that are easily accessible and available six (6) to seven (7) days a week. The Bank also has one hundred and seventy-one (171) ATMs, which are part of the Bancnet consortium, all of which are within reach and available 24 hours a day 7 days a week. RobinsonsBank also has four (4) Micro-Banking Offices (MBOs) situated in economic processing zones; while its subsidiary, Legazpi Savings Bank, has eleven (11) branches in the Bicol Region.

Having a proven track record in the banking industry and as JG Summit Group’s major financial service arm, RobinsonsBank continuously strives to carry on its vision of leading the country to global-competitiveness through quality and innovative banking products and services. It provides a broad range of traditional banking services such as savings, current and time deposits, treasury and trust products, and foreign-currency denominated deposits. It also offers commercial loans, consumer loans such as housing, car and personal loans, motorcycle loans, micro financing, and other products or services such as cash management, trade financing and remittance, among others. And with the license upgrade, the Bank intends to offer a wider range of products and services that are permissible to a commercial bank.

RobinsonBank aims to be among the top big banks in the country and continues to be a strategic player in the industry. The Bank prides itself with a business portfolio of market leaders, a solid financial position, and a formidable management team which steers the bank ahead of changing times and through the challenges that come along with it. Thus, RobinsonsBank is positioned not only to be more responsive in meeting the banking requirements of its retail customers and business partners, but also to fully serve the general banking public.

Strong Investor Base
RobinsonsBank is part of the JG Summit Holdings conglomerate. It maintains good patronage of the concessionaires, contractors and suppliers of the JG Group of Companies; exhibiting strong deposit and loan acquisitions. It being owned by JG Summit Capital Services Corp. and Robinsons Holdings Inc., RobinsonsBank is in the company of leading and established corporations in the country today.

Regulatory Overview
The earnings of banks are affected not only by general economic conditions, but also by the policies of various governmental and regulatory authorities in the country and abroad. The establishment and operation of banking institution in the Philippines is governed by the General Banking Act. The Central Bank acting through the Monetary Board, exercises overall supervision of, and regulates the industry.

g) CORE INVESTMENTS

On March 29, 2011, the Company executed a sale and purchase agreement with PLDT under which PLDT has agreed to purchase all the rights, title and interest in the assets of Digitel. The acquisition was completed on October 26, 2011 following the issuance by the Securities and Exchange Commission (SEC) of its confirmation of the valuation of the enterprise assets and the approval by National Telecommunications Commission of the transfer of 51.6% interest in Digitel. In November 2011, the Company subsequently sold 5.81 million and 4.56 million PLDT shares to an associate company of First Pacific Company Limited and NTT Docomo, Inc., respectively for approximately US$600 million. The Company is represented in PLDT's board of directors with one board seat. The transaction triggered a mandatory tender offer for the acquisition of the remaining 48.5% of Digitel shares held by the public. PLDT launched a tender offer for such shares that ended January 16, 2012.

As at December 31, 2014, the Company has an 8.0% shareholding in PLDT, one of the largest and most diversified telecommunications provider in the Philippines, which provides a wide range of telecommunications services in the country through its extensive fibre optic backbone and wireless, fixed line, broadband and satellite networks. PLDT's business comprises three divisions: wireless, fixed line and BPO.

On December 11, 2013, the Company completed the purchase of a 27.1% stake in Meralco for ₱71.8 billion, which was funded by a combination of debt and equity capital. Meralco is the largest electricity distributor in the country, which provides electricity to over 5 million consumers in 34 cities and 77 municipalities.

h) SUPPLEMENTARY BUSINESSES
The Company has an interest in insurance brokering and securities investments. The Company also holds interest in power generation, through its 19% ownership in First Private Power Corporation (FPPC).

The Company also entered into other IT related services with the formation of Summit Internet Investments, Inc. in September 2000.

Competition
Many of the Group's activities are carried on in highly competitive industries. Given the Group's diversity, the Group competes with different companies domestically and internationally, depending on the product, service or geographic area. While the Group is one of the largest conglomerates in the Philippines, its subsidiaries compete in different sectors against a number of companies with greater manufacturing, financial, research and development and market resources than the Group.

The following table sets out the Group's principal competitors in each of the principal industry segments in which it operates:

Industry Segment	Principal Competitors
Branded Consumer Foods, Agro-Industrial and Commodity Food Products	Liwayway Manufacturing Corp., Columbia Foods International, Republic Biscuit Corporation, Suncrest Foods Inc., Del Monte Phil. Inc., Monde Nissin Corporation, Nestle Philippines Inc., San Miguel Pure Foods Company, Inc., Kraft Foods Inc., Procter & Gamble, Effem Foods/Mars Inc.,

	Lotte Group, Perfetti Van Melle Group, Mayora Inda PT, , Apollo Food, Frito-Lay, Nestle S.A., Cadbury Schweppes Plc, , Kraft Foods International, RFM Corp., Math Agro, Bounty Farms, Inc., San Miguel Corp. (Monterey), Foremost Farms, Inc., B-Meg, UNAHCO (Sarimanok & Thunderbird), Cargil Purina Phils. Inc., CJ and Sun Jun of Korea, Bew Hope of China, Pfizer, Inc., Univet Pharmaceuticals Ltd., and Merial Limited
Banking and Financial Services	Asia United Bank, Bank of Commerce, Veterans Bank, PBCom and China Trust
Petrochemicals	Imports
Air Transportation	Philippine Airlines, Air Asia Philippines and Air Asia Zest for Domestic flights. Air Asia, Jetstar Airways, Cathay Pacific, Singapore Airlines and Thai Airways, among others for International flights
Real Estate and Hotels	SM Prime Holdings, Inc., Ayala Land Inc., Megaworld, Avida Land, Filinvest Land, SM Development Corporation, DMCI Homes, Vista Land, Edsa Plaza Shangri-la Hotel, Oakwood Premier, Linden Suites and Discovery Suites

Publicly-Announced New Product or Service

The Company and its subsidiaries have no publicly-announced new product or service as of the date of the report.

Patents, Trademarks, Licenses, Franchises Concessions, Royalty Agreements

The Company has trademarks registered with the Bureau of Patents, Trademarks and Technology Transfer. Unless terminated earlier or renewed, patent registration of materials is protected for a period of 17 years, while trademarks and brand name registration have a protected period of 20 years.

The Company also has various licenses and franchises issued by the government to enable the Company to operate its diverse businesses including food, real estate, banking and financial services, telecommunications, air transportation and power generation.

Effect of Existing or Probable Governmental Regulations on the Business

The Company operates the majority of its businesses, including food, real estate, banking and financial services, telecommunications, air transportation and power generation activities, in a highly regulated environment. Many of these businesses depend upon licenses or franchises issued by the government authorities or agencies for their operations. These businesses would be materially adversely affected by the suspension or revocation of these licenses or franchises, which in turn may have a material adverse effect upon the Company. In addition, the introduction or inconsistent application of, or changes in regulations may from time to time materially affect the Company’s operations.

Cost and Effects of Compliance with Environmental Laws

The operations of the Company are subject to various laws enacted for the protection of the environment. The Company believes that it has complied with all applicable Philippine environmental laws and regulations, an example of which is the installation of waste and industrial water treatments in its various facilities. Compliance with such laws has not had, and in the Company’s opinion, is not expected to have, a material effect upon the Company’s capital expenditures, earnings or competitive position.

Employees and Labor

The number of full-time employees employed by the Company and its operating subsidiaries as of December 31, 2014 is shown in the following table:

Company	**No. of Employees**
Branded Consumer Foods, Agro-industrial, & Commodity Food Products	11,623
Property Development and Hotel Management	1,650
Airlines	3,683
Petrochemicals	493
Finance	1,058

Supplementary Businesses	18
	18,525

The Company’s management believes that good labor relations generally exist throughout the operating companies. For most of the operating companies, collective bargaining agreements exist between the relevant representative unions for the employees and the relevant operating companies. The collective bargaining agreements are usually valid for a term of five years, and include a right to renegotiate the economic terms of the agreement after three years, and generally provide for annual salary increment, health and insurance benefits and closed-shop arrangements. The management believes that those collective bargaining agreements, which are soon to expire or which have expired, will, as a result of existing good labor relations, be successfully renewed or renegotiated.

Working Capital

The working capital requirement of each subsidiary varies depending on the industry it is engaged in and is financed by operations and short-term loans from banks.

Item 2. Properties

JG Summit and subsidiaries conduct business throughout the Philippines, but primarily in and around Metro Manila (where it is based) and in the regions of Visayas and Mindanao. Substantially all facilities are owned by the Company and are in good condition.

URC operates manufacturing/farm facilities located in the following:

Location (Number of facilities)	Type of Facility	Owned/ Rented	Condition
Pasig City (5)	Branded consumer food plants, feedmills and flourmill	Owned	Good
Libis, Quezon City (1)	Branded consumer food plant	Owned	Good
Canlubang, Laguna (1)	Branded consumer food plant	Owned	Good
Luisita, Tarlac (1)	Branded consumer food plant	Owned	Good
San Fernando, Pampanga (1)	Branded consumer food plant	Owned	Good
Dasmariñas, Cavite (2)	Branded consumer food plants	Owned	Good
Cagayan de Oro (1)	Branded consumer food plant	Owned	Good
San Pedro, Laguna (1)	Branded consumer food plant	Owned	Good
Calamba, Laguna (1)	Branded consumer food plant	Rented	Good
San Pablo, Laguna (1)	Branded consumer food plant	Owned	Good
Binan, Laguna (1)	Branded consumer food plant	Owned	Good
Antipolo, Rizal (4)	Poultry and piggery farm	Rented/Owned	Good
Teresa, Rizal (2)	Piggery farms	Rented	Good
Angono, Rizal (1)	Poultry farm	Owned	Good
Taytay, Rizal (1)	Poultry farm	Rented	Good
Naic, Cavite (1)	Poultry farm	Owned	Good
San Miguel, Bulacan (3)	Poultry and piggery farms	Owned	Good
Bustos, Bulacan (1)	Piggery farm	Rented	Good
Pandi, Bulacan (1)	Piggery farm	Rented	Good
Novaliches, Quezon City (1)	Piggery farm	Owned	Good
Rosario, Batangas (1)	Piggery farm	Owned	Good
Davao City, Davao (2)	Branded consumer food plant and flourmill	Owned	Good
Mandaue City, Cebu (2)	Branded consumer food plant, poultry farm and feedmill	Owned	Good
Manjuyod, Negros Oriental (1)	Sugar mill	Owned	Good
Piat, Cagayan (1)	Sugar mill	Owned	Good
Kabankalan, Negros Occidental (1)	Sugar mill	Owned	Good
San Enrique, Iloilo City (1)	Sugar mill	Owned	Good
Santa Catalina, Negros Oriental (1)	Sugar mill	Owned	Good

Simlong, Batangas (2)	BOPP plant/Flexible packaging	Owned	Good
Samutsakhorn Industrial Estate, Samutsakhorn, Thailand (2)	Branded consumer food plant	Owned	Good
Pasir Gudang, Johor, Malaysia (1)	Branded consumer food plant	Owned	Good
Jiangsu, China (1)	Branded consumer food plant	Owned	Good
Guandong, China (1)	Branded consumer food plant	Owned	Good
Shanghai, China (1)	Branded consumer food plant	Owned	Good
Industrial Town, Bekasi, Indonesia (1)	Branded consumer food plant	Owned	Good

Location (Number of facilities)	Type of Facility	Owned/ Rented	Condition
VSIP, Bin Duong Province, Vietnam (3)	Branded consumer food plant	Owned	Good
Thach That District, Han Noi, Vietnam (1)	Branded consumer food plant	Owned	Good
Papakura, Auckland, New Zealand (1)	Branded consumer food plant	Owned	Good
Wiri, Auckland, New Zealand (1)	Branded consumer food plant	Owned	Good

URC intends to continuously expand the production and distribution of the branded consumer food products internationally through the addition of manufacturing facilities located in geographically desirable areas, especially in the ASEAN countries, the realignment of the production to take advantage of markets that are more efficient for production and sourcing of raw materials, and increased focus and support for exports to other markets from the manufacturing facilities. It also intends to enter into alliances with local raw material suppliers and distributors.

Annual lease payments for rent facilities amounted to ₱112 million for 2014. Lease contracts are renewable annually. Land in Taytay, Rizal where farm's facilities are located, is owned by an affiliate and is rent-free.

RLC has invested in a number of properties located across the Philippines for existing and future development projects. All of these properties are fully owned by RLC and none of which are subject of any mortgage, lien or any form of encumbrance. RLC also enters into joint venture arrangements with land owners in order to optimize their capital resources. Not only does this encourage raw land development for future projects but it also provides them with exclusive development and marketing rights.

Breakdown of RLC's properties is set forth below:

a) Land

Location	Use	Status
Metro Manila		
Manila	Mixed-use (mall/residential/hotel)	No encumbrances
Quezon City	Residential/ Mixed-use (mall/residential/hotel)	No encumbrances
Pasay City	Residential	No encumbrances
Mandaluyong City	Mixed-use (mall/hotel/residential)	No encumbrances
Makati City	Office Building	No encumbrances
Pasig City	Residential/Mall/Mixed-use (mall/hotel/residential)	No encumbrances
Parañaque City	Residential	No encumbrances
Muntinlupa City	Mixed-use (mall/residential)	No encumbrances
Las Pinas City	Mall	No encumbrances
Taguig City	Residential	No encumbrances
Malabon	Mall	No encumbrances
Metro Manila area	Land bank	No encumbrances
Luzon		
La Union	Residential	No encumbrances
Pangasinan	Mall	No encumbrances
Bulacan	Mall	No encumbrances
Location	**Use**	**Status**

Nueva Ecija	Mall	No encumbrances
Pampanga	Mall	No encumbrances
Tarlac	Mall	No encumbrances
Batangas	Mall/Residential	No encumbrances
Cavite	Mall/Residential/Mixed-use (mall/hotel/residential)	No encumbrances
Laguna	Mall	No encumbrances
Palawan	Mixed-use (mall/hotel/residential)	No encumbrances
Rizal	Residential/Mall	No encumbrances
Isabela	Mall	No encumbrances
Luzon area	Land bank	No encumbrances

Visayas		
Iloilo	Mall	No encumbrances
Bacolod City	Mall	No encumbrances
Cebu	Mixed-use (mall/hotel/residential)	No encumbrances
Negros Oriental	Mixed-use (mall/hotel)	No encumbrances
Leyte	Mall	No encumbrances
Roxas City	Mall	No encumbrances
Visayas area	Land bank	No encumbrances
Mindanao		
Agusan del Norte	Mall	No encumbrances
Cagayan de Oro City	Residential	No encumbrances
Davao	Mall	No encumbrances
South Cotabato	Mall/Residential	No encumbrances
Butuan City	Mall	No encumbrances
Mindanao area	Land bank	No encumbrances

b) Building and Improvements

Location	Use	Status
Metro Manila		
Manila	Mixed-use (mall/hotel/residential)	No encumbrances
Quezon City	Mixed-use (mall/hotel/residential)	No encumbrances
Mandaluyong City	Mixed-use (mall/hotel/residential)	No encumbrances
Makati City	Office Building	No encumbrances
Pasig City	Mixed-use (mall/hotel/residential)	No encumbrances
Malabon City	Mall	No encumbrances
Las Pinas City	Mall	No encumbrances
Muntinlupa City	Residential	No encumbrances
Luzon		
Ilocos Norte	Mall	No encumbrances
Bulacan	Mall	No encumbrances
Nueva Ecija	Mall	No encumbrances
Pampanga	Mall	No encumbrances
Tarlac	Mall	No encumbrances
Batangas	Mall	No encumbrances
Cavite	Mall/Mixed-use (mall/hotel)	No encumbrances
Laguna	Mall	No encumbrances
Palawan	Mixed-use (mall/hotel/residential)	No encumbrances
Rizal	Mall	No encumbrances
Pangasinan	Mall	No encumbrances
Palawan	Mall/Mixed-use (mall/hotel/residential)	No encumbrances
Visayas		
Iloilo City	Mall	No encumbrances

Bacolod City	Mall	No encumbrances
Cebu	Mixed-use (mall/hotel/office)	No encumbrances
Negros Oriental	Mall	No encumbrances
Leyte	Mall	No encumbrances
Roxas City	Mall	No encumbrances
Mindanao		
Cagayan De Oro City	Mall	No encumbrances
Davao City	Mall	No encumbrances
South Cotabato	Mall	No encumbrances
Agusan Del Norte	Mall	No encumbrances

RLC owns all the properties where its existing commercial centers are located except for the following: Robinsons Place – Iloilo, Robinsons - Cagayan de Oro, Robinsons Cainta and Robinsons Pulilan. These four properties are leased at prevailing market rates. The leases for Iloilo and Cagayan de Oro properties are for 50 years each and commenced in October 2001 and December 2002, respectively. The leases for the Cainta and Pulilan properties are for 25 years and commenced in December 2003 and January 2008, respectively. Renewal options for Cainta and Pulilan are available to RLC. Total rent expense amounted to ₱153.0 million in 2014, ₱104.6 million in 2013 and ₱157.4 million in 2012.

JGSPC's polypropylene and polyethylene complex and JGSOC's naphtha cracker plant are both located in Barangay. Simlong, Batangas City.

Item 3. Risks

The major business risks facing the Group are as follows:

a. Competition

Many of the Group's activities are in highly competitive industries. The Group faces competition in all segments of its businesses both in the Philippine market and in international markets. The Group's ability to compete effectively will require continuous efforts in sales and marketing of our existing products, development of new products and cost rationalization. There can be no assurance that the Group's sales volume and market share will not be adversely affected by negative consumer reaction to higher prices as a result of price reduction or promotional sales undertaken by its competitors.

b. Financial Market

The Group has a foreign exchange exposure primarily associated with fluctuations in the value of the Philippine Peso against the U.S. dollar and other foreign currencies. The Group's revenues are predominantly denominated in Pesos, while certain expenses, including fixed debt obligations, are denominated in foreign currencies. Prudent fund management is employed to minimize effects of fluctuations in interest and currency rates.

c. Raw Materials

Production operations of some of the Group's manufacturing operations are dependent in obtaining adequate supply of raw materials on a timely basis. In addition, its profitability depends in part on the prices of raw materials since a portion of the Group's raw material requirements is imported including packaging materials. To mitigate these risks, alternative sources of raw materials are used in operations.

d. Cost and Availability of Fuel

The cost and availability of fuel are subject to many economic and political factors and events occurring throughout the world, the most important of which are not within the Group's control. Fuel prices have been subject to high volatility, fluctuating substantially over the past several years. Any increase in the cost of fuel or any decline in the availability of adequate supplies of fuel could have a material adverse effect on the Group's airline operations and profitability. The airline business implements various fuel management strategies to manage the risk of rising fuel prices including hedging.

e. Key Executives

The Company's key executives play an integral part in the latter's success. The experience, knowledge, business relationships and expertise of these executives could be difficult to replace and may result in a decrease in the Company's operating proficiency and financial performance should any of them decide to leave the Company.

f. Philippine Regulations

The Group operates a material part of its businesses in a highly regulated environment. Many of these businesses depend upon licenses and franchises issued by government authorities or agencies for their operation. These businesses would be materially adversely affected by the suspension or revocation of these licenses or franchises.

The Group is also subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety, among others. Many of these environmental laws and regulations are becoming increasingly stringent and compliance to such is becoming increasingly complex and costly.

Item 4. Legal Proceedings

Certain consolidated subsidiaries are defendants to lawsuits or claims filed by third parties which have pending decisions by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the Company's consolidated financial position. Refer to Note 43 of the Consolidated Financial Statements attached to this report for a detailed description.

Item 5. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 6. Market for Registrant's Common Equity and Related Stockholder Matters

PRINCIPAL MARKET OR MARKETS WHERE THE REGISTRANT'S COMMON EQUITY IS TRADED.

The common stock of the Company is listed on the Philippine Stock Exchange.

STOCK PRICES

	High	Low
2014		
First Quarter	₱51.00	₱37.40
Second Quarter	52.55	46.60
Third Quarter	59.50	50.00
Fourth Quarter	66.60	54.70
2013		
First Quarter	₱42.50	₱37.50
Second Quarter	49.00	37.00
Third Quarter	43.50	35.00
Fourth Quarter	49.00	37.20

2012		
First Quarter	₱31.35	₱24.40
Second Quarter	35.50	29.40
Third Quarter	35.00	31.60
Fourth Quarter	39.25	31.95

Market Price

Fiscal Year 2015	High	Low
First Quarter (January to March 2015)	P72.60	P61.80

The stock price of the Company's shares as of April 30, 2015 is ₱71.50.

CASH DIVIDENDS PER SHARE

On June 26, 2014, the Company declared a regular cash dividend of P0.20 per share from the Unrestricted Retained Earnings as of December 31, 1997 to all stockholders of record as of July 17, 2014 and payable on August 12, 2014.

On June 27, 2013, the Company declared a regular cash dividend of P0.18 per share from the Unrestricted Retained Earnings as of December 31, 1997 to all stockholders of record as of July 17, 2013 and payable on August 12, 2013.

On June 28, 2012, the Company declared a regular cash dividend of ₱0.16 per share from the Unrestricted Retained Earnings as of December 31, 1997 to all stockholders of record as of July 18, 2012 and payable on August 13, 2012.

STOCK DIVIDENDS DECLARED

No stock dividend was declared in 2014, 2013 and 2012.

Restricted Retained Earnings

The Parent Company's BOD approved the appropriation of retained earnings totaling ₱81.0 billion. The ₱81.0 billion total appropriations of the Parent Company's retained earnings are earmarked for the following: (a) settlement of Parent company debt obligations and 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.

RECENT SALES OF UNREGISTERED SECURITIES

Not Applicable.

The number of shareholders of record as of April 30, 2015 was **1,066**. Total shares outstanding as of April 30, 2015 were **7,162,841,657** shares with a par value of ₱1.00.

Top 20 stockholders as of April 30, 2015:

	Name	No. of Shares Held	% to Total Outstanding
1.	Gokongwei Brothers Foundation, Inc.	1,997,076,451	27.88
2.	PCD Nominee Corporation (Filipino)	1,304,052,626	18.21
3.	RSB-TIG No. 030-46-000001-9	1,033,319,225	14.43
4.	PCD Nominee Corporation (Non-Filipino)	843,675,908	11.78
5.	John Gokongwei, Jr.	664,703,179	9.28
6.	Ego Investments Holdings	267,568,000	3.74
7.	Lance Y. Gokongwei &/or Elizabeth Gokongwei.	234,845,280	3.28
8.	James L. Go	148,679,656	2.08
9.	John Gokongwei &/or Lance Gokongwei	141,030,450	1.97
10.	Gosotto & Co., Inc.	105,644,494	1.48
11.	Robina Gokongwei Pe &/or Elizabeth Gokongwei	72,345,278	1.01
12.	Liza Yu Gokongwei &/or Elizabeth Gokongwei	54,200,000	0.76
13.	Faith Gokongwei Ong &/or Elizabeth Gokongwei	36,100,000	0.50
13.	Marcia Gokongwei Sy &/or Elizabeth Gokongwei	36,100,000	0.50
13.	Hope Gokongwei Tang &/or Elizabeth Gokongwei	36,100,000	0.50
14.	Nicris Development Corporation	34,073,252	0.48
15.	Emma G. See	15,552,125	0.22
16.	Michael Seetekbeng	13,400,327	0.19
17.	John Gokongwei, Jr.	11,183,531	0.16
18.	Olympia T. Gotao	8,767,730	0.12
19.	Richard Yap	8,570,362	0.12
20.	Elizabeth Gokongwei	6,270,000	0.09
		7,073,257,874	98.78

Item 7. Management's Discussion and Analysis or Plan of Operation.

The following discussion and analysis should be read in conjunction with the accompanying financial statements and the related notes as of December 31, 2014, 2013 and 2012, included elsewhere in this Annual Report. Our financial statements, and the financial information discussed below, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Management’s Discussion of Results of Operations is presented in two parts: Consolidated Operations and Segment Operations.

Alignment of Accounting Period

In previous years, the Group consolidated the financial statements of their fiscal year end subsidiaries using their September 30 fiscal year end financial statements as allowed under PFRS 10. In accordance with PFRS 10, 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, management of the Group deemed that it is now practicable to prepare consolidated financial statements incorporating the financial statements of the Group’s fiscal yearend subsidiaries as of the same date as the Parent Company’s financial statements which is December 31. Accordingly, the Group restated the financial statements as of and for the year ended December 31, 2013 to reflect the effect of the alignment of the accounting periods.

2014 vs. 2013

I. CONSOLIDATED OPERATIONS

Results of Operations

JG Summit Holdings Inc.'s 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. 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 EBITDA reached ₱49.28 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.

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 in 2014 due to the strong performance of the branded consumer foods both domestic and international, which registered an 18.4% growth. The agro-industrial segment recorded a 12.9% increase because of higher sales price of hogs and better prices and higher sales volume of gamefowl feeds.
- CEB's 26.8% increase in gross revenues from ₱41.0 billion in 2013 to ₱52.0 billion in 2014 is brought about by 17.5% growth in passenger volume and higher cargo and ancillary revenues.
- Real estate and hotel revenues posted a 5.4% growth from ₱16.54 billion to ₱17.43 billion due to higher rental revenues.
- JG Petrochem's revenue significantly increased to ₱3.23 billion in December 2014 from ₱542.55 million for the same period in 2013 since it has resumed its commercial operations in November 2014. JG Olefins also commenced commercial operations in November 2014.
- 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. The Company completed the purchase of a 27.1% stake in Meralco in December 2013.

Dividend income 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 cost of sales and services increased by 16.4% from ₱98.83 billion last year to ₱115.0 billion, relatively lower than the revenue growth due to: (1) lower input costs of the food business, (2) aviation fuel expenses incurred by our airline business increased only 18.9% despite the higher volume of fuel consumed from increased number of flights and launch of long haul flights due to lower average fuel rate in 2014, (3) a 6.6% drop in the bank's interest expense due to lower average interest rates.

The Group's operating expenses increased by 23.8% from ₱26.12 billion last year to ₱32.33 billion this year due to higher selling, general and administrative expenses in the airline and food business units. As a result, Operating Income or EBIT went up 47.5% from ₱25.40 billion to ₱37.48 billion.

The Group's financing costs and other charges net of interest income, increased by 91.3% to ₱4.48 billion from last year's ₱2.34 billion because of increase in debt to partly finance the Group's capital expenditures and major investments during the year.

Market valuation loss recognized from our financial assets and derivative instruments for 2014 amounted to ₱3.59 billion, a complete turn-around from a mark-to-market gain last year of ₱77.32 million. This is attributable mainly to the fuel hedging loss amounting to ₱2.31 billion booked by our airline business and the significant drop in share price of our equity securities.

The Group recognized net foreign exchange loss of ₱358.83 million from ₱3.73 billion reported last year as the Philippine peso slowly recovered during the period.

Other income (expense) – net account, which represents miscellaneous income and expenses, netted a gain of ₱1. 22 billion , a 229% increase compared to last year's ₱369.8 million attributable mainly to the gain realized from the sale of our equity interest in Jobstreet in 2014.

Provision for income tax increased by 46.3% due to recognition of net provision for deferred taxes of ₱800.27 million in 2014 compared to a net benefit from deferred tax amounting to ₱296.18 million in 2013 resulting from the recognition of deferred tax assets on foreign exchange losses last year.

II. Segment Operations

Foods generated a consolidated sale of goods and services of ₱96.65 billion for the year ended December 31, 2014, 15.6% sales growth over last year's ₱83.61 billion. Sale of goods and services performance by business segment follows: (1) URC's branded consumer foods segment, excluding packaging division, increased 18.4%, to ₱79.90 billion in 2014 from ₱67.51 billion registered in 2013. Domestic operations posted a 21.2% increase in net sales from ₱44.96 billion in 2013 to ₱ 54.49 billion in 2014. 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. Snackfoods business also grew with categories such as snacks, biscuits and chocolates outpacing market growth. BCFG's international sales increased by 12.7% to ₱25.41 billion in 2014 against ₱22.55 billion in 2013. In US dollar (US$) term, sales registered an increase of 7.6% from US$531 million in 2013 to US$571 million in 2014. Vietnam and Thailand, our 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. Growth was driven by improving sales of key biscuit and wafer brands due to promotions and sampling activities, including the strategy of launching 2-baht cookies to address budget-constrained consumers. 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. (2) 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. (3) 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 cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales went up by 11.6%, to ₱66.17 billion in 2014 from ₱59.26 billion recorded in 2013 due to increase in sales volume.

URC's gross profit for 2014 amounted to ₱30.49 billion from ₱24.35 billion reported in 2013. URC's gross profit as a percentage of net sales increased by 240 basis points to 31.5% in 2014 from 29.1% in 2013 due to lower input costs. Selling and distribution costs, and general and administrative expenses rose by 16.8% to ₱15.28 billion in 2014 from ₱13.09 billion registered in 2013. This increase resulted primarily from the following factors: (a) 13.6% increase in advertising and promotion costs to ₱5.67 billion in 2014 from ₱4.99 billion in 2013 to support new product launches and expand sales of existing products; (b) 17.9% increase in freight and delivery charges to ₱4.40 billion in 2014 from ₱3.73 billion in 2013 due to increase in trucking and shipping costs associated with increased volume and port congestion issues; and (c) 12.7% increase in compensation and benefits to ₱3.01 billion in 2014 from ₱2.67 billion in 2013 due to annual salary adjustments and increase in pension expenses.

URC reported lower market valuation loss on financial instruments at fair value through profit or loss of ₱6 million in 2014 from ₱242 million market valuation gain in 2013 due to decline in level of financial assets as a result of disposal of all bond investments and significant portion of equity investments during 2013.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue decreased by 13.6% to ₱235 million in 2014 from ₱272 million in 2013 due to lower level of money market placements and lower dividend income received.

URC's finance costs consist mainly of interest expense which increased by 106.0%, to ₱346 million in 2014 from ₱168 million recorded in 2013 due to increase in level of financial debt resulting from availments of long-term debt to finance the acquisition of NZSFHL.

Impairment losses increased to ₱123 million in 2014 from ₱29 million in 2013 due to recognition of higher impairment losses on inventories and receivables.

Net foreign exchange loss amounted to ₱75 million in 2014 from ₱166 million net foreign exchange gain reported in 2013 due to effect of currency translation adjustments on foreign currency-denominated transactions.

Equity in net loss of joint ventures amounted to ₱75 million in 2014 from equity in net income of ₱23 million in 2013 due to pre-operating expenses of newly established joint ventures, Calbee-URC Inc. and Danone Universal Robina Beverages, Inc.

Gain on sale of investments decreased from gain of ₱717 million in 2013 to nil in 2014. Gain on sale in 2013 resulted from the disposal of all bond investments and significant portion of equity investments.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other expenses - net decreased from ₱36 million in 2013 to ₱72 million in 2014 mainly due to losses incurred from weather disturbances last year.

The Company recognized provision for income tax of ₱2.69 billion in 2014, a 54.5% increase from ₱1.74 billion in 2013 due to higher taxable income, recognition of deferred tax liability on increase in market value of hogs and reversal of deferred tax asset on realized foreign exchange loss.

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.

Real estate and hotels generated total gross revenues of ₱17.43 billion for calendar year 2014, an increase of 5.4% from ₱ 16.55 billion total gross revenues for calendar year 2012. EBIT (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 versus ₱7.57 billion last year or a 10.3% increase. The newly opened malls namely, Robinsons Santiago, Robinsons Roxas, Robinsons Antipolo and Robinsons Las Pinas contributed to the increase in revenues. In addition, Robinsons Magnolia, Robinsons Palawan and Robinsons Iloilo contributed to the growth while most provincial malls also posted decent growth in rental revenues. 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. This increase in lease income was due to new office buildings 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. The 5.3% increase in hotel revenues was principally due to its newest Go Hotel branches in Iloilo, Ortigas Center, Butuan City and newest Summit hotel Magnolia. Hotels Division EBIT and EBITDA grew by 12.8% and by 5.6% in 2014 and 2013, respectively.

Real estate cost and expenses went up by 3.8% to ₱7.19 billion from ₱6.92 billion last year. The opening of new malls raised the level of depreciation expense of Commercial centers by 14.2% while opening of new buildings increased depreciation expense of the Office Buildings Division by 22.8%. Furthermore, cinema expenses rose by 24% due to higher level of cinema operations which in turn resulted to higher cinema revenues. Hotel expenses rose by 3.0% due substantially to higher level of cost of food and beverage, salaries and wages and contracted services among others, which were all due to higher level of operations brought about by the newly opened Go Hotels branches and Summit Magnolia Hotel.

Interest income decreased to ₱14.3 million from ₱61.9 million last year due to lower average balance of cash and cash equivalents during the calendar year 2014.

General and administrative expenses went up by 19.2% due to higher salaries, advertising and promotions and insurance expense, among others.

Air transportation 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 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. This increase 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. Number of flights went up by 6.9% as Cebu Air adds more aircraft to its fleet, particularly, its acquisition of wide-body Airbus A330 aircraft with a configuration of more than 400 all-economy class seats. 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 this year. Increase in average fares by 8.0% to ₱2,382 in 2014 from ₱2,206 in 2013 also contributed to the improvement of revenues. Cargo revenues grew 20.6% to ₱3.15 billion for the year ended December 31, 2014 from ₱2.61 billion for the year ended December 31, 2013 following the increase in the volume of cargo transported in 2014. Ancillary revenues went up by 28.7% to ₱8.67 billion for the year ended December 31, 2014 from ₱6.73 billion posted last year consequent to the 17.5% increase in passenger traffic and 9.5% increase in ancillary revenue per passenger. CEB began unbundling ancillary products and services in 2011 and significant improvements in ancillary revenues were noted since then. Improved online bookings, together with a wider range of ancillary revenue product and services, also contributed to the increase. 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. Flying operations expenses moved up by 20.4% to ₱26.15 billion for the year ended December 31, 2014 from ₱21.72 billion charged in 2013. Aviation fuel expenses grew by 18.9% to ₱23.21 billion from ₱19.52 billion for the year ended December 31, 2013 consequent to the higher volume of fuel consumed as a result of the increased number of flights year on year and increased block hours from the launch of long haul flights to Dubai in October 2013, to Kuwait and Sydney in September 2014 and to Riyadh and Dammam in October 2014. 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. Aircraft and traffic servicing expenses increased by 33.6% to ₱4.81 billion for the year ended December 31, 2014 from ₱3.60 billion registered in 2013 as a result of the overall increase in the number of flights flown in 2014. Higher expenses were particularly attributable to more international flights operated for which airport and ground handling charges were generally higher compared to domestic flights. International flights increased by 7.6% year on year which is partly attributable to the expansion of long haul operations to Kuwait, Sydney, Riyadh and Dammam in 2014 as well as new short haul flights to Tokyo (Narita) and Nagoya which commenced on March 2014. Depreciation and amortization expenses increased 23.7% to ₱4.28 billion for the year ended December 31, 2014 from ₱3.46 billion for the year ended December 31, 2013. Depreciation and amortization expenses increased consequent to the arrival of five Airbus A320 aircraft during the year. Repairs and Maintenance expenses went up by ₱606.46 million or 15.9% to ₱4.43 billion for the year ended December 31, 2014 from ₱ 3.83 billion posted last year. Increase was driven by the overall increase in the number of flights coupled with the weakening of the Philippine peso against the U.S. dollar and the acquisition of five Airbus A320 aircraft and the delivery of the three Airbus A330 aircraft in 2014. Aircraft and engine lease expenses went up by 50.9% to ₱3.50 billion for the year ended December 31, 2014 from ₱2.32 billion charged in 2013 due to the delivery of three Airbus A330 aircraft under operating lease in 2014 coupled with the effect of the depreciation of Philippine Peso against the US dollar during the period. Cebu Pacific recognized lower interest income for the period from ₱219.62 million last year to ₱79.93 million this year due to the decrease in the balance of cash in bank and short-term placements year on year and lower interest rates. Cebu Air 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 foreign exchange losses of ₱127.47 million for the year ended December 31, 2014 resulted from the weakening of the Philippine Peso against the US dollar as referenced by the slight depreciation of the Philippine peso to₱44.72 per U.S. dollar for the twelve months ended December 31, 2014 from ₱44.40 per U.S. dollar for the twelve months ended December 31, 2013. Equity in net income of joint venture dropped 19.3% to ₱ 96.326 million for the year ended December 31, 2014, primarily due to the net loss from current operations incurred by SIA Engineering (Philippines) Corporation (SIAEP) in 2014. As a result of the foregoing, net income for the year ended December 31, 2014 increased by 66.7% to ₱853.50 million from ₱511.95 million last year.

Petrochemicals gross revenues reached ₱3.23 billion in 2014, this already includes revenues from the Olefins operations, compared to last year's ₱542.54million 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. All these factors contributed to a higher net loss in calendar year 2014 from ₱622.63 million last year to ₱759.45 million this year.

Banking Services, 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 expenses 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 net of depreciation and amortization related to PPA valuation amounting to ₱4.68 billion in 2014. Equity income from UIC, increased 45.4% from ₱1.72 billion last year to ₱2.50 billion in 2014. **United Industrial Corporation, Limited** recorded a 33.3% growth in its net income from operations S$167.18 million in 2013 to S$222.79 million in 2014. The increase in net income is mainly due to higher revenues from the hotel operations, higher contribution from the Archipelago and Thompson Three joint venture residential projects with progressive recognition of development profits on percentage of completion basis 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.

Other Supplementary Business, Summit Internet recognized net income of ₱1.75 billion in 2014 a significant increase from last year's ₱71.80 million mainly from dividend income received from Jobstreet Malaysia amounting to ₱1.70 billion.

2013 vs. 2012

I. CONSOLIDATED OPERATIONS

Results of Operations

JG Summit Holdings Inc.'s posted a 22.0% increase in consolidated core net income after taxes of ₱13.65 billion for the year ended December 31, 2013, from ₱11.20 billion last year (Core net income is computed as net income attributable to equity holders of Parent company as adjusted for the net effect of gains/losses on foreign exchange, market valuations and derivative transactions). However, consolidated net income attributable to equity holders of the Parent company amounted to only ₱ 10.43 billion, down 22.1% from ₱13.40 billion in 2012. The 22.1% decrease is mainly due to the 8.1% depreciation of peso YOY as the Group recorded a ₱3.73 billion foreign exchange loss compared to a foreign exchange gain of ₱0.90 billion last year. Moreover, the Group's recorded mark-to-market gains for 2013 amounted to ₱77.3 million, lower by 95.6% from last year's mark-to-market gain of ₱1.78 billion. Consolidated EBITDA reached ₱35
.44 billion, an 18.3% increase compared to last year.

Consolidated revenues grew 9.7% from ₱137.02 billion to ₱150.35 billion this year due to the strong performance of all subsidiaries, except for the Petrochemical business.

- URC's revenue grew by 14.4% from ₱73.10 billion in 2012 to ₱83.60 billion in 2013 due to the strong performance of the branded consumer foods both domestic and international, which registered a 20.3% growth. The agro-industrial segment recorded a slight increase because of higher sales price of hogs and poultry products.
- CEB's 8.2% increase in gross revenues from ₱37.90 billion in 2012 to ₱41.0 billion in 2013 is brought about by

8.3% growth in passenger volume and higher cargo and ancillary revenues.

- Real estate and hotel revenues posted a 19.3% growth from ₱13.87 billion to ₱16.54 billion due to higher revenues of all its divisions.
- Banking revenues grew 8.5% to ₱2.75 billion during the period due to higher interest income and service fees and commission income.
- Revenue from other supplementary businesses recorded 7.4% increase due to higher commission income and outsource revenue for the period.

JG Petrochem's revenue declined 86.6% from ₱4.04 billion for the fiscal year 2013 to ₱542.55 million this year as it went on a technical shutdown since October 2012 to prepare for the completion and integration of its naphtha cracker which will commence operations in 2014.

Equity in net earnings of associates and joint ventures posted a 13.9% increase from ₱2.00 billion to ₱2.28 billion mainly due to recognition of equity earnings from Meralco this year. In December 2013, the Company completed the purchase of a 27.1% stake in Meralco so a corresponding equity earnings take up was recorded for the period.

Consolidated cost of sales and services increased 6.1% from ₱93.12 billion last year to ₱98.83 billion, relatively lower than the revenue growth due to: (1) lower prices of key inputs such as coffee beans and palm oil of the food business, (2) aviation fuel expenses incurred by our airline business increased 11.2% due to lower average fuel rate in 2013, (3) a 24.6% drop in the bank's interest expense due to lower average interest rates (4) lower production of Petrochem.

The Group's operating expenses increased by 15.8% from ₱22.55 billion last year to ₱26.12 billion this year due to higher selling, general and administrative expenses in the airline and food business units. As a result, Operating Income or EBIT went up 19.0% from ₱21.34 billion to ₱25.40 billion.

The Group's financing costs and other charges net of interest income, increased by 43.5% to ₱2.34 billion from last year's ₱ 1.63 billion because of an increase in debt obtained to partly finance the Group's capital expenditures and major investments during the year.

Mark-to-market gains recognized from our financial assets for 2013 amounted to ₱77.32 million, a 95.6% decrease from last year of ₱1.78 billion as market values of the Group's financial assets during the period declined significantly due to lower bond and equity prices caused by the volatility of the international financial markets.

The Group recognized net foreign exchange loss of ₱3.73 billion, a complete turn around from a net foreign exchange gain of ₱891.0 million reported last year due mainly to higher translated value of the foreign currency denominated net liabilities as a result of continuous depreciation of Philippine Peso during the period.

Other income, which include, management fees and gain on sale of PPE and financial instruments, among others, recorded an 88.3% growth from recovery of impaired assets and gain on reacquisition of bonds issued.

Provision for income tax increased 5.3% due to recognition of net benefit from deferred taxes of ₱296.7 million in 2013 compared to a net provision for deferred tax amounting to ₱691.51 million in 2012 resulting from the recognition of deferred tax assets on foreign exchange losses during the period.

II. Segment Operations

- **Foods** generated a consolidated sale of goods and services of ₱83.62 billion for the year ended December 30, 2013, 14.1% sales growth over previous year. Sale of goods and services performance by business segment follows: (1) URC's branded consumer foods segment, excluding packaging division, increased by 20.3% to ₱67.51 billion in 2013 from ₱56.12 billion registered in 2012. BCFG domestic operations posted a 25.3% increase in net sales from ₱35.88 billion in 2012 to ₱44.96 billion in 2013 due to strong performance of its beverage division on the back of solid growth of powdered beverage businesses, mainly attributed to continued success of Great Taste white coffee; and RTD businesses, mainly driven by C2 230ml solo. Other RTD beverages like water and juice also contributed to the growth. Sales for snack foods division also increase due to growth in salty snacks category. BCFG international sales increased by 11.4% to ₱22.55 billion in 2013 against ₱20.24 billion in 2012. In US dollar (US$) term, sales registered an increase of 11.8% from US$475 million in 2012 to US$531million in 2013 due to increase in sales volume. Vietnam, the biggest contributor, has contributed 43.7% of total international sales in dollar terms. Vietnam's solid performance is attributed to the sustained strong demand for RTD beverages, C2 and Rong Do. Salty snacks also contributed to the growth in Vietnam as pelletized snacks continue to gain traction. Indonesia also grew sales on the back of snacks and chocolate categories with snacks being the main driver as sales momentum continued for fabricated potato crisp offering. Sale of goods and services in URC's packaging division decreased by 34.1% to ₱1.07 billion in 2013 from ₱1.63 billion recorded in 2012 due to decline in sales volume. (2) Sale of goods and services in the Agro-Industrial segment (AIG) amounted to ₱7.45 billion in 2013, a slight increase from ₱7.43 billion recorded in 2012. Feed business declined due to weaker sales volume, however, this was offset by increase in farm business resulting from higher sales prices of hogs and poultry products. (3) Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱7.58 billion in 2013, decreased 6.7% from ₱8.13 billion reported in 2012. Sugar business sales declined by12.6% due to due to decline in volume as sugar cane production was affected by unusually wet season which affected the cane supply during the last quarter of 2013. Sales of flour business remained flat as a result of influx of imported flour.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by 10.0%, to ₱59.26 billion in 2013 from ₱53.85 billion recorded in 2012 due to increase in sales volume, net of lower prices of key inputs such as coffee beans and palm oil.

URC's gross profit in 2013 amounted to ₱24.35 billion, up by 25.2% from ₱19.45 billion reported in 2012. Gross profit margin increased by 260 basis points from 26.5% in 2012 to 29.1% in 2013 Selling and distribution costs, and general and administrative expenses rose by 16.8% to ₱13.09 billion in 2013 from ₱11.21 billion registered in 2012. This increase resulted primarily from the following factors: (a) 26.3% increase in freight and delivery charges to ₱3.73 billion in 2013 from ₱2.95 billion in 2012 due to increase in trucking and shipping costs as a result of increased volume; (b) 16.1% increase in advertising and promotion costs to ₱4.99 billion in 2013 from ₱4.30 billion in 2012 due to promotion programs with key accounts and wholesalers, and new product launches; and (c) 11.6% increase in compensation and benefits to ₱2.67 billion in 2013 from ₱2.39 billion in 2012 due to annual salary adjustments and additional manpower.

As a result of the above factors, operating income increased by 36.7% to ₱11.27 billion in 2013 from ₱8.25 billion reported in 2012.

Market valuation gain on financial instruments at fair value through profit or loss decreased to ₱242 million in 2013 from ₱1.46 billion in 2012 due to disposal of all bond investments and significant portion of the equity investments.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue decreased by 78.3% to ₱272 million in 2013 from ₱1.26 billion in 2012 due to decline in level of financial assets as a result of disposal of bond and equity investments.

URC's finance costs consist mainly of interest expense which decreased by 69.8%, to ₱168 million in 2013 from ₱556 million recorded in 2012 due to decline in level of financial debt resulting from settlement of long-term debt and repayments of short-term debts.

Foreign exchange gain (loss) - net amounted to 166 million gain in 2013 from ₱1.15 billion loss reported in 2012 due to significantly lower unrealized foreign exchange loss on translation of foreign currency denominated accounts as a result of continuous depreciation of subsidiaries' local currencies and Philippine peso vis-à-vis US dollar.

Impairment loss of ₱29 million was reported in 2013, a decrease of 85.4% from ₱198 million in 2012 due to impairment loss recognized on trademark in 2012.

Gain (loss) on sale of investments increased from loss of ₱13 million in 2012 to gain of ₱717 million in 2013. Gain on sale in 2013 represents the gain on disposal of all bond investments and significant portion of equity investments.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other income - net decreased from ₱67 million other income in 2012 to ₱36 million other expense - net in 2013 due to losses incurred from weather disturbances.

URC recognized provision for income tax of ₱1.74 billion in 2013, 70.7% increase from ₱1.02 billion in 2012 due to higher taxable income of Parent company and subsidiaries.

URC's net income for 2013 amounted to ₱10.71 billion, higher by 31.9% from ₱8.12 billion in 2012, due to higher operating income.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) for 2013 amounted to ₱12.08 billion, an increase of 33.8% from ₱9.03 billion recorded in 2012.

Net income attributable to equity holders of the parent increased by 35.8% to ₱10.63 billion in 2013 from ₱7.82 billion in 2012 as a result of the factors discussed above.

Non-controlling interest represents primarily the share in the net income (loss) attributable to non-controlling interest of Nissin-URC, URC's 65.0%-owned subsidiary. In August 2012, the Company acquired the remaining 23.0% minority interest of URC International making it a wholly owned subsidiary. As a result, minority interest in net income of subsidiaries decreased from ₱296 million in 2012 to ₱85 million in 2013.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱14.96 billion in 2013, 28.2% higher than ₱11.67 billion posted in 2012.

- **Real estate and hotels** generated total gross revenues of ₱16.55 billion for calendar year 2013, an increase of 19.4% from ₱ 13.86 billion total gross revenues for calendar year 2012. EBIT (Operating income) grew 15.6% to ₱6.21 billion while EBITDA (Operating income plus depreciation) posted a 16.4% growth to ₱8.73 billion. Net income stood at ₱4.65 billion, up by 8.5% compared to last year.

The Commercial Centers Division accounted for ₱7.57 billion of the real estate revenues for the year versus ₱6.58 billion last year or a 15.0% increase. Metro Manila malls led by Robinsons Galleria and Robinsons Place Manila contributed to the growth while most provincial malls also posted decent growth in rental revenues. The Division's EBIT and EBITDA grew by 6.3% and 12.9%, respectively.

The Residential Division realized revenues rose to ₱6.04 billion for the year versus ₱4.42 billion last year, an increase of 36.7%due to the adoption of a buyer's equity requirement closer to prevailing industry practice in recognizing sales based on percentage of construction completion. Both EBIT and EBITDA have shown positive variances of 52.4% and 50.3%, respectively.

The Office Buildings Division revenues grew by 1.8% to ₱1.44 billion from ₱1.42 billion over the same period last year. This increase in lease income was due to improved or escalated rental rates of the leased spaces. The Division's EBIT and EBITDA showed positive variances of 4.5% and 2.1%, respectively.

The Hotels Division, a major contributor of RLC's recurring revenues, registered gross revenues of ₱1.50 billion, as against last year's ₱1.44 billion. The 4.1% increase in hotel revenues was principally due to higher occupancy rate. Hotel's Division EBIT grew by 19.1%, while EBITDA showed a positive variance of 14.1%.

Real estate cost and expenses went up by 28.3% to ₱6.92 billion from ₱5.40 billion last year. The higher level of realized sales of residential units brought cost of real estate sales to increase by 36.7%. Moreover the opening of new malls raised the level of depreciation expense of Commercial centers by 26.1%. Furthermore, cinema expenses rose by 17.7% due to higher level of cinema operations which in turn resulted to higher cinema revenues. Other expenses went up by 78.3% due mainly to higher contracted services, among others. Hotel expenses stood flat at ₱1.15 billion.

Interest income decreased to ₱61.9 million from ₱379.9 million last year due to lower level of cash and cash equivalents.

General and administrative expenses went up by 17.0% due to higher salaries, advertising and promotions and taxes and licenses, among others. Interest expense decreased by 68% due to higher level of capitalizable interest covering various capital expenditures.

Air transportation generated gross revenues of ₱41.0 billion for the year ended December 31, 2013 8.2% higher than the ₱ 37.90 billion revenues earned last year, mainly attributed to the 8.3% growth in passenger volume to 14.4 million from 13.3 million driven by the increased number of flights in 2013. Number of flights went up by 6.0% as a result of increase in number of aircraft operated to 48 aircraft as of December 31, 2013 from 41 aircraft as of end 2012. Increase in revenues, however, was partially offset by the reduction in average fares by 1.1% to ₱2,206 from ₱2,232 in 2012. Cargo revenues grew

9.6% to ₱2.61 billion for the year ended December 31, 2013 following the increase in the volume of and average freight charges of cargo transported in 2013. Moreover, ancillary revenues went up by 13.3% to ₱6.73 billion in 2013 from ₱5.94 billion in 2012. Cebu Air began unbundling ancillary products and services in 2011 and significant improvements in ancillary revenues were noted since then. Improved online bookings also contributed to the increase. Operating expenses went up 9.5% to ₱38.60 billion in 2013 from ₱35.24 billion last year. Major contributor to the higher expenses this year is the aviation fuel expenses which increased 11.2% from ₱17.56 billion in 2012 to ₱19.52 billion in 2013, consequent to the increase in volume of fuel consumed as a result of increased number of flights year on year. Rise in aviation fuel expenses, however, was partially offset by the reduction in aviation fuel prices as referenced by the decrease in average published fuel MOPS price of US$122.97 per barrel in the twelve months ended December 2013 from US$126.83 average per barrel in the same period last year. Depreciation and amortization expenses grew 24.8% to ₱3.46 billion for the year ended December 31, 2013 from ₱2.77 billion last year consequent to arrival of five Airbus A320 aircraft during the year. Aircraft and engine lease expenses went up 14.3% to ₱2.32 billion for the year 2013 from ₱2.03 billion charged in 2012 due to the lease of two Airbus A330 aircraft in 2013 and by the effect of the depreciation of Philippine Peso against the US dollar during the period. Cebu Pacific recognized lower interest income for the period from ₱415.77 million last year to ₱219.62 million this year due to the decrease in the balance of cash in bank and short-term placements year on year and lower interest rates. Fuel hedging gains for the year 2013 increased to ₱290.33 million from ₱258.54 million earned in the same period last year as a result of higher market valuation on fuel hedging positions consequent to the increase in fuel prices by end of 2013. Net foreign exchange losses of ₱2.06 billion for the year 2013 resulted from the weakening of the Philippine Peso against the US dollar as referenced by the depreciation of the Philippine Peso to ₱44.40 per US dollar as of December 31, 2013 from ₱41.05 per US dollar as of December 31, 2012. Cebu Air's major exposure to foreign exchange rate fluctuations is in respect of US dollar denominated long-term debt incurred in connection with aircraft acquisitions. As a result of the foregoing, net income for the year ended December 31, 2013 dropped to ₱511.95 million from ₱3.57 billion last year.

Petrochemicals gross revenues dropped 83.1% from ₱4.24 billion last year to ₱717.35 million in calendar year 2013 due to the technical shutdown of production since October 2012 in preparation for the naphtha cracker which will commence operations in 2014. Costs and expenses, consequently decreased 71.0% from ₱4.96 billion in calendar 2013 to ₱1.44 billion in 2013. Interest expense also dropped to ₱8.89 million in 2013 from ₱92.49 million in 2012 due to lower level of trust receipts for the period. Net loss for the year ended 2013 amounted to ₱622.63 million compared to ₱741.64 million last year.

Banking Services, generated net earnings of ₱452.34 million for the year ended December 31, 2013, a 15.8% growth from last year's net income of ₱390.58 million. Revenues increased 8.5% from ₱2.53 billion last year to ₱2.75 billion this year. Interest expenses dropped 25.1% to ₱558.11 million in 2013 due to lower interest rates for the period. The bank's total resources as of December 31, 2013 amounted to ₱46.07 billion from last year's ₱41.28 billion. Loans increased to ₱18.85 billion from last year's ₱18.28 billion, while deposit liabilities reached ₱38.77 billion this year.

Equity in net earnings of associates companies and joint ventures amounted to ₱2.28 billion for the year ended December 31, 2013, a 13.9% increase from last year's ₱2.0 billion. The increase is mainly due to take up of equity earnings from Meralco for the current period. Equity income from UIC, is slightly lower this year from ₱1.80 billion last year to ₱1.72 billion in 2013. **United Industrial Corporation, Limited** recorded a 1.0% decline in its net income from operations S$168.2 million in 2012 to S$167.18 million in 2013. The decrease in net income is mainly due to lower revenues as sale of properties showed a decline of 55.6% in 2013. Since the Group's policy for the valuation of property, plant and equipment is the cost basis method, the equity income taken up by the Group represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets.

Other Supplementary Business, Unicon recognized net income of ₱34.05 million in 2013 a 17.4% increase from last year's ₱29.0 million which can be attributed to higher commission income from ₱129.57 million last year to ₱138.51 million this year.

2012 vs 2011

I. CONSOLIDATED OPERATIONS

Results of Operations

JG Summit Holdings Inc.'s consolidated net income attributable to equity holders of the Parent Company from continuing operations recorded a 57.7% increase from ₱8.49 billion in 2011 to ₱13.40 billion in 2012. The Group's core net income after taxes, (Core net income is computed as net income attributable to equity holders of Parent company as adjusted for the net effect of gains/losses on foreign exchange, market valuations and derivative transactions before extraordinary gains from the sale of Digitel in 2011), grew 21.9% to ₱11.20 billion in 2012 from ₱9.19 billion in 2011. Consolidated EBITDA (operating income plus depreciation and amortization) reached ₱29.97 billion, up from last year's ₱25.80 billion. Dividends received from its 8% stake in PLDT which amounted to ₱2.95 billion, plus the continued appreciation of peso against the US dollar and the recovery in the market value of its bond and equity investments, have all contributed to the earnings growth. Including the extraordinary gains from sale of Digitel, which totaled to ₱13.04 billion in 2011, however, total net income attributable to equity holders of the parent dropped 37.8%.

Consolidated revenues grew 10.6% from ₱123.93 billion in 2011 to ₱137.02 billion this year as most subsidiaries posted decent revenue growth, except for our petrochemical business.

- URC's revenue of ₱73.10 billion for the year ended December 31, 2012, over previous year of ₱67.17 billion due to the strong performance of the branded consumer foods both domestic and international. The agro-industrial segment also recorded a slight increase due to higher prices of the feed business and higher sales volume of hogs and poultry products.
- CEB's 11.7% increase in gross revenues from ₱33.94 billion in 2011 to ₱37.90 billion in 2012 is brought about by 11.1% growth in passenger volume and higher ancillary revenues after implementing the unbundling of fares strategy.
- Real estate and hotel revenues posted an 8.4% growth from ₱12.79 billion to ₱13.87 billion due to higher revenues of most of its divisions, except for its Residential Division, which recorded lower realized revenues due to lower project completion.
- Banking revenues grew 7.4% to ₱2.53 billion during the period.

Petrochemical's revenues dropped 15.6% from ₱4.78 billion in 2011, to ₱4.04 billion in 2012 as it went on a technical shutdown in October 2012 to prepare for the completion and integration of its naphtha cracker which will commence operations in 2014.

Dividend income significantly increased from ₱244.96 million in 2011 to ₱3.20 billion this year mainly due to dividends received from PLDT amounting to ₱2.95 billion

However, our equity income from associates and joint ventures, declined 9.6% from ₱2.22 billion to ₱2.0 billion due to the lower income take-up from Singapore-based affiliate, United Industrial Corp. Ltd. (UIC). JG Summit owns a 36.08% stake in UIC as its earnings weaken due to lower revenues from hotel operations, rental and lower sales from trading properties.

Revenue from Other Supplementary business also dropped 22.3% as rent income and commission income decreased 50.3% and 9.1%, respectively for the period.

Consolidated cost of sales and services rose 7.4% from ₱86.71 billion last year to ₱93.12 billion. The increase is higher compared to revenue growth of our core businesses as the cost of sales and services, particularly in airline have risen significantly. Cebu Air's higher aviation fuel expenses (brought about by increased number of flights and surge in fuel prices during the period) and higher flight deck expenses contributed to the Group's increased cost of sales.

Consolidated operating expenses increased 16.2% as a result of a higher level of business activity of food and airline businesses.

The Group's financing costs and other charges (net of interest income) incurred for the year ended December 31, 2012 decreased by 23.9% from ₱2.14 billion in 2011 to ₱1.63 billion as the Group's level of borrowings declined after full settlement of $300 Million term loan in the last quarter of 2011, URC's $200 million guaranteed note in the 1st quarter of 2012 and RLC's ₱3 billion loan in May 2012. Mark-to-market gains recognized from our financial assets for 2012 amounted to ₱1.78 billion, from a net market valuation loss last year of ₱648.91 million. Net gain during the year is due to price recoveries from our bond investments and gains from additional investments acquired. The Group also recognized foreign exchange gain of ₱1.41 billion against foreign exchange loss reported last year of ₱245.88 million due to the sharp appreciation of the Philippine peso this year.

Other income, which include, management fees and gain on sale of financial instruments, among others, recorded a 69.3% decline from last year's due to lower management fees during the period.

Provision for income tax increased 46.3% due to higher taxable income of URC and recognition of deferred tax liabilities on unrealized foreign exchange gain of the food and airline businesses.

II. Segment Operations

Foods generated a consolidated sale of goods and services of ₱73.31 billion for the year ended December 31, 2012, 7.2% sales growth over previous year. Sale of goods and services performance by business segment follows: (1) URC's branded consumer foods segment, excluding packaging division, increased by 11.5% to ₱56.12 billion in 2012 from ₱50.35 billion registered in 2011. BCFG domestic operations posted a 17.5% increase in net sales from ₱30.54 billion in 2011 to ₱35.88 billion in 2012 due to strong performance of its beverage division on the back of the stellar performance of the coffee business particularly the new coffee mix products. In addition, RTD beverages have recovered on the account of growth in its tea, water and juice offerings. Sales for snack foods division grew at a slower pace due to competitive pressures as consumers go for lower priced and lower value-added products. BCFG international sales increased by 2.2% to ₱20.24 billion in 2012 against ₱19.81 billion in 2011. In US dollar (US$) term, sales registered an increase of 2.7% from US$462 million in 2011 to US$475 million in 2012 due to increase in sales volume. This was supported by higher revenues from all the countries except Thailand as the effects of flood continued to affect the sales of its main categories, biscuits and wafers, which are not consumer staples and are discretionary. Vietnam, the biggest contributor, has contributed 38.6% of total international sales in dollar terms. Vietnam continues to solidify its leadership in RTD tea business as C2 brand has already taken over the number one market position in that category. Indonesia also grew sales with its newly launched extruded snacks. Sale of goods and services of BCFG, excluding packaging division, accounted for 76.6% of total URC consolidated sale of goods and services for 2012. Sale of goods and services in URC's packaging division slightly went down by 14.4% to ₱1.63 billion in 2012 from ₱1.90 billion recorded in 2011 due to decline in prices, pulling down the impact of increased sales volume. (2) Sale of goods and services in Agro-Industrial segment (AIG) amounted to ₱7.43 billion in 2012, a slight increase from **₱7.3**8 billion recorded in 2011. Feed business slightly grew on the back of higher prices while farm business increased due to higher sales volume of hogs and poultry products. (3) Sale of goods and services in commodity foods segment amounted to ₱8.13 billion in 2012 or down by 7.5% from ₱8.79 billion reported in 2011. Sugar business sales declined by 15.6% due to lower selling prices and volume as a result of lower production yields caused by the excessive rains during the growing seasons. Flour business grew as a result of sales volume growth and better prices.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by 4.5%, to ₱53.85 billion in 2012 from ₱51.56 billion recorded in 2011 due to increase in sales volume.

URC's gross profit for 2012 amounted to ₱19.45 billion, up by 15.4% from ₱16.85 billion reported in 2011. Gross profit margin increased by 190 basis points from 24.6% in 2011 to 26.5% in 2012. Selling and distribution costs, and general and administrative expenses rose by 12.7% to ₱11.21 billion in 2012 from ₱9.95 billion registered in 2011. This increase resulted primarily from the following factors: (a) 15.6% increase in advertising and promotion costs to ₱4.30 billion in 2012 from ₱ 3.72 billion in 2011 to support the new SKUs launched and boost up sales of existing products in light of increasing market competition; (2) 12.8% increase in freight and delivery charges to ₱2.95 billion in 2012 from ₱2.62 billion in 2011 due to increase in trucking and shipping costs associated with increased volume; (3) 9.3% increase in compensation and benefits to ₱2.39 billion in 2012 from ₱2.19 billion in 2011 due to annual salary adjustments and accrual of pension expenses.

As a result of the above factors, operating income increased by 19.4% to ₱8.25 billion in 2012 from ₱6.91 billion reported in 2011.

Market valuation gain on financial instruments at fair value through profit or loss of ₱1.46 billion was reported in 2012 against the ₱296 million market valuation loss in 2011 due to significant recoveries in the market values of bond and equity investments.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by ₱97 million to ₱1.26 billion in 2012 from ₱1.16 billion in 2011 due to increased level of financial assets.

URC's finance costs consist mainly of interest expense which decreased by 45.6%, to ₱556 million in 2012 from ₱1.02 billion recorded in 2011 due to decline in level of financial debt resulting from settlement of long-term debt.

Foreign exchange loss - net amounted to ₱1.15 billion in 2012 from ₱232 million gain reported in 2011 due to higher unrealized foreign exchange loss on translation of foreign currency denominated accounts as a result of continuous appreciation of Philippine peso vis-a vis US dollar.

Impairment loss of ₱198 million was reported in 2012, an increase of 18.3% from

₱167 million in 2011 due to higher impairment loss recognized on trademark in 2012.

Loss on sale of investments decreased to ₱13 million in 2012 from nil in 2011. Loss on sale in 2012 represents loss on disposal of certain bond and equity investments.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other income - net of ₱67 million was reported in 2012 against the ₱49 million other expenses - net in 2011 due to gain on sale of certain fixed assets in 2012.

The Company recognized provision for income tax of ₱1.02 billion in 2012, 35.9% increase from ₱752 million in 2011 due to higher taxable.

URC's net income for 2012 amounted to ₱8.12 billion, higher by 34.3% from ₱6.04 billion in 2011, due to higher operating income and significant increase in market valuation gain on bond and equity holdings.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) for 2012 amounted to ₱9.03 billion, an increase of 28.5% from ₱7.03 billion recorded in 2011.

Net income attributable to equity holders of the parent increased by 38.9% to ₱7.82 billion in 2012 from ₱5.63 billion in 2011 as a result of the factors discussed above.

Minority interest represents primarily the share in the net income (loss) attributable to minority shareholders of the following subsidiaries of URC: URC International, URC's direct subsidiary in which it holds approximately 77.0% economic interest as of July 2012 and Nissin- URC, URC's 65.0%-owned subsidiary. In August 2012, the Company acquired the remaining 23.0% minority interest in URC International making it a wholly owned subsidiary. As a result, minority interest in net income of subsidiaries decreased from ₱410 million in 2011 to ₱296 million in 2012.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱11.67 billion for 2012, 14.7% higher than ₱10.17 billion posted in 2011.

Real estate and hotels generated total gross revenues of ₱13.86 billion for calendar year 2012, an increase of 4.9% from ₱ 13.21 billion total gross revenues for calendar year 2011. EBIT (Operating income) grew 15.0% to ₱5.37 billion while EBITDA (Operating income plus depreciation) posted a 10.2% growth to ₱7.50 billion. Net income stood at ₱4.28 billion, up by 4.2% compared to last year.

The Commercial Centers Division accounted for ₱6.58 billion of the real estate revenues for the year versus ₱5.92 billion last year or 11.1% increase. Significant rental increment was contributed by the new malls opened in fiscal 2012. Also our flagship malls – Robinsons Galleria and Robinsons Place Manila and almost all provincial malls posted decent growth in rental revenues. The Division's EBIT and EBITDA have shown positive variances of 20.7% and 13.3%, respectively.

The Residential Division realized gross revenues of ₱4.42 billion is slightly lower by 5.6% from ₱4.68 billion last year due to lower project completion of various ongoing projects. Both EBIT and EBITDA, however, have shown a positive variance of 5% due to lower level of operational expenses.

The Office Buildings Division reported revenues of ₱1.42 billion compared to ₱1.38 billion over the same period last year. This 2.8% increase in lease income was due mainly to new office space available for lease in Robinsons Cybergate Tower 3 and completion of Cybergate Plaza. The Division's EBIT and EBITDA have shown positive variances of 3.2% and 2.3%, respectively.

The Hotels Division, a major contributor of RLC's recurring revenues, registered gross revenues of ₱1.44 billion, as against last year's ₱1.23 billion. The 17.3% increase in hotel revenues was principally due to higher occupancy rates. Hotel's Division EBIT grew by 47.2%, while EBITDA showed a positive variance of 19.6%.

Real estate cost and expenses went up to ₱5.40 billion this year. As a result of the slight decrease in realized gross revenues of the Residential Division, cost of real estate sale of sold residential units decreased by 12%. Hotel expenses slightly increased to ₱1.15 billion or 11.4% as compared to last year of ₱1.03 billion due to higher operational expenses at Crowne Plaza and Holiday Inn.

Interest income slightly decreased to ₱379.9 million from ₱440.7 million last year due to slightly lower level of money market placements.

General and administrative expenses went up by 1.3% due to higher salaries, advertising and promotions and taxes and licenses, among others. Interest expense decreased by 92.5% due to higher level of capitalizable interest covering various capital expenditures.

Air transportation generated gross revenues of ₱37.90 billion for the year ended December 31, 2012 11.7% higher from last year's ₱33.94 billion, mainly attributed to the 11.1% growth in passenger volume driven by the increased number of flights and higher seat load factor of 82.7% in 2012. Number of flights went up by 12.5% as a result of increase in number of aircraft operated to 41 aircraft as of December 31, 2012 from 37 aircraft as of end 2011. Moreover, baggage fee and ancillary revenues went up by 30.9% to ₱3.27 billion in 2012 from ₱2.50 billion in 2011. As part of its unbundling of fares strategy, Cebu Air commenced charging for every checked-in luggage with the elimination of free baggage allowance. Cost of services and operating expenses went up 15.2% to ₱35.24 billion in 2012 from ₱30.60 billion last year. Major contributor to the higher expenses this year is the aviation fuel expenses which increased 15.4% from ₱15.22 billion in 2011 to ₱17.56 billion in 2012, consequent to the increase in volume of fuel consumed as a result of increased number of flights year on year. Rise in aviation fuel expenses was further influenced by the surge in aviation fuel prices as referenced by the increase in average published fuel MOPS price of US$126.83 per barrel in the twelve months ended December 2012 from US$125.50 average per barrel in the same period last year. Higher flight deck expenses owing to higher pilot costs, including training, also contributed to the increase in expenses for the period. Cebu Pacific recognized lower interest income for the period from ₱647.40 million last year to ₱415.77 million this year due to sale of it bond investments during the period. Foreign exchange gain increased significantly to ₱1.20 billion from ₱50.15 million last year as a result of peso appreciation during the period. As a result of the foregoing, net income for the year ended December 31, 2012 slightly dropped to ₱3.57 billion from ₱3.62 billion last year.

Petrochemicals gross revenues dropped 26.6% from ₱5.78 billion last year to ₱4.24 billion for the calendar year ended December 31, 2012 due to lower production this year from 87,176MT in 2011 to 68,063MT in 2012. Costs and expenses, consequently dropped to ₱4.96 billion. Gross loss for the period increased from ₱12.30 million in 2011 to ₱414.36 million in 2012. A net foreign exchange gain of ₱63.51 million was recognized in 2012 compared to a net foreign exchange loss of ₱2.22 million last year. Net loss for fiscal year ended 2012 increased 93.2% amounting to ₱741.64 million compared to only ₱383.97 million last year.

Banking Services, generated net earnings of ₱389.90 million for the year ended December 31, 2012, a slight 1.4% growth from last year's net income of ₱384.38 million. The increase is mainly due to the 7.4% growth in revenues recorded this year from ₱2.36 billion last year to ₱2.53 billion this year. In December 26, 2012, SEC approved RBC's acquisition of 100% stake in Legazpi Savings Bank, which increased the bank's total resources as of December 31, 2012 to ₱41.33 billion from last year's ₱31.52 billion. Loans increased to ₱17.67 billion from last year's ₱12.58 billion, deposit liabilities likewise, increased to ₱33.96 billion this year from ₱25.19 billion last year.

Equity in net earnings of associates companies and joint ventures amounted to ₱2.0 billion for the year ended December 31, 2012, a 9.6% decline from last year's ₱2.22 billion. Decrease in equity income is mainly due to UIC, which recorded lower net income before fair value gain (loss) on investment properties this year. **United Industrial Corporation, Limited** recorded a 16.0% decline in its net income from operations S$200.23 million in 2011 to S$168.24 million in 2012. The decrease in net income is mainly due to lower revenues during the year as rental income, revenue from hotel operations and revenues from sale of properties all showed a decline of 5.8%, 39.0% and 5.5%, respectively. 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.

Other Supplementary Business, Unicon recognized net income of ₱29.0 million in 2012 a 26.3% drop from last year's ₱ 39.37 million mainly due to lower commission income of ₱129.57 million this year compared to ₱142.56 million last year. Decrease in commission income is due to Digitel's transfer to another broker after expiration of their insurance coverage during the year.

FINANCIAL RESOURCES AND LIQUIDITY

2014 vs 2013

Cash & cash equivalents decreased to ₱37.47 billion as of December 31, 2014, from ₱38.63 billion as of December 31, 2013. Cash used in operating activities amounted to ₱17.79 billion. As of December 31, 2014, net cash used in investing activities amounted to ₱54.71 billion mainly related to the acquisition of NZSFHL, the holding company of Griffin's Food Limited and capital expenditure program amounting to ₱37.98 billion. The Group's cash from financing activities amounted to ₱71.34 billion particularly from the ₱30 billion bond issuance of Parent Company, URC's loan availment of ₱25.46 billion to finance their acquisition of NZSFHL and availment of trust receipts of Petrochem and Olefins for their operations, which commenced in latter part of 2014. Our financial assets, including those held at fair value through profit and loss, available for sale investments and held to maturity amounted to ₱64.54 billion because of acquisitions during the period offset by lower market valuation during the year.

Derivative assets, including noncurrent portion decreased 54.3% from ₱338.31 million to ₱154.61 million due to market valuation loss recognized from interest rate swap transaction of an offshore company. Aside from this, last year's balance include a derivative asset from fuel hedging of our airline business.

Receivables, including noncurrent portion increased 23.6% from ₱35.40 billion as of December 31, 2013 to ₱43.77 billion in 2014 due to higher level of trade receivables including that of Olefins, which started commercial operations in the last quarter of 2014. Installment contracts receivable of the real estate business and finance receivables of the bank also increased.

Inventories rose 63.7% from ₱24.52 billion as of December 31, 2013 to ₱40.13 billion as of December 31, 2014 mainly due to higher level of raw materials, finished goods and work in process from the foods, petrochemical and olefins businesses in 2014. In addition to this, higher subdivision land and condominium and residential units for sale of real estate business also contributed to the increase.

Other current assets increased 63.1% to ₱12.30 billion in December 31, 2014 from ₱7.54 billion in 2013 due to reclassification of input tax of Olefins from noncurrent to current during the year since it started commercial operations.

Investment properties rose 6.6% from ₱53.45 billion as of December 31, 2013 to ₱56.98 billion as of December 31, 2014 due to acquisition of several land properties both for residential and commercial development. The completion of construction of Robinsons Santiago, Robinsons Roxas, Robinsons Antipolo and Robinsons Las Pinas during the calendar year and ongoing mall constructions at Robinsons Maxilom contributed to the increase.

Property, plant and equipment increased 20.6% from ₱122.28 billion to ₱147.49 billion due to the several plant expansion projects of our branded consumer foods, completion of construction of the naphtha cracking facility and petrochemical's plant rehabilitation and acquisition of five Airbus A320 aircraft.

Biological assets, including noncurrent portion, grew 15.9% due to increase in population and market value of hogs.

Goodwill significantly increased to ₱16.88 billion as of December 31, 2014 from only ₱1.04 billion in 2013 mainly from the acquisition of NZSFHL (holding company of Griffin's Food Ltd) and Tiger Airways during the period.

Intangible assets increased from ₱1.35 billion as of December 31, 2013 to ₱7.18 billion as of December 31, 2014 due to trademarks and product formulation recognized by URC from its acquisition of NZSFHL.

Other noncurrent assets decreased 49.5% from ₱6.96 billion in 2013 to ₱3.51 billion in 2014 due to reclassification of input tax from JG Olefins naphtha cracker plant to current portion as it started commercial operations during the year.

Consolidated total assets reached ₱558.78 billion as of end of December 2014.

Accounts payable and accrued expenses decreased from ₱91.48 billion as of December 31, 2014 to ₱67.40 billion as of December 31, 2014 mainly from settlement of payable to San Miguel related to purchase of Meralco shares.

Short term debt grew 25.5% to ₱44.29 billion as of December 31, 2014 from ₱35.29 billion in 2013 due to availment of RLC of short term loans and higher level of trust receipts of petrochemical and olefins businesses.

Derivative liabilities, including noncurrent portion, totaling ₱2.27 billion is mainly from fuel hedging of our airline business.

Income tax payable increased 21.7% due to higher level of tax payable of the food business.

Other current liabilities increased 23.3% from ₱7.77 billion in 2013 to ₱9.58 billion this year due to higher unearned revenue of our airline business brought about by the increase in the sale of passenger travel services.

Long-term debt, including current portion, increased 76.5% from ₱89.28 billion as of December 31, 2013 to ₱157.55 billion as of December 31, 2014 due to issuance of Parent Company of ₱30B retail bond and availment of ₱9B term loan. There's also availment of NZ loans by URC to finance the acquisition of NZSFHL.

Deferred tax liabilities rose to ₱4.59 billion as of December 31, 2014 from ₱1.72 billion in 2013 increase is related to booked deferred tax liability of NZSFHL plus deferred tax related to the fair valuation of acquired assets from the purchase of Tiger Airways.

Other noncurrent liabilities decreased 6.2% to ₱9.69 billion as of December 31, 2014 mainly due to payments made for aircraft restorations during the year applied against asset retirement obligation (ARO) of the airline segment. Lower level of pension liability also contributed to the decrease.

Stockholders' equity, excluding minority interest, stood at ₱207.62 billion as of December 31, 2014 from ₱186.18 billion last year.

2013 vs 2012

Cash & cash equivalents rose to ₱38.63 billion as of December 31, 2013, from ₱19.50 billion as of December 31, 2012. Cash from operating activities amounted to ₱40.75 billion. As of December 31, 2013, net cash used in investing activities amounted to ₱62.75 billion mainly related to the acquisition of investment in Meralco and capital expenditure program amounting to ₱36.30 billion. The Group's cash from financing activities amounted to ₱41.13 billion particularly from bond issuance of US$750 Million in January 2013, availment of US$250 Million term loan and ₱18.4 billion short term loans, offset by settlement of our loans, particularly the pre-termination of the ₱4.31 billion and ₱3.0 billion fixed rate peso notes which were originally due in September 2013 and March 2014, respectively. The Parent Company also completed a top-up equity placement involving the re-issuance of treasury shares and new common shares amounting to ₱8.80 billion in December. Our financial assets, including those held at fair value through profit and loss, available for sale investments and held to maturity amounted to ₱72.31 billion because of acquisitions during the period offset by lower market valuation during the year.

Derivative assets, including noncurrent portion increased 11.82% from ₱302.55 million to ₱338.31 million mainly due to derivative asset recognized from interest rate swap transaction of an offshore company.

Receivables, including noncurrent portion increased 13.0% from ₱31.32 billion as of December 31, 2012 to ₱35.40 billion in 2013 due to higher level of trade receivables of the food and airline businesses, installment contracts receivable of the real estate segment and finance receivables of the bank.

Other current assets increased 22.0% to ₱7.54 billion in December 31, 2013 from ₱6.18 billion in 2012 due to the Escrow account pertaining to restricted cash recorded by the real estate business amounting to ₱929.87 million during the period. These are actually cash placed in escrow funds earmarked for the acquisition of parcels of land, pursuant to the memorandum of agreement with various sellers. Aside from this, advances to lot owners of the real estate also reached ₱660.04 million from only ₱133.52 million last year.

Investments in associates and joint ventures increased significantly in 2013 from acquisition of a 27.1% stake in Meralco, which amounted to ₱71.8 billion in December 2013.

Investment properties rose 11.0% from ₱48.17 billion as of December 31, 2012 to ₱53.45 billion as of December 31, 2013 due to acquisition of several land properties both for residential and commercial development. The completion of construction of Robinsons Butuan, Robinsons Malabon, and Robinsons Malolos during the calendar year and ongoing mall constructions at Robinsons Maxilom, Robinsons Roxas, and Robinsons Santiago contributed to the increase.

Property, plant and equipment increased 20.3% from ₱101.62 billion to ₱122.28 billion due to the several plant expansion projects of our branded consumer foods, on-going construction of Naphtha cracking facility and acquisition of five Airbus A320 aircraft and two spare engines, one each for A320 and A330 aircraft during the period.

Other noncurrent assets increased 25.4% from ₱5.55 billion in 2012 to ₱6.96 billion in 2013 due to increase in advances to suppliers pertaining to the capital expenditures recognized by the airline, petrochemical and olefins businesses. Aside from this, there is the continuous recognition of input tax from the ongoing construction of the JG Olefins naphtha cracker plant. Deferred tax assets also increased from unrealized foreign exchange losses and unrealized pension costs during the year.

Consolidated total assets reached ₱473.62 billion as of end of December 2013.

Accounts payable and accrued expenses significantly increased from ₱38.64 billion as of December 31, 2012 to ₱91.48 billion as of December 31, 2013 mainly from recognition of payable to San Miguel related to purchase of Meralco shares. Deposit liabilities of the bank business also increased 72.6% during the period.

Short term debt grew 91.6% to ₱35.29 billion as of December 31, 2013 from ₱18.42 billion in 2012 as Parent company availed of ₱18.4 billion peso loan for payment to SMC for the acquisition of Meralco shares offset by settlement of some loans and trust receipts during the period. RLC also availed of P3.09 billion short term loan during the year.

Derivative liabilities, including noncurrent portion, have been realized upon settlement of its related financial instruments.

Income tax payable increased 84.1% due to higher level of tax payable of the food, real estate and bank businesses.

Other current liabilities dropped 9.3% from ₱8.56 billion in 2012 to ₱7.77 billion this year due to lower level of unearned transportation revenue due to lesser forward bookings for the period. Cebu Air also returned the deposit from foreign carrier amounting to ₱410.5 million this year.

Long-term debt, including current portion, increased 44.7% from ₱61.68 billion as of December 31, 2012 to ₱89.28 billion as of December 31, 2013 due to availment of US$250 million loan and issuance of US$750 million bond by an offshore company, partially offset by early settlement of Parent Company and URC's ₱4.3B and ₱3B loans, respectively. RLC also settled its maturing ₱2B loan during the period.

Other noncurrent liabilities dropped 16.6% to ₱10.33 billion as of December 31, 2013 mainly due to lower level of noncurrent deposit liabilities of the bank and accrued maintenance of the airline business.

Stockholders' equity, excluding minority interest, stood at ₱186.18 billion as of December 31, 2013 from ₱156.72 billion last year.

2012 vs 2011

Cash & cash equivalents dropped from ₱33.90 billion as of December 31, 2011, to ₱19.50 billion as of December 31, 2012. Cash from operating activities amounted to ₱24.23 billion. As of December 31, 2012, net cash used in investing activities amounted to ₱26.21 billion mainly for the Company's capital expenditure program. The Group's cash used in financing activities amounted to ₱12.21 billion pertaining to settlement of some of its long-term debt totaling ₱13.36 billion and payment for acquisition of noncontrolling interest made by a subsidiary amounting to ₱7.20 billion. However these were offset by proceeds from the sale of treasury shares of both Parent Company and of a subsidiary totaling ₱8.79 billion. Our financial assets, including those held at fair value through profit and loss and available for sale investments, increased 7.3% due to acquisition of debt instruments and equity investments and higher market valuation during the year.

Derivative assets increased 173.1% from ₱110.79 million to ₱302.55 million this year since RLC's derivative assets are now classified under current portion from noncurrent last year. Cebu Air also recognized higher derivative assets on its fuel hedges this year.

Receivables, including noncurrent portion increased 26.1% from ₱24.84 billion as of December 31, 2011 to ₱31.32 billion in 2012 mainly due to higher finance receivables of banks after acquiring a new subsidiary, Legazpi Savings Bank, during the year.

Inventories rose 17.6% from ₱20.44 billion as of December 31, 2011 to ₱24.03 billion as of December 31, 2012 mainly due to higher level of subdivision land and condominium and residential units for sale of real estate business. Aside from this, level of finished goods of the food and petrochemical businesses has increased during the period.

Other current assets dropped 17.8% to ₱6.18 billion in December 31, 2012 from ₱7.52 billion in 2011 after receiving a portion of the escrow account amounting to ₱2.81 billion during the period.

Investment properties rose 15.0% from ₱41.88 billion as of December 31, 2011 to ₱48.17 billion as of December 31, 2011 due to acquisition of land for future development.

Property, plant and equipment increased 25.0% from ₱81.30 billion to ₱101.62 billion due to the on-going expansion of our branded consumer foods, on-going construction of Olefins and acquisition of four Airbus A320 aircraft during the period.

Biological assets, including noncurrent portion, grew 8.4% due to increase in population of livestock, net of decline in market value of hogs.

Goodwill and intangibles rose 30.6% and 48.1%, respectively during the year mainly related to acquisition of a new subsidiary by the bank.

Other noncurrent assets grew 192.6% from ₱1.90 billion in 2011 to ₱5.55 billion in 2012 mainly due to significant increase in advances to suppliers pertaining to the capital expenditures recognized by the food, airline, petrochemical and olefins businesses. Aside from this, there is the continuous recognition of input tax from the ongoing construction of the JG Olefins naphtha cracker plant.

Consolidated total assets reached ₱345.46 billion as of end of December 2012.

Accounts payable and accrued expenses increased 60.0% from ₱24.98 billion as of December 31, 2011 to ₱39.98 billion as of December 31, 2012 due to higher level of deposit liabilities of the banks.

Derivative liabilities, including noncurrent portion, dropped 87.17% to ₱39.00 million in 2012 from ₱303.93 million in 2011 due to recovery on the market valuation of interest-rate swap transaction of an offshore company.

Income tax payable increased 96.1% mainly due to higher level of tax payable of the real estate business.

Other current liabilities grew 27.6% from ₱6.71 billion in 2011 to ₱8.56 billion this year due to higher level of unearned transportation revenue due to increase in sale of passenger travel services. Cebu Air also recognized deposit to foreign carrier amounting to ₱410.5 million this year.

Long-term debt, including current portion, dropped 13.8% from ₱71.52 billion as of December 31, 2011 to ₱61.68 billion as of December 31, 2012 due to settlement of URC's $200 Million Guaranteed Note and ₱26 Million peso loan from Philsucor. RLC also settled its ₱3 Billion peso loan during the period.

Deferred income tax liabilities increased 78.9% from ₱1.0 billion as of December 31, 2011 to ₱1.79 billion as of December 31, 2012 due to the recognition of deferred tax on unrealized foreign exchange gain, market valuation of hogs and the higher level of financial income against taxable income from installment sales of condo and housing units of real estate business, net of provision for deferred tax asset on accrual of pension expense.

Other noncurrent liabilities grew 29.3% to ₱12.39 billion as of December 31, 2012 mainly due to higher level of deposit liabilities of the bank.

Stockholders' equity, excluding minority interest, stood at ₱156.72 billion as of December 31, 2012 from ₱141.17 billion last year.

KEY FINANCIAL INDICATORS

The Company sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as of December 31, 2014, 2013 and 2012.

Key Financial Indicators	**2014**	**2013**	**2012**
Revenues	₱184.81 Billion	₱150.35 Billion	₱137.02 Billion
EBIT	₱37.48 Billion	₱25.40 Billion	₱21.34 Billion
EBITDA	₱49.23 Billion	₱35.44 Billion	₱29.97 Billion
Core net income after taxes	₱20.30 Billion	₱13.65 Billion	₱11.20 Billion
Net income attributable to equity holders of the Parent Company	₱18.25 Billion	₱10.43 Billion	₱13.40 Billion
Liquidity Ratio:			
Current ratio	1.10	0.74	1.09
Solvency ratios:			
Gearing ratio	0.77	0.53	0.40
Net debt to equity ratio	0.59	0.32	0.18
Asset-to-equity ratio	2.14	2.01	1.71
Interest rate coverage ratio	8.46	9.17	7.60
Profitability ratio:			
Operating margin	0.20	0.17	0.16
Book value per share	₱29.58	₱27.39	₱23.25

The manner in which the Company calculates the above key performance indicators is as follows:

Key Financial Indicators		
Revenues	=	Total of sales and services, income from banking business, dividend income and equity in net earnings
EBIT	=	Operating income
EBITDA	=	Operating income add back depreciation and amortization expense.
Core net income after taxes	=	Net income attributable to equity holders of Parent company as adjusted for the net effect of gains/losses on foreign exchange, market valuations and derivative transactions
Current ratio	=	Total current assets over current liabilities
Gearing ratio	=	Total Financial Debt over Total Equity.
Net debt to equity ratio	=	Total Financial Debt less Cash including Financial Assets at FVPL and AFS investments (excluding RBC Cash, Financial assets at FVPL and AFS investments) over Total Equity.
Asset-to-equity ratio	=	Total Assets over Total Equity
Interest rate coverage ratio	=	EBITDA over Interest Expense
Operating Margin	=	Operating Income over Revenue
Book value per share	=	Stockholders' Equity (Equity attributable to parent) over outstanding number of common shares

Current assets amounted to ₱143.0 billion while current liabilities reached ₱129.81 billion, for a current ratio of 1.10:1. On February 27, 2014, the Parent Company successfully issued ₱30.0 billion Fixed Rate Corporate Bonds, one of the biggest debt issuances of the year. This has improved the Company's liquidity position as it has refinanced short-term borrowings.

Total financial debt amounted to ₱201.84 billion in 2014, higher than last year's ₱124.57 billion. The increase was brought about by issuance of ₱30B retail bond and ₱9B term loan by the Parent Company and URC's NZD729.58 million loan, bringing our gearing ratio to a level of 0.77:1, well within the financial covenant of 2.0:1. Net debt stood at ₱154.84 billion, bringing our net debt to equity ratio to 0.59:1.

The Company, in the normal course of business, makes various commitments and has certain contingent liabilities that are not reflected in the accompanying consolidated financial statements. The commitments and contingent liabilities include various guarantees, commitments to extend credit, standby letters of credit for the purchase of equipment, tax assessments and bank guarantees through its subsidiary bank. The Company does not anticipate any material losses as a result of these transactions.

DISCLOSURE OF EFFECTS OF PESO DEPRECIATION AND OTHER CURRENT EVENTS

Refer to Management Discussion and Analysis on pages 43-67 of this report and Note 4 of the Consolidated Financial Statements.

Item 8. Financial Statements

The Consolidated financial statements are filed as part of this report.

Item 9. Information on Independent Accountant and other Related Matters

A. External Audit Fees and Services

Audit and Audit - Related Fees

The following table sets out the aggregate fees billed to the Company for each of the last three (3) years for professional services rendered by SyCip, Gorres Velayo & Co.,

	2014	**2013**	**2012**
Audit and Audit-Related Fees			
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱2,915,215	₱2,770,966	₱2,570,966
Professional Fees for due diligence review for bond offering	None	8,500,000	10,500,000
Tax Fees	None	None	None
All Other Fees	None	None	None
Total	**₱2,915,215**	**₱11,270,966**	**₱13,070,966**

No other service was provided by external auditors to the Company for the calendar years 2014, 2013 and 2012.

The audit committee's approval policies and procedures for the services rendered by the external auditors

The Corporate Governance Manual of the Company provides that the audit committee shall, among others:

1. Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company.

2. Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.

3. Ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

B. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

NONE.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Registrant

DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The names and ages of directors and executive officers of the Company are as follows:

1. DIRECTORS

Director, Chairman Emeritus	John Gokongwei, Jr.	88	Filipino
Director, Chairman and Chief Executive Officer	James L. Go	75	Filipino
Director, President and Chief Operating Officer	Lance Y. Gokongwei	48	Filipino
Director	Lily G. Ngochua	83	Filipino
Director	Patrick Henry C. Go	44	Filipino
Director	Johnson Robert G. Go Jr.	49	Filipino
Director	Robina Y. Gokongwei-Pe	53	Filipino
Director	Ricardo J. Romulo	81	Filipino
Director (Independent)	Cornelio T. Peralta	81	Filipino
Director (Independent)	Jose T. Pardo	75	Filipino
Director (Independent)	Renato de Guzman	64	Filipino

2. MEMBERS OF ADVISORY BOARD

Member of Advisory Board	Aloysius B. Colayco	64	Filipino
Member of Advisory Board	Washington Z. SyCip	93	Filipino
Member of Advisory Board	Jimmy Tang	79	Filipino

3. EXECUTIVE OFFICERS

Senior Vice President - Corporate Controller	Constante T. Santos	66	Filipino
Senior Vice President - Corporate Planning	Bach Johann M. Sebastian	53	Filipino
Senior Vice President - Corporate Human Resource	Nicasio L. Lim	58	Filipino
Vice President and Treasurer	Aldrich T. Javellana	41	Filipino

Deputy Treasurer	Chona R. Ferrer	57	Filipino
Corporate Secretary	Rosalinda F. Rivera	44	Filipino

All of the above directors and officers have served their respective offices since June 26, 2014, except for Mr. Renato de Guzman who was elected last April 28, 2015.

Messrs. Cornelio T. Peralta, Jose T. Pardo and Renato de Guzman are the "Independent Directors" of the Company as defined under SRC Rule 38.1.

The directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

Officers are appointed or elected annually by the Board of Directors. Appointed or elected officers are to hold office until a successor shall have been elected, appointed or shall have qualified.

A brief description of the directors' and executive officers' business experience and other directorships held in other reporting companies are provided as follows:

1. John L. Gokongwei, Jr., 88**,** is the founder and Chairman Emeritus of JG Summit Holdings, Inc. (JGSHI). He is a member of the Board of Directors of JGSHI and certain of its subsidiaries. He also continues to be a member of the Executive Committee of JGSHI and is Chairman Emeritus of certain of its subsidiaries. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., Chairman and Chief Executive Officer of Robinsons Retail Holdings, Inc., Deputy Chairman and Director of United Industrial Corporation Limited, a director of Cebu Air, Inc., and Oriental Petroleum and Minerals Corporation. He was elected a director of Manila Electric Company on March 31, 2014. He is also a non-executive director of A. Soriano Corporation. Mr. Gokongwei received a Master's degree in Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

2. James L. Go, 75, is the Chairman and Chief Executive Officer of JGSHI and Oriental Petroleum and Minerals Corporation. He is the Chairman of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Vice Chairman and Deputy Chief Executive Officer of Robinsons Retail Holdings, Inc. and a director of Cebu Air, Inc., Marina Center Holdings, Private Limited, United Industrial Corporation Limited, and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the Philippine Long Distance Telephone Company (PLDT) since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. James L. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

3. Lance Y. Gokongwei, 48, is the President and Chief Operating Officer of JGSHI. He is also the President and Chief Executive Officer of Universal Robina Corporation, Cebu Air, Inc., JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Vice Chairman and Chief Executive Officer of Robinsons Land Corporation. He is the Chairman of Robinsons Bank Corporation, Vice Chairman of Robinsons Retail Holdings, Inc., and Manila Electric Company. He is also a director of Oriental Petroleum and Minerals Corporation, United Industrial Corporation Limited. He is a trustee and secretary of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania

4. Lily G. Ngochua, 83**,** has been a director of JGSHI since its formation in 1990. She is responsible for overseeing the Company's hotel and agro-industrial business in Cebu. She also supervises the purchasing and treasury departments of the URC Biscuit and Noodle Plants in Cebu and handles the treasury functions of the retail and mall business in Cebu. She received a Bachelor of Arts degree from Maryknoll College in Quezon City in 1957.

5. Johnson Robert G. Go, Jr., 49, was elected as a director of JGSHI on August 18, 2005. He is currently a director of Universal Robina Corporation, Robinsons Land Corporation, and Robinsons Bank Corporation. He is also a trustee of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Arts degree in Interdisciplinary Studies (Liberal Arts) from the Ateneo de Manila University. He is a nephew of Mr. John L. Gokongwei, Jr.

6. Patrick Henry C. Go, 44, has been a director of JGSHI since 2000. He is currently a director and Vice President of Universal Robina Corporation and is Executive Vice President and Senior Managing Director of JG Summit Petrochemical Corporation, URC Packing Division, CFC Flexible Packaging Division and JG Summit Olefins Corporation. In addition, he is a director of Robinsons Land Corporation and Robinsons Bank Corporation. He is a trustee and treasurer of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Management from the Ateneo De Manila University and attended the General Manager Program at Harvard Business School. Mr. Patrick Henry C. Go is a nephew of Mr. John L. Gokongwei, Jr.

7. Robina Y. Gokongwei-Pe, 53, was elected as a director of JGSHI on April 15, 2009. She is also a director of Robinsons Land Corporation, Cebu Air, Inc., Robinsons Bank Corporation and JG Summit Capital Markets Corporation. She is currently the President and Chief Operating Officer of the Robinsons Retail Holdings, Inc. She obtained her Bachelor of Arts degree in Journalism from the New York University. She is a daughter of Mr. John L. Gokongwei, Jr.

8. Ricardo J. Romulo, 81, has been a director of JGSHI since July 26, 2000. He is a Senior Partner of Romulo Mabanta Buenaventura Sayoc & De Los Angeles. He is Chairman of Cebu Air, Inc., Federal Phoenix Assurance Company, Inc. and InterPhil Laboratories, Inc. He is a director of Philippine American Life and General Insurance Company and Zuellig Pharma Corporation. He received his Bachelor of Laws degree from Georgetown University and Doctor of Laws degree from Harvard Law School.

9. Cornelio T. Peralta, 81, was elected as an independent director of JGSHI on July 26, 2000. He is a director of Philippine Stock Exchange, University of the East, UERM Medical Center, Inc., Makati Commercial Estate Association, Inc., Securities Clearing Corporation of the Philippines, and Wan Hai Lines, Inc. He was formerly Chairman, CEO and President of Kimberly Clark Philippines, Inc. (1971-1998) and former President of P.T. Kimsari Paper Indonesia (1985-1998) and Chairman & CEO of University of the East (1982-1984). He finished Bachelor of Arts, cum laude, and Bachelor of Laws, degrees from the University of the Philippines and took up Advanced Management Program at Harvard Graduate School of Business.

10. Jose T. Pardo, 75, was elected as an independent director of JGSHI on August 6, 2003. He is presently the Chairman of the Philippine Stock Exchange, Securities Clearing Corporation of the Philippines, Philippine Savings Bank, Bank of Commerce, and Electronic Commerce Payment Networks, Inc. (ECPay). He is also a director of National GRID Corporation of the Philippines, and ZNN Radio Veritas. He also held positions in government as the former Secretary of the Department of Finance and former Secretary of the Department of Trade and Industry. He obtained his Bachelor of Science in Commerce, Major in Accounting and his Masters Degree in Business Administration from the De La Salle University.

11. Renato de Guzman, 64, was elected as an independent director of JGSHI on April 28, 2015. He is presently a Senior Adviser of the Bank of Singapore. He was formerly the Chief Executive Officer of the Bank of Singapore (January 2010-January 2015), and ING Asia Private Bank (May 2000-January 2010), Country Manager Philippines of ING Barings (1990-2000) , and Deputy Branch Manager of BNP Philippines (1980-2000). He holds a Bachelor of Science in Management Engineering from Ateneo de Manila University, Masters Degree in Business Administration with Distinction at the Katoliele Universiteit Leuven, Belgium and a Masters in Management from McGill University, Canada.

Members of Advisory Board

1. Aloysius B. Colayco, 64, was appointed to the advisory board of JGSHI in August 2001 and is presently the Country Chairman for the Jardine Matheson Group in the Philippines. He is also Managing Director of Argosy Partners, a private equity firm. He is the Chairman of Republic Cement and Colliers Philippines. Previously, Mr. Colayco was President of AIG Investment Corporation in New York, the AIG subsidiary responsible for managing the Group's investment portfolios outside the US (primarily Europe, Asia, Latin America, the Middle East and Africa).

2. Washington Z. Sycip, 93, was appointed to the advisory board of JGSHI in 2001 and is the founder of The SGV Group, a firm of auditors and management consultants. He is also Chairman Emeritus of the Board of Trustees and Board of Governors of the Asian Institute of Management, member of the Board of Overseers, Columbia University's Graduate School of Business, Honorary Counselor of Asia Society Policy Institute, and member of the International Advisory Board of the Council on Foreign Relations (1995-2010) and Counselor of the Conference Board. Among his awards are the Management Man of the Year given by the Management Association of the Philippines, Ramon Magsaysay Award for International Understanding, Officer's Cross of the Order of Merit given by the Federal Republic of Germany, Officer First Class of the Royal Order of the Polar Star awarded by H.M. the King of Sweden, Star of the Order of Merit conferred by the Republic of

Austria, Philippine Legion of Honor, degree of Commander conferred by the Philippine Government, the Order of Lakandula, the Rank of Grand Cross conferred by the Philippine President Benigno S. Aquino III.

3. Jimmy Tang, 79, has been a member of the advisory board of JGSHI since 2012. He is the President and Chairman of the Board of the Avesco Group of Companies. He is currently an Honorary President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII), and was FFCCCII President for two terms from 1993 to 1997. In addition, he is presently an Honorary Adviser of the Federation of Electrical & Electronics Suppliers & Manufacturers of the Philippines, Inc. (PESA) and PESA Foundation. He was the ninth President of PESA and the first Chairman of the PESA Foundation, which he served for seven years. He obtained his Bachelor of Science degree in Electrical Engineering from the Mapua Institute of Technology which conferred him the "Top Outstanding Mapuan for Entrepreneurship award in 1987.

Executive Officers

1. Constante T. Santos, 66, has been the Senior Vice President - Corporate Controller of JGSHI since 1998. He is also Senior Vice President - Corporate Controller of Universal Robina Corporation and Robinsons Land Corporation. Prior to joining the Company, he practiced public accounting with SGV & Co. in the Philippines and Ernst & Whinney in the United States. He is a member of the Philippine Institute of Certified Public Accountants. Mr. Santos obtained his Bachelor of Science degree in Business Administration from the University of the East and attended the Management Development Program at the Asian Institute of Management.

2. Bach Johann M. Sebastian, 53, was appointed as Senior Vice President – Chief Strategist of JGSHI on June 28, 2007. He is also Senior Vice President – Chief Strategist of Robinsons Retail Holdings, Inc., Universal Robina Corporation and Robinsons Land Corporation. Prior to joining JGSHI in 2002, he was Senior Vice President and Chief Corporate Strategist at PSI Technologies and RFM Corporation. He was also Chief Economist, Director of Policy and Planning Group at the Department of Trade and Industry. He received a Bachelor of Arts degree in Economics from the University of the Philippines and his Masters in Business Management degree from the Asian Institute of Management.

3. Nicasio L. Lim, 58, was appointed as Senior Vice President (SVP), Corporate Human Resources (CHR) of JGSHI on March 1, 2008. He is a top human resource executive with 36 years solid experience in Human Resources both here and abroad, 21 of those years in San Miguel Corporation (SMC), 5 in Kraft Foods International (KFI) and now with JGSHI. Prior to his current role as SVP of CHR, he was Director, Human Resources of URC starting May 2004. In that role, he managed HR functions for the whole URC group comprising of several businesses: Branded Consumer Foods, Agro-Industrial, Flour, Sugar, Packaging and CFC Flexible. When he retired from San Miguel in 1999, he was Vice President for HR & Communications of the Beer Division. It was in his stint in SMC when he had his first crack at going international through his assignment as Vice President for Human Resources of San Miguel Brewing International based in Hong Kong in 1997. After SMC, he joined KFI in 2000 as Human Resources Director for Southeast Asia. He was able to forge a very strong HR organization which took care of managing the needed HR imperatives of KFI across 16 countries. He was conferred the People Manager of the Year Award, the highest award an HR practitioner can receive in his lifetime given by the People Management Association of the Philippines (PMAP) in 2007. He was a member of the PMAP Board of Directors from 2003 to 2004. In his capacity as Director, he headed the Committees on International Affairs and Industrial Relations. Moreover, he is among the esteemed HR professionals in the country who was bestowed the title Diplomate in People Management by PMAP. He graduated with a Bachelor's Degree on Business Administration at the De La Salle University and finished Human Resource Executive Program at the University of Michigan-USA.

4. Aldrich T. Javellana, 41, was appointed as Vice President and Treasurer of JGSHI effective January 2, 2012. Prior to joining JGSHI in 2003, he worked in Corporate Finance with CLSA Exchange Capital. He graduated from De La Salle University with a degree in BS Accountancy and is a Certified Public Accountant.

5. Chona R. Ferrer, was appointed as Deputy Treasurer of JGSHI effective January 2, 2012. She is also a First Vice President of Universal Robina Corporation and Treasurer of Outreach Home Development Corporation. Prior to joining JGSHI in 1983, she was Assistant Treasurer of Guevent Industrial Development Corporation. She received a Bachelor of Science degree in Business Administration from the University of the Philippines.

6. Rosalinda F. Rivera, 44, was appointed as Corporate Secretary of JGSHI on August 6, **2003** and has been Assistant Corporate Secretary since May 2002. She is also the Corporate Secretary of Robinsons Land Corporation, Universal Robina Corporation, Cebu Air, Inc., Robinsons Retail Holdings, Inc. and JG Summit Petrochemical Corporation. Prior to joining the Company, she was a Senior Associate in Puno and Puno Law Offices. She received a degree of Juris Doctor from the Ateneo de Manila University School of Law and a Masters of Law in International Banking from the Boston University School of Law.

SIGNIFICANT EMPLOYEE

There are no persons who are not executive officers of the Company who are expected to make a significant contribution to the business.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS WHICH OCCURRED DURING THE PAST FIVE YEARS.

None.

FAMILY RELATIONSHIPS

1. Mr. James L. Go is the brother of John L. Gokongwei, Jr.
2. Ms. Lily G. Ngochua is the sister of John L. Gokongwei, Jr.
3. Mr. Lance Y. Gokongwei is the son of John L. Gokongwei, Jr.
4. Mr. Patrick Henry C. Go is the nephew of John L. Gokongwei, Jr.
5. Mr. Johnson Robert G. Go, Jr. is the nephew of John L. Gokongwei, Jr.
6. Ms. Robina Y. Gokongwei-Pe is the daughter of John L. Gokongwei, Jr.

Item 11. Executive Compensation

The aggregate compensation of executive officers and directors of the Company for the last 2 years and projected for the ensuing year (2014) are as follows:

	ACTUAL				
	Salary	Bonus	Others	**2014 Total**	2013
A. CEO and Five (5) most highly compensated Executive officer	₱111,298,434	₱2,100,000	₱370,000	₱113,768,434	₱79,080,228
All directors and executive officers as a group unnamed	₱168,843,069	₱3,600,000	₱510,000	₱172,953,069	₱157,927,472

	PROJECTED 2015			
	Salary	Bonus	Others	Total
A. CEO and Five (5) most highly compensated Executive officer	₱125,474,771	₱2,100,000	₱475,000	₱128,049,771
All directors and executive officers as a group unnamed	₱176,867,837	₱3,600,000	₱715,000	₱181,182,837

The following are the five (5) highest compensated directors/or executive officers of the Company; 1. Chairman Emeritus-John Gokongwei, Jr.; 2. Director, Chairman and CEO – James L. Go; 3. Director, President and COO– Lance Y. Gokongwei; 4. Director – Patrick Henry C. Go; and 5. Director – Robina Y. Gokongwei-Pe

Standard Arrangement

Other than payment of reasonable per diem, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services rendered provided as a director for the last completed fiscal year and the ensuing year.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as a director.

Terms and Conditions of any Employment Contract or any Compensatory Plan or Arrangement between the Company and the Executive Officers.

None.

Outstanding Warrants or Options Held by the Company's CEO, the Executive Officers and Directors.

None.

Item 12. Security Ownership of Certain Record and Beneficial Owners and Management

As of April 30, 2015, the Company is not aware of anyone who beneficially owns in excess of 5% of JG Summit's capital stock except as set forth in the table below:

(1) SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

Title of Class	Names and addresses of record owners and relationship with the Corporation	Names of beneficial owner and relationship with record owner	Citizenship	No. of Shares Held	% to Total Outstanding
Common	Gokongwei Brothers Foundation, Inc. 43/F Robinsons-Equitable Tower ADB Ave. cor. Poveda St. Ortigas Center, Pasig City (stockholder)	Same as record owner (see note 1)	Filipino	1,997,076,451	28.46%
Common	PCD Nominee Corporation (Filipino) 37/F Tower I, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PCD Participants and their clients (see note 2)	Filipino	1,304,052,626	18.21%
Common	Robinsons Bank – Trust & Investment Group No. 030-46-000001-9 17/F Galleria Corporate Center Edsa Cor. Ortigas Ave., Quezon City (stockholder)	Trustee's designated officers (see note 3)	Filipino	1,033,319,225	14.73%
Common	PCD Nominee Corporation (Non-Filipino) 37/F Tower I, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PCD Participants and their clients (see note 2)	Non- Filipino	843,675,908	11.78%
Common	John Gokongwei, Jr. 43/F Robinsons Equitable Tower ADB Ave. cor. Poveda St. Ortigas Center, Pasig City (stockholder and Chairman Emeritus)	same as record owner (see note 4)	Filipino	816,917,160	11.41%

Notes:

1. Gokongwei Brothers Foundation, Inc. (the "Foundation") is a non-stock, non-profit corporation organized by the irrevocable donation by the incorporators, who are also Trustees of the Foundation, of shares of JG Summit Holdings, Inc. Under the Articles of Incorporation and By-Laws of the Foundation, except for salaries of employees and honoraria of consultants and similar expenses for actual services rendered to the Foundation or its projects, no part of the corpus or its income and increments shall benefit or be used for the private gain of any member, trustee, officer or any juridical or natural person whatsoever. The Chairman of the Board of Trustees shall exercise exclusive power and authority to represent and vote for any shares of stock owned by the Foundation in other corporate entities. The incumbent Chairman of the Board of Trustees of the Foundation is Mr. John L. Gokongwei, Jr.

2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current PDTC system, only participants (brokers and custodians) will be recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares though his participant will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. Out of the PCD Nominee Corporation (Filipino) account, "BPI Securities Corporation" holds for various trust accounts the following shares of the Corporation as of April 30, 2015:

	No. of shares held	% to total outstanding
BPI Securities Corporation	629,958,046	8.79%

The securities are voted by the trustee's designated officers who are not known to the Corporation.

3. Robinsons Savings Bank – Trust & Investment Group is the trustee of this trust account.

The securities are voted by the trustee's designated officers who are not known to the Corporation.

4. Sum of shares in the name of "John Gokongwei, Jr." and "John Gokongwei, Jr. and/or Lance Gokongwei" for 675,886,710 and 141,030,450 shares, respectively.

(2) SECURITY OWNERSHIP OF MANAGEMENT AS OF APRIL 30, 2015:

Title of Class	Names of beneficial owner	Position	Amount and nature of Beneficial Ownership	Citizenship	% to Total Outstanding
A. Named Executive Officers [1]					
Common	1. John L. Gokongwei, Jr.	Chairman Emeritus	816,917,160[2](D)	Filipino	13.72%
Common	2. James L. Go	Director, Chairman and CEO	148,679,656(D)	Filipino	2.12%
Common	3. Lance Y. Gokongwei	Director, President and COO	235,513,855[3](D)	Filipino	3.36%
Common	4. Patrick Henry C. Go	Director	93,500(D)	Filipino	*
	5. Robina Y. Gokongwei-Pe	Director	74,145,278[4](D)	Filipino	1.06%
	Sub-Total		1,275,349,449		17.82%
B. Other Directors, Executive Officers and Nominees					
Common	6. Lily G. Ngochua	Director	388,018(D)	Filipino	0.01%
Common	7. Renato de Guzman	Director (Independent)	1(D)	Filipino	*
Common	8. Johnson Robert G. Go, Jr.	Director	1(D)	Filipino	*
Common	9. Ricardo J. Romulo	Director	1(D)	Filipino	*
Common	10. Cornelio T. Peralta	Director (Independent)	11,000(D)	Filipino	*
Common	11. Jose T. Pardo	Director (Independent)	1(D)	Filipino	*
	Sub-Total		399,022		0.01%
C. All directors, executive officers & nominees as a group unnamed			1,275,748,471		17.83%

Notes:

1. Chief Executive Officer and four (4) most highly compensated executive officers as of April 30, 2015.

2. Sum of shares in the name of "John Gokongwei, Jr. " and "John Gokongwei, Jr. and/or Lance Gokongwei" for 816,917,160 and 141,030,450 shares, respectively.

3. Sum of shares in the name of "Lance Gokongwei, " and " Lance Y. Gokongwei &/or Elizabeth Gokongwei" for 668,575 and 234,845,280 shares respectively.

4. Held in the name of "Robina Y. Gokongwei-Pe &/or Elizabeth Gokongwei".

* less than 0.01%.

Shares owned by Foreigners

The total number of shares owned by foreigners as of April 30, 2015 is 1,111,888,199 common shares.

The other Executive Officers of the Company have no beneficial ownership over any shares of the Company as of April 30, 2015, namely:

1. Constante T. Santos - Senior Vice President
2. Bach Johann M. Sebastian - Senior Vice President
3. Nicasio L. Lim - Senior Vice President
4. Aldrich T. Javellana - Vice President and Treasurer
5. Chona R. Ferrer - Deputy Treasurer
6. Rosalinda F. Rivera - Corporate Secretary

(3) VOTING TRUST HOLDERS OF 5% OR MORE

As of April 30, 2015, there are no persons holding more than 5% of a class under a voting trust or similar agreement.

(4) CHANGES IN CONTROL

None

Item 13. Certain Relationships and Related Transactions

See Note 40 (Related Party Transactions Disclosures) of the Notes to Consolidated Financial Statements.

The Company and its subsidiaries and affiliates, in their regular conduct of business, have engaged in transactions with each other and with other affiliated companies, consisting principally of sales and purchases at market prices and advances made and obtained.

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.

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

	December 31, 2014	December 31, 2013 (As Restated - Note 2)	January 1, 2013 (As Restated - Note 2)
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															
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY															
	Paid-up Capital (Note 25)			**Retained Earnings** (Note 25)				**Other Comprehensive Income** (Note 36)								
	Capital Stock	**Additional Paid-in Capital**	**Total Paid-up Capital**	**Unrestricted Retained Earnings**	**Restricted Retained Earnings**	**Total Retained Earnings**	**Equity Reserve** (Note 25)	**Cumulative Translation Adjustments** (Note 25)	**Net Unrealized Gains on Available-for-Sale Investments** (Note 10)	**Net Unrealized Losses on Cash Flow Hedge** (Note 8)	**Remeasurements of the Net Defined Benefit Liabilitiy** (Note 37)	**Total Other Comprehensive Income**	**Treasury Shares** (Note 25)	**Total**	**NON-CONTROLLING INTERESTS** (Note 25)	**TOTAL EQUITY**
Balance at January 1, 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.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

JG Summit Holdings, Inc. (the Parent Company) was incorporated in the Philippines on November 23, 1990. 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.

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

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

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

<u>Borrowing Costs</u>
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.

<u>Biological Assets</u>
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.

<u>Equity</u>
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.

<u>Treasury Shares</u>
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.

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

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

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

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

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

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

Effective 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.

		2014	
	Reasonably Possible Changes in Market Prices	**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)**

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

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.

Hedge Effectiveness Results
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.

Fair value changes in derivatives

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

	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. The Company reclassified its remaining investments in CLIPI into receivables.

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	4,563,839,996	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).

<u>Operating Fleet</u>
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:

Subsidiaries' Foreign Currency Loans

JGSPL 4.375% Senior Unsecured Notes Due 2023

On January 24, 2013, JGSHPL issued US$750.0 million, 4.375% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

JGSPL 5-year Guaranteed Notes

On January 16, 2013, JGSHPL, a wholly owned subsidiary of JGSPL, issued US$250.0 million, US$ LIBOR plus 2.2% margin, 5-year guaranteed notes. The notes are unconditionally and irrevocably guaranteed by the Parent Company. 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

Deposits from Lessees

Deposits from lessees (including the current portion shown in Note 22) represent cash received from tenants representing three to six months' rent which shall be refunded to tenants at the end of lease term. These are initially recorded at fair value, which is obtained by discounting its future cash flows using the applicable rates of similar types of instruments. The accretion expense on these deposits recorded as part of cost of rental services on the discount amounted to

₱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:

Earnings per share attributable to equity holders of the Parent Company

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

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

2012

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

(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.

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT 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

COVER SHEET

SEC Registration Number

1	8	4	0	4	4					

Company Name

J G S U M M I T H O L D I N G S , I N C . A N D
S U B S I D I A R I E S

Principal Office (No./Street/Barangay/City/Town/Province)

43rd Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
Michele.Abellanosa@urc.com.ph	633-7631	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
		December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Michele F. Abellanosa	Michele.Abellanosa@urc.com.ph	633-7631	0998-840-0423

Contact Person's Address

43rd Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City

Note: **In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2015**

2. SEC Identification Number **184044**

3. BIR Tax Identification No. **000-775-860**

4. Exact name of registrant as specified in its charter **JG Summit Holdings, Inc.**

5. **Pasig City, Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. **43rd Floor, Robinsons-Equitable Tower ADB Ave. corner Poveda Road, Pasig City 1600**
   Address of principal office — Postal Code

8. **(632) 633-7631**
   Registrant's telephone number, including area code

9. **Not Applicable**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the RSC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**7,162,841,657**
Long-term Debt	**30,000,000,000**

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [/] No [ ]
    If yes, state the name of such stock exchange and the classes of securities listed herein:

    Philippine Stock Exchange
    Common Stock

12. Check whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

    Yes [/] No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [/] No [ ]

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements are filed as part of this Form 17-Q.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Alignment of Accounting Period

In previous years, the Group consolidated the financial statements of their fiscal year end subsidiaries using their September 30 fiscal year end financial statements as allowed under PFRS 10. In accordance with PFRS 10, 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, management of the Group deemed that it is now practicable to prepare consolidated financial statements incorporating the financial statements of the Group's fiscal yearend subsidiaries as of the same date as the Parent Company's financial statements which is December 31. Accordingly, the Group restated the financial statements for the three months ended March 31, 2014 to reflect the effect of the alignment of the accounting periods.

Results of Operations

Three Months Ended March 31, 2015 vs March 31, 2014

JG Summit's Net Income increased 11.2% for the First Quarter of 2015

JG Summit Holdings Inc.'s posted a consolidated net income from equity holders of the parent of ₱6.0 billion for the first quarter of 2015, an 11.2% increase from ₱5.4 billion for the same period last year. Increase is due mainly to the income growth from our core subsidiaries particularly Cebu Air, which benefited significantly from the substantial reduction in fuel prices during the period. Consolidated EBITDA reached ₱15.1 billion, a 25.9% increase compared to last year. Core net income after taxes increased 10.1% from ₱5.6 billion for the first three months of 2014 to ₱6.2 billion for the first quarter of 2015.

Consolidated revenues grew 31.4% from ₱43.4 billion to ₱57.1 billion due to the strong performance of the following core subsidiaries:

- URC's total revenues increased by 24.4% from ₱23.0 billion to ₱28.6 billion for the first quarter of 2015 with sales contribution from Griffin's NZ which was consolidated starting mid-November of 2014 upon closing of the acquisition.
- Cebu Air's total revenues went up by 20.7% from ₱11.8 billion to ₱14.2 billion for the 1st three months of 2015.
- RLC's total revenues also increased by 20.1% from ₱4.1 billion in 2014 to ₱4.9 billion in 2015. This was brought about by the aggressive sales and marketing efforts of these subsidiaries.
- JG Petrochem's revenue, including that from Olefins, significantly increased from ₱202.5 million for the 1st quarter of 2014 to ₱5.2 billion for the same period this year as it commenced operations in November 2014.

Revenues from our core investments, however, declined this period compared to same period last year as dividend income received by the Group dropped 23.3% from ₱2.1 billion last year to ₱1.6 billion for the 1st quarter this year mainly due to lower dividends declared by PLDT for the period. Equity in net earnings of associates, primarily from investments in UIC and Meralco, increased from ₱1.6 billion for the 1st quarter of 2014 to ₱1.7 billion in the 1st quarter of 2015.

Consolidated cost of sales and services for the first quarter of 2015 increased 36.2% from ₱26.5 billion last year to ₱36.0 billion relative to higher revenues.

The Group's operating expenses increased by 22.0% from ₱7.6 billion last year to ₱9.3 billion in the same period this year due to higher selling, general and administrative expenses in the airline and food business units. As a result, Operating Income or EBIT went up 25.5% from ₱9.3 billion to ₱11.7 billion.

The Group's financing costs and other charges net of interest income, increased by 61.9% to ₱1.4 billion from last year's ₱866.7 million because of the increase in long-term debt relative to the recent acquisition of the Griffin's NZ business by URC.

Market valuation loss recognized from our financial assets and derivative instruments during the first three months of 2015 amounted to ₱178.6 million from ₱36.8 million. This is attributable mainly to the fuel hedging loss amounting to ₱360.5 million booked by our airline business for the period.

The Group recognized net foreign exchange loss of ₱195.7 million from ₱163.7 million reported last year due to the combined effects of the depreciation of URC's international subsidiaries' local currencies vis-à-vis US Dollar, in particular IDR and VND and the slight appreciation of Philippine Peso vs US Dollar.

Other income (expense) – net account, which represents miscellaneous income and expenses, netted a gain of ₱26.5 million, a 171.2% increase compared to last year's ₱9.8 million attributable mainly to increase in scrap sales of our food business and gain on sale of our AFS investments.

Provision for income tax increased by 40.3% to ₱1.2 billion for the first quarter of 2015 due to higher taxable income for the period.

FOOD

Universal Robina Corporation (URC) generated a consolidated sale of goods and services of ₱28.6 billion for the first quarter ended March 31, 2015, a 24.3% sales growth over the same period last year. Sale of goods and services performance by business segment follows: (1) URC's branded consumer foods segment, excluding packaging division, increased 24.9%, to ₱23.4 billion for the first quarter of 2015 from ₱18.8 billion registered in the same period last year. Domestic operations posted a 14.6% increase in net sales from ₱12.9 billion for the first quarter of 2014 to ₱14.8 billion in for the first quarter of 2015 due to strong performance of its beverage division from the continued growth of powdered beverage business, mainly coming from coffee. Sale of snack foods division also increased due to growth across salty snacks, bakery and chocolate segments. BCFG international operations reported a 47.9% increase in net sales from ₱5.8 billion for the first quarter of 2014 to ₱8.6 billion for the first quarter of 2015. In US dollar (US$) terms, sales increased by 50.3% to US$195 million in for the first quarter of 2015 against the same period last year. Top-line growth came from Thailand, Indonesia and Vietnam. Thailand posted double digit growth despite a relatively weak macroenvironment and consumer sentiment backed by core brands, new products launches and continuation of promotional activities. Indonesia posted significant growth driven by strong sales of potato chips and chocolates while Vietnam continued to recover on the back of robust sales of RTD beverages, C2 and Rong Do. The Group started consolidating Griffin's into URC International starting mid-November upon closing of the acquisition. Sale of goods and services in URC's packaging division increased by5.6% to ₱258 million for the first quarter of 2015 from ₱244 million recorded in the same period last year due to increase in sales volume and average selling price. (2)

Agro-Industrial segment (AIG) amounted to ₱2.2 billion for the first quarter of 2015, a 6.1% increase from ₱2.1 billion recorded in the same period last year. Feeds business business increased by 14.6% due to increase in sales volume as a result of effective sales strategy while farms business remained flat. (3) Sale of goods and services in commodity foods segment amounted to ₱2.8 billion for the first quarter of 2015, a 39.9% increase from ₱2.0 billion reported in the same period last year. Sugar business increased by 83.9% due to higher sales of raw and refined sugar as a result of higher production and addition of distillery operations while flour business slightly declined by 3.5% due to higher wheat prices.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by 26.4%, to ₱19.8 billion for the first quarter of 2015 from ₱ 15.6 billion recorded in the same period last year due to increase in sales volume.

URC's gross profit for the first quarter of 2015 amounted to ₱8.9 billion up by 20.1% from ₱7.4 billion reported in the same period last year. Gross profit margin decreased from 32.1% for the first quarter of 2014 to 31.1% for the first quarter of 2015. Selling and distribution costs, and general and administrative expenses rose by 19.5% to ₱4.5 billion for the first quarter of 2015 from ₱3.7 billion registered for the first quarter of 2014. This increase resulted primarily from the following factors: (a) 40.9% increase in compensation and benefits to ₱984 million for the first quarter of 2015 from ₱698 million in the same period last year due to annual salary adjustments and increase in personnel as a result of business acquisition; (b) 22.5% increase in freight and delivery charges to ₱1.2 billion for the first quarter of 2015 from ₱989 million in the same period last year due to increase in trucking and shipping costs as a result of increased volume; (c) 195.5% increase in rent expense to ₱131 million for the first quarter of 2015 from ₱44 million in the same period last year as a result of consolidating Griffin's operations this year; and (d) 93.0% increase in depreciation expense to ₱117 million for the first quarter of 2015 from ₱61 million in the same period last year due to significant additions in property and equipment.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by 42.8% to ₱74 million for the first quarter of 2015 from ₱52 million in the same period last year due to higher dividend income received.

URC's finance costs consist mainly of interest expense which increased by ₱358 million to ₱391 million for the first quarter of 2015 from ₱33 million recorded in the same period last year due to increase in level of financial debt resulting from availments of long-term debt to finance the acquisition of NZSFHL.

Net foreign exchange loss amounted to ₱178 million for the first quarter of 2015 from ₱251 million net foreign exchange gain reported in the same period last year due to the combined effects of depreciation of international subsidiaries' local currencies vis-à-vis US dollar, particularly IDR and VND, appreciation of Australian Dollar against NZ Dollar and appreciation of Philippine peso vis-à-vis US dollar.

Equity in net loss of joint ventures amounted to ₱88 million for the first quarter of 2015 as against ₱5 million equity income in the same period last year due to pre-operating expenses of Danone Universal Robina Beverages, Inc. (DURBI) and Calbee-Universal Robina Corporation (CURC).

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other income - net increased to ₱87 million for the first quarter of 2015 from ₱25 million in the same period last year due to increase in scrap sales and income recognized from sale of poultry farm.

URC recognized provision for income tax of ₱745 million for the first quarter of 2015, a 22.9% increase from ₱606 million for the first quarter of 2014 due to higher taxable income, net of lower deferred tax asset recognized this year.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) for the first quarter of 2015 amounted to ₱4.1 billion, an increase of 10.6% from ₱3.7 billion recorded in the same period last year.

Net income attributable to equity holders of the parent slightly dropped 3.8% to ₱3.2 billion for the fist quarter of 2015 from ₱3.3 billion for the first quarter of 2014 as a result of the factors discussed above.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱5.6 billion for the first quarter of 2015, 20.6% higher than ₱4.6 billion posted for the first quarter of 2014.

REAL ESTATE AND HOTELS

Robinsons Land Corporation (RLC) consolidated net income attributable to equity holders of the Parent company for the period ended March 31 amounted to ₱1.4 billion, up by 23.8%. EBIT and EBITDA rose by 27.1% and 22.9% to ₱1.9 billion and ₱2.6 billion, respectively for the three months ended March 31, 2015.

Total real estate revenues were up by 20.8% to ₱4.5 billion against last year's ₱3.7 billion, while hotel revenues amounted to ₱439.7 million. The Commercial Centers Division contributed 46% or ₱2.3 billion of RLC's gross revenues, posting a 10.6% growth. The seven newest malls contributed to the growth while most provincial malls also posted decent growth in rental revenues. Amusement revenue went up by 25.3% to ₱378.1 million. RLC's Residential Division contributed 34% or ₱1.7 billion, a growth of 30.9% versus last year's ₱1.3 billion. The Office Buildings Division contributed 11% or ₱524.0 million of the RLC's revenues, up by 42.8% from last year's ₱367.0 million. Such growth is largely due to the new office buildings Cyberscape Alpha and Beta. Also, the eight existing office buildings posted growth in rental revenues averaging 9.7%. The Hotels Division contributed 9% or ₱439.7 million to RLC's revenues, up by 12.6% due to the new Go Hotels Iloilo, Go Hotels Ortigas and Summit Magnolia Hotel, among others.

Real estate cost went up by 20.7% to ₱2.0 billion due to higher cost of rental service brought about by higher depreciation, among others. Hotel expenses are up by 9.3% to ₱330.8 million due to the expenses of the new hotels. General and administrative expenses went up by 8.4% to ₱746.6 million because of higher commissions, and advertising, among others.

AIR TRANSPORTATION

Cebu Air, Inc. (Cebu Pacific) generated gross revenues of ₱14.2 billion three months ended March 31, 2015, 20.7% higher than the ₱11.8 billion revenues earned in the same period last year mainly attributed to the increase in passenger revenues by 22.2% to ₱10.8 billion in the three months ended March 31, 2015 from ₱8.8 billion posted in the three months ended March 31, 2014. This increased was mainly attributable to the 13.0% increase in passenger volume to 4.3 million from 3.8 million in 2014 driven by the increased number of flights in 2015. Number of flights went up by 14.3% year on year as the Group added more aircraft to its fleet, particularly, its acquisition of wide-body Airbus A330 aircraft with a configuration of more than 400 all-economy class seats. The number of aircraft increased from 51 aircraft as of March 31, 2014 to 55 aircraft as of March 31, 2015, which includes 3 brand new Airbus A330 aircraft delivered in 2014 and in 2015. Increase in average fares by 8.1% to ₱2,525 for the three months ended March 31, 2015 from ₱2,336 for the same period last year also contributed to the improvement of revenues. Cargo revenues grew 13.6% to ₱772.5 million for the three months ended March 31, 2015 from ₱679.8 million for the three months ended March 31, 2014 following the increase in the volume of cargo transported in 2015. Ancillary revenues went up by 17.0% to ₱2.6 billion in the three months ended March 31, 2015 from ₱2.2 billion billion registered in the same period last year consequent to the 13.0% increase in passenger traffic and 3.6% increase in average ancillary revenue per passenger.

CEB incurred operating expenses of ₱11.4 billion for the three months ended March 31, 2015, slightly higher by 1.0% than the ₱11.3 billion operating expenses recorded for the three months ended March 31, 2014. Expenses generally increased driven by the Group's expanded long haul operations and growth in seat capacity from the acquisition of new aircraft. However, this was offset by the substantial reduction in fuel costs incurred for the three months ended March 31, 2015 compared to the same period last year due to the sharp decline in global jet fuel prices. Flying operations expenses decreased by 17.0% to ₱5.1 billion for the three months ended March 31, 2015 from ₱6.2 billion incurred in the same period last year. This is primarily attributable to the 22.1% decline in aviation fuel expenses to ₱4.3 billion for the three months ended March 31, 2015 from ₱5.6 billion for the same period last year consequent to the significant drop in jet fuel prices as referenced by the reduction in the average published fuel MOPS price of U.S. $68.98 per barrel in the three months ended March 31, 2015 from U.S. $121.47 per barrel in 2014. The slight strengthening of the Philippine peso against the U.S. dollar as referenced by the appreciation of the Philippine peso to an average of ₱44.42 per U.S. dollar for the three months ended March 31, 2015 from an average of ₱44.88 per U.S. dollar last year based on the Philippine Dealing and Exchange Corporation (PDEx) weighted average rates also contributed to the decrease. Aircraft and traffic servicing expenses increased by 20.0% to ₱1.3 billion for the three months ended March 31, 2015 from ₱1.1 billion registered in the same period in 2014 as a result of the overall increase in the number of flights flown in 2015. Higher expenses were particularly attributable to more international flights operated for which airport and ground handling charges were generally higher compared to domestic flights. International flights increased by 10.5% year on year with the launch of long haul operations to Kuwait, Sydney and Riyadh in the latter part of 2014. Depreciation and amortization expenses increased 22.2% to ₱1.2 billion for the three months ended March 31, 2015 from ₱993.7 million the three months ended March 31, 2014. Depreciation and amortization expenses increased consequent to the arrival of three Airbus A320 aircraft during the second and last quarter of 2014 and two Airbus A320 aircraft in 2015.. Repairs and Maintenance expenses went up by 15.6% to ₱1.3 billion for the three months ended March 31, 2015 from ₱1.1 billion posted in the three months ended March 31, 2014. Increase was driven by the overall increase in the number of flights and the delivery of three Airbus A320 and two Airbus A330 aircraft in the last three quarters of 2014 and two Airbus A320 and one Airbus A330 aircraft in 2015 partially offset by the return of four leased Airbus A320 aircraft in 2014. Aircraft and engine lease expenses went up by 15.3% to ₱929.7 million in the three months ended March 31, 2015 from ₱806.3 million charged for the three months ended March 31, 2014. Increase in aircraft lease was due to the delivery of three Airbus A330 aircraft under operating lease, two in the latter part of 2014 and one in 2015. This was partially offset by the return of four leased Airbus A320 aircraft in 2014.

Cebu Pacific recognized lower interest income for the three months ended March 31, 2015 amounting to ₱13.6 million from ₱24.8 million for the same period last year due to the decrease in the balance of cash in bank and short-term placements year on year and lower interest rates.

Cebu Air incurred a hedging loss of ₱360.6 million the three months ended March 31, 2015 an increase of 699.7% from hedging loss of ₱45.1 million earned in the same period last year as a result of lower mark-to-market valuation on fuel hedging positions consequent to the material decline in fuel prices in 2015. A net foreign exchange loss of ₱9.2 million was recorded for the three months ended March 31, 2015, a decrease of 95.2% from net foreign exchange loss of ₱193.7 million incurred in the same period last year as a result of the appreciation of the Philippine peso against the U.S. dollar during the period. Equity in net loss of joint venture amounted to ₱17.0 million for the three months ended March 31, 2015 from an equity in net income of joint venture of ₱36.2 million in the same period last year. The decrease was primarily due to the net loss from current operations incurred by SIA Engineering (Philippines) Corporation (SIAEP) in the first quarter of 2015. As a result of the foregoing, net income for the three months ended March 31, 2015 significantly increased to ₱2.2 billion from ₱164.2 million in the same period last year.

PETROCHEMICALS

JG Summit Petrochemicals Corporation and JG Summit Olefins Corporation (JGSPC and JGSOC) gross revenues reached ₱5.2 billion for the three months ended March 31, 2015, this already includes revenues from the Olefins operations, compared to last year's ₱202.5 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 ₱217.5 million in 2014 to ₱6.2 billion in 2015. Interest expense also reached ₱18.6 million for the three months ended March 31, 2015 from ₱4.3 million in 2014 due to higher level of trust receipts for both Petrochem and Olefins for the first quarter of 2015 compared to the same period last year. A net foreign exchange loss of ₱97.4 million was recorded for the three months ended March 31, 2015 from a net gain of ₱22.2 million for the same period last year. All these factors contributed to a higher net loss for the three months ended March 31, 2015 from ₱24.5 million last year to ₱892.0 million this year.

BANKING

Robinsons Bank Corporation, generated banking revenue of ₱721.2 million for the first quarter of 2015, a 19.6% increase from last year's ₱602.8 million. This increase was brought about by higher interest income and commission income for the period. Aside from this, a net trading gain has been recognized for the first quarter of 2015 amounting to ₱34.5 million compared to a net trading loss in the same period last year amounting to ₱15.7 million. Cost and expenses also increased, as the bank continued its expansion. However net earnings slightly dropped to ₱28.0 million for the three months ended March 31, 2015, from last year's net income of ₱30.7 million as the bank recorded higher final taxes related to higher volume of transaction on government securities during the period.

EQUITY EARNINGS

Equity in net earnings of associates companies and joint ventures amounted to ₱1.7 billion for the first three months of 2015, a 5.1% increase from last year's ₱1.6 billion. The equity earnings from Meralco increased 5.3% from ₱1.09 billion last year to ₱1.14 billion in the same quarter this year. Equity income from UIC, increased 33.5% from ₱479.1 million last year to ₱639.4 million for the first quarter of 2015. UIC recorded a 39.3% growth in its net income from operations from S$43.7 million for the first three months of 2014 to S$60.8 million for the same period in 2015. The increase in net income is mainly due to higher trading property sales with progressive sales recognition on percentage of completion basis for V on Sheraton, Mon Jervois and Alex Residences and increased share of Singapore Land's operating profit as a result of UIC's increased interest in Singapore Land. 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.

FINANCIAL RESOURCES AND LIQUIDITY

March 31, 2015 vs December 31, 2014

As of March 31, 2015, the Company's balance sheet remains healthy, with consolidated assets of ₱561.7 billion from ₱558.8 billion as of December 31, 2014. Current ratio stood at 1.34. The Company's indebtedness remained manageable with a gearing ratio of 0.69:1 and net debt to equity of 0.51:1 as of March 31, 2015.

Cash & cash equivalents decreased to ₱37.0 billion as of March 31, 2015, from ₱37.5 billion as of December 31, 2014. Cash provided by operating activities amounted to ₱11.6 billion. As of March 31, 2015, net cash used in investing activities amounted to ₱6.7 billion mainly for the Company's capital expenditure program. The Group's cash used in financing activities amounted to ₱5.4 billion particularly from settlement of the Group's short term loans offset by the ₱12 billion bond issuance of RLC during the period and the ₱8.8 billion proceeds from the issuance of new shares of the Parent Company, which was used to pay off of its short-term borrowings. Our financial assets, including those held at fair value through profit and loss, available for sale investments and held to maturity amounted to ₱77.5 billion a slight decrease from ₱79.1 billion as of December 31, 2014 due to lower market valuation during the period.

Derivative assets, including noncurrent portion decreased 73.2% from ₱154.6 million to ₱41.5 million due to market valuation loss recognized from interest rate swap transaction of an offshore company.

Receivables, including noncurrent portion increased 9.0% from ₱43.8 billion as of December 31, 2014 to ₱47.7 billion as of March 31, 2015 due to recognition of dividends receivable from PLDT.

Inventories dropped 6.1% from ₱40.1 billion as of December 31, 2014 to ₱37.7 billion as of March 31, 2015 mainly due to lower level of raw materials, work in process from the olefins businesses. Subdivision land and condominium and residential units for sale of real estate business also dropped during the period. In addition to this, materials in transit of the food business decreased during the period.

Investment properties slightly increased 3.0% from ₱57.0 billion as of December 31, 2014 to ₱58.7 billion as of March 31, 2015 due to completion of construction of Cyberscape Alpha, Go Hotel Ortigas and Go Hotel Butuan and ongoing constructions at Tera Tower, Bonifacio Summit Center and Go Hotel Davao. Aside from this, there is an ongoing expansion for the following malls: Ortigas, Novaliches and Cebu.

Property, plant and equipment increased 2.5% from ₱147.5 billion to ₱151.2 billion due to the several plant expansion projects of our branded consumer foods, completion of construction of the naphtha cracking facility and petrochemical's plant rehabilitation and acquisition of two Airbus A320 and one A330 aircraft by Cebu Air.

Biological assets, including noncurrent portion, decreased 6.7% due to decline in headcount and volume, net of increase in market value of hogs.

Other noncurrent assets decreased 11.2% from ₱3.5 billion as of December 31, 2014 to ₱3.1 billion as of March 31, 2015 due to lower balance of advances to suppliers and security deposits.

Accounts payable and accrued expenses decreased from ₱67.4 billion as of December 31, 2014 to ₱ 67.1 billion as of March 31, 2015 mainly from lower level of deposit liabilities from our banking business for the period.

Short term debt dropped 54.7% to ₱20.1 billion as of March 31, 2015 from ₱44.3 billion as of December 31, 2014 due to settlement of Parent Company and a portion of RLC's of short term loans. URC also settled a portion of its trust receipts during the period.

Derivative liabilities, including noncurrent portion, totaling ₱2.1 billion is mainly from fuel hedging of our airline business.

Income tax payable increased 30.1% due to higher level of tax payable of the food business.

Other current liabilities increased 8.8% from ₱9.6 billion as of December 31, 2014 to ₱10.4 billion this year due to higher unearned revenue of our airline business brought about by the increase in the sale of passenger travel services.

Long-term debt, including current portion, increased 7.9% from ₱157.6 billion as of December 31, 2014 to ₱170.0 billion as of March 31, 2015 due to bond issuance of RLC during the period.

Stockholders' equity, excluding minority interest, stood at ₱222.0 billion as of March 31, 2015 from ₱ 207.6 billion as of December 31, 2014.

Book value per share stood at ₱30.99 as of March 31, 2015.

KEY FINANCIAL INDICATORS

The Company sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as of March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and 2014.

Key Financial Indicators	**2015**	**2014**
Revenues	₱57,053 million	₱43,418 million
EBIT	₱11,687 million	₱9,310 million
EBITDA	₱15,137 million	₱12,024 million
Core net income after taxes	₱6,178 million	₱5,610 million
Net income attributable to equity holders of the Parent Company	₱5,984 million	₱5,381 million
Liquidity Ratio:		
Current ratio	1.34	1.10
Solvency ratios:		
Gearing ratio	0.69	0.77
Net debt to equity ratio	0.51	0.59
Asset-to-equity ratio	2.03	2.14
Interest rate coverage ratio	8.75	9.85
Profitability ratio:		
Operating margin	0.20	0.21
Book value per share	30.99	29.59

The manner in which the Company calculates the above key performance indicators for both period-end 2015 and 2014 is as follows:

Key Financial Indicators		
Revenues	=	Total of sales and services, income from banking business, dividend income and equity in net earnings
EBIT	=	Operating income
EBITDA	=	Operating income add back depreciation and amortization expense.
Core net income after taxes	=	Net income attributable to equity holders of Parent company as adjusted for the net effect of gains/losses on foreign exchange, market valuations and derivative transactions
Current ratio	=	Total current assets over current liabilities
Gearing ratio	=	Total Financial Debt over Total Equity.
Net debt to equity ratio	=	Total Financial Debt less Cash including Financial Assets at FVPL and AFS investments (excluding RBC Cash, Financial assets at FVPL and AFS investments) over Total Equity.
Asset-to-equity ratio	=	Total Assets over Total Equity
Interest rate coverage ratio	=	EBITDA over Interest Expense
Operating Margin	=	Operating Income over Revenue
Book value per share	=	Stockholders' Equity (Equity attributable to parent) over outstanding number of common shares

2.1 Any known trends or any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

The Company does not expect any liquidity problems and is not in default of any financial obligations.

2.2 Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

2.3 Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:

The Company, in the normal course of business, makes various commitments and has certain contingent liabilities that are not reflected in the accompanying consolidated financial statements. The commitments and contingent liabilities include various guarantees, commitments to extend credit, standby letters of credit for the purchase of equipment, tax assessments and bank guarantees through its subsidiary bank. The Company does not anticipate any material losses as a result of these transactions.

2.4 Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

The Company's and its subsidiaries' performance will at all times be affected by the economic performance of the Philippines and other countries where its subsidiaries operate. Hence, the Group is always on guard and establishes controls to minimize such risks.

2.5. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

None

2.6 Any seasonal aspects that had a material effect on the financial condition or results of operations:

PART II – OTHER INFORMATION

Item 1. List of disclosure not made under SEC Form 17 – C.

None.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JG SUMMIT HOLDINGS, INC.

By:

05-14-2015

JAMES L. GO
Chairman of the Board and
Chief Executive Officer
(acts as Principal Financial Officer)

05-14-2015

LANCE Y. GOKONGWEI
President and
Chief Operating Officer

05-14-2015

CONSTANTE T. SANTOS
Senior Vice President
Corporate Controller

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	March 31, 2015	December 31, 2014
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱36,983,830**	₱37,474,642
Financial assets at fair value through profit or loss (Note 9)	**15,840,541**	15,273,969
Derivative asset under hedged accounting (Note 8)	**11,202**	28,424
Available-for-sale investments (Note 10)	**10,455,204**	11,789,036
Receivables (Note 11)	**28,251,237**	24,765,869
Inventories (Note 12)	**37,694,424**	40,132,767
Biological assets	**1,106,219**	1,234,575
Other current assets (Note 13)	**11,818,369**	12,297,848
Total Current Assets	**142,161,026**	142,997,130
Noncurrent Assets		
Available-for-sale investments (Note 10)	**49,395,882**	50,260,656
Derivative asset under hedged accounting (Note 8)	**30,281**	126,184
Receivables (Note 11)	**19,466,351**	19,000,582
Held-to-maturity investment (Note 10)	**1,788,834**	1,768,603
Investments in associates and joint ventures (Note 14)	**111,314,147**	112,109,686
Property, plant and equipment	**151,205,861**	147,486,411
Investment properties	**58,689,386**	56,982,695
Goodwill	**16,878,004**	16,878,004
Biological assets	**489,322**	476,438
Intangible assets	**7,176,369**	7,178,004
Other noncurrent assets (Note 15)	**3,121,479**	3,514,395
Total Noncurrent Assets	**419,555,916**	415,781,658
	₱561,716,942	₱558,778,788

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 16)	**₱67,061,323**	₱67,397,212
Short-term debts (Note 18)	**20,063,349**	44,286,734
Derivative liabilities (Note 8)	**2,136,453**	1,762,811
Income tax payable	**1,612,687**	2,307,669
Current portion of long-term debts (Note 18)	**4,760,242**	4,475,008
Other current liabilities (Note 17)	**10,415,998**	9,577,276
Total Current Liabilities	**106,050,052**	129,806,710

(Forward)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 18)	**165,283,254**	153,079,728
Deferred tax liabilities	**4,610,543**	4,594,920
Other noncurrent liabilities (Note 19)	**9,447,909**	9,686,976
Total Noncurrent Liabilities	**179,341,706**	167,361,624
Total Liabilities	**₱285,391,758**	₱297,168,334
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 20)	**₱30,755,984**	₱22,015,338
Retained earnings (Note 20)	**156,211,102**	150,226,755
Equity reserve (Note 20)	**27,546,248**	27,546,248
Other comprehensive income	**7,523,700**	7,827,996
	222,037,034	207,616,337
Non-controlling interests	**54,288,150**	53,994,117
Total Equity	**276,325,184**	261,610,454
	₱561,716,942	₱558,778,788

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands Except Per Share Amounts)

	Three Months Ended March 31	
	2015	2014 (As Restated)
REVENUE		
Sale of goods and services:		
Foods	**₱28,647,286**	₱23,038,072
Air transportation	**14,198,355**	11,764,416
Real estate and hotels	**4,883,279**	4,067,850
Petrochemicals	**5,232,823**	202,469
Banking	**721,219**	602,829
Dividend income	**1,573,555**	2,052,085
Equity in net earnings of associates and joint ventures	**1,675,764**	1,595,041
Supplementary businesses	**120,352**	95,529
	57,052,633	43,418,291
COST OF SALES AND SERVICES	**36,043,605**	26,469,400
GROSS INCOME	**21,009,028**	16,948,891
OTHER OPERATING EXPENSES		
General and administrative expenses	**9,276,237**	7,606,148
Impairment losses and others	**45,906**	32,570
	9,322,143	7,638,718
OPERATING INCOME	**11,686,885**	9,310,173
OTHER INCOME (LOSSES)		
Financing costs and other charges	**(1,730,485)**	(1,220,902)
Market valuation losses on derivative financial instruments	**(360,566)**	(45,089)
Finance income	**327,357**	354,226
Foreign exchange losses	**(195,650)**	(163,692)
Market valuation gains on financial assets at fair value through profit or loss	**181,973**	8,319
Others	**26,489**	9,768
INCOME BEFORE INCOME TAX	**9,936,003**	8,252,803
PROVISION FOR INCOME TAX	**1,227,137**	874,623
NET INCOME	**8,708,866**	7,378,180
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Item that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustments	**1,003,845**	(21,736)

(Forward)

	Three Months Ended March 31	
	2015	2014 (As Restated)
Net gains (losses) on available-for-sale investments	**(760,618)**	1,420,475
Net gains (losses) from cash flow hedges	**(90,872)**	6,388
Net unrealized gains on available-for-sale investments of an associate	**–**	367
	152,355	1,405,494
TOTAL COMPREHENSIVE INCOME	**₱8,861,221**	₱8,783,674
NET INCOME ATTRIBUTABLE TO		
Equity holders of the Parent Company	**₱5,984,347**	₱5,381,261
Non-controlling interests	**2,724,519**	1,996,919
	₱8,708,866	₱7,378,180
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO		
Equity holders of the Parent Company	**₱5,680,051**	₱6,498,437
Non-controlling interests	**3,181,170**	2,285,237
	₱8,861,221	₱8,783,674
Earnings Per Share Attributable to Equity Holders of the Parent Company		
Basic/diluted earnings per share (Note 22)	**₱0.84**	₱0.77

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	For the Three Months Ended March 31, 2015 and 2014															
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY															
	Paid-up Capital (Note 20)			**Retained Earnings**				**Other Comprehensive Income**								
	Capital Stock	**Additional Paid-in Capital**	**Total Paid-up Capital**	**Unrestricted Retained Earnings**	**Restricted Retained Earnings**	**Total Retained Earnings**	**Equity Reserve**	**Cumulative Translation Adjustments**	**Net Unrealized Gains on Available-for-Sale Investments**	**Net Unrealized Losses on Cash Flow Hedge**	**Remeasurements of the Net Defined Benefit Liabilitiy**	**Total Other Comprehensive Income (Loss)**	**Total**	**NON-CONTROLLING INTERESTS**	**TOTAL EQUITY**
Balance at January 1, 2015	**₱7,057,192**	**₱14,958,146**	**₱22,015,338**	**₱52,166,426**	**₱98,060,329**	**₱150,226,755**	**₱27,546,248**	**(₱1,708,290)**	**₱9,855,437**	**₱127,905**	**(₱447,056)**	**₱7,827,996**	**₱207,616,337**	**₱53,994,117**	**₱261,610,454**
Total comprehensive income (loss)	**–**	**–**	**–**	**5,984,347**	**–**	**5,984,347**	**–**	**560,443**	**(771,645)**	**(93,094)**	**–**	**(304,296)**	**5,680,051**	**3,181,170**	**8,861,221**
Decrease in non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,887,137)**	**(2,887,137)**
Issuance of new shares	**145,650**	**8,594,996**	**8,740,646**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,740,646**	**–**	**8,740,646**
Balance at March 31, 2015	**₱7,202,842**	**₱23,553,142**	**₱30,755,984**	**₱58,150,773**	**₱98,060,329**	**₱156,211,102**	**₱27,546,248**	**(₱1,147,847)**	**₱9,083,792**	**₱34,811**	**(₱447,056)**	**₱7,523,700**	**₱222,037,034**	**₱54,288,150**	**₱276,325,184**
Balance at January 1, 2014, as previously reported	**₱7,057,192**	**₱14,958,146**	**₱22,015,338**	**₱72,185,697**	**₱59,060,329**	**₱131,246,026**	**₱27,306,459**	**(₱1,787,689)**	**₱5,617,663**	**₱171,850**	**(₱593,000)**	**₱3,408,824**	**₱183,976,647**	**₱47,827,101**	**₱231,803,748**
Effect of the adoption of uniform accounting period (Note 2)	**–**	**–**	**–**	**2,147,018**	**–**	**2,147,018**	**–**	**52,539**	**–**	**–**	**–**	**52,539**	**2,199,557**	**1,863,742**	**4,063,299**
Balance at January 1, 2013, as restated	**7,057,192**	**14,958,146**	**22,015,338**	**74,332,715**	**59,060,329**	**133,393,044**	**27,306,459**	**(1,735,150)**	**5,617,663**	**171,850**	**(593,000)**	**3,461,363**	**186,176,204**	**49,690,843**	**235,867,047**
Total comprehensive income (loss)	**–**	**–**	**–**	**5,381,261**	**–**	**5,381,261**	**–**	**(10,011)**	**1,120,799**	**6,388**	**–**	**1,117,176**	**6,498,437**	**2,285,237**	**8,783,674**
Decrease in non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,274,279)**	**(3,274,279)**
Balance at March 31, 2014	**₱7,057,192**	**₱14,958,146**	**₱22,015,338**	**₱79,713,976**	**₱59,060,329**	**₱138,774,305**	**₱27,306,459**	**(₱1,745,161)**	**₱6,738,462**	**₱178,238**	**(₱593,000)**	**₱4,578,539**	**₱192,674,641**	**₱48,701,801**	**₱241,376,442**

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Three Months Ended March 31	
	2015	2014 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱9,936,003**	₱8,252,803
Adjustments for:		
Depreciation and amortization	**3,450,395**	2,713,389
Market valuation losses (gains) on:		
Financial assets at fair value through profit or loss	**(181,973)**	(8,319)
Derivative instruments	**360,566**	45,089
Interest expense	**1,698,264**	1,197,287
Dividend income	**(1,573,555)**	(2,052,085)
Interest income	**(327,357)**	(354,226)
Equity in net earnings of associates and joint ventures	**(1,675,764)**	(1,595,041)
Foreign exchange losses	**195,650**	163,692
Provision for impairment losses	**45,906**	32,570
Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks	**69,918**	(150,447)
Gain on sale of Available-for-sale investments	**(10,777)**	(17)
Operating income before changes in working capital accounts	**11,987,276**	8,244,695
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Derivative financial instruments	**(60,575)**	42,025
Financial assets at fair value through profit or loss	**(280,464)**	338,820
Receivables	**61,621**	(2,911,583)
Inventories	**2,088,614**	(770,601)
Biological assets	**45,554**	238,608
Other current assets	**479,478**	(469,870)
Increase (decrease) in the amounts of:		
Accounts payable and accrued expenses	**365,944**	(24,068,895)
Unearned revenue	**714,568**	1,630,680
Other current liabilities	**124,154**	26,132
Net cash generated from (used in) operations	**15,526,170**	(17,699,989)
Interest paid	**(2,365,307)**	(1,044,673)
Interest received	**368,703**	357,092
Income taxes paid	**(1,928,830)**	(375,700)
Net cash provided by (used in) operating activities	**11,600,736**	(18,763,270)

(Forward)

	Three Months Ended March 31	
	2015	2014 (As Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	**(₱6,154,903)**	(₱9,011,181)
Investment properties	**(2,367,539)**	(1,670,931)
Intangible assets	**(2,729)**	(501,201)
Held-to-maturity investments (Note 10)	**(20,230)**	(309,660)
Net decrease (increase) in the amounts of:		
Other noncurrent assets (Note 15)	**488,818**	(647,087)
Investments in associates and joint ventures (Note 14)	**(124,000)**	–
Available-for-sale investments (Note 10)	**1,448,765**	429,011
Dividends received	**68,848**	45,809
Net cash used in investing activities	**(6,662,970)**	(11,665,240)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Short-term debts	**(24,223,385)**	3,036,129
Long-term debts	**13,158,031**	32,563,151
Proceeds from issuance of new shares	**8,740,646**	–
Decrease in the amounts of:		
Other noncurrent liabilities (Note 19)	**(216,733)**	(291,884)
Non-controlling interests in subsidiaries	**(2,887,137)**	(3,274,279)
Net cash provided by (used in) financing activities	**(5,428,578)**	32,033,117
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(490,812)**	1,604,607
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**37,474,642**	34,996,009
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱36,983,830**	₱36,600,616

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 March 31 2015	2014
Food				
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	110 E. Rodriguez Avenue, Bagumbayan, Quezon City, Philippines	**55.83**	55.83
CFC Clubhouse Property, Inc (CCPI).	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**55.83**	55.83
CFC Corporation	-do-	-do-	**55.83**	55.83
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	**55.83**	55.83
Southern Negros Development Corporation (SONEDCO)	-do-	Kabankalan City, Negros Occidental	**53.48**	53.48
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**28.47**	9.17
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
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	**55.83**	55.83
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
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	**55.83**	55.83
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
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	-do-	**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
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
Robinson's Inn, Inc.	-do-	-do-	**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
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
Robinsons Properties Marketing and Management Corporation	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**60.97**	60.97
Altus Angeles, Inc.	-do-	McArthur Highway, Balibago, Angeles City, Pampanga	**31.09**	31.09
Altus San Nicolas Corporation	-do-	Brgy. 1 San Francisco, San Nicolas, Ilocos Norte	**60.97**	60.97
GoHotels Davao, Inc.	-do-	Lanang, Davao City	**31.09**	31.09

(Forward)

Subsidiaries	Country of Incorporation	Principal place of business	Effective Percentage of Ownership March 31 **2015**	2014
Petrochemicals				
JG Summit Petrochemical Corporation (JGSPC)	Philippines	Ground Floor, Cybergate Tower 1, EDSA corner, Pioneer Street, Mandaluyong City	**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
Banking				
Robinsons Bank Corporation (RBC) and a Subsidiary	-do-	17th floor, Galleria Corporate Center EDSA corner Ortigas Avenue, Quezon City	**60.00**	60.00
Legazpi Savings Bank, Inc. (LSB)	-do-	Rizal Street, Barangay Sagpon, Albay, Legazpi City	**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
Summit Forex Brokers Corporation	-do-	41st Floor, Robinsons-Equitable Tower, ADB Avenue, Corner Poveda Road, Pasig City	**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
JG Summit Capital Markets Corporation (JGSMC)	-do-	-do-	**100.00**	100.00
Summit Point Services Ltd.	-do-	-do-	**100.00**	100.00
Summit Internet Investments, Inc.	-do-	-do-	**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
JG Summit Philippines Ltd. (JGSPL) and Subsidiaries	-do-	-do-	**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
Multinational Finance Group, Ltd.	-do-	-do-	**100.00**	100.00
Telegraph Development, Ltd.	-do-	-do-	**100.00**	100.00
Summit Top Investment, Ltd.	-do-	-do-	**100.00**	100.00
JG Summit Limited (JGSL)	-do-	-do-	**–**	–
Unicon Insurance Brokers Corporation (UIBC)	Philippines	CFC Bldg., E. Rodriguez Avenue, Bagong Ilog, Pasig City	**100.00**	100.00
Batangas Agro-Industrial Development Corporation (BAID) and Subsidiaries	-do-	5th Floor Citibank Center, Makati	**100.00**	100.00
Fruits of the East, Inc.	-do-	Citibank Center, Paseo de Roxas, Makati	**100.00**	100.00
Hometel Integrated Management Corporation	-do-	-do-	**100.00**	100.00
King Leader Philippines, Inc.	-do-	5th Floor Citibank Center, Makati	**100.00**	100.00
Samar Commodities Trading and Industrial Corporation	-do-	-do-	**100.00**	100.00
Tropical Aqua Resources	-do-	-do-	**100.00**	100.00
United Philippines Oil Trading, Inc.	-do-	-do-	**100.00**	100.00

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

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 statement of comprehensive income, changes in equity and statements of cash flows for the three months ended March 31, 2014.

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.

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

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

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

<u>Property, Plant and Equipment</u>
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.

<u>Bank Licenses</u>
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.

<u>Intangible Assets</u>
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

Impairment of Nonfinancial Assets

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

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

Impairment losses from continuing operations are recognized under 'Impairment losses and others' in profit or loss.

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.

<u>Dividends on Common Shares</u>
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 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:

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Revenue	**₱4,889,781**	₱4,072,973
Cost and expenses	**2,291,599**	1,927,719

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 25).

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

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

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

- 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 and 2013, 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.

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 Note 11 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 Note 12 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.

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.

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.

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.

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.

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.

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.

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.

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.

a. 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.

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.
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

Grades	Categories	Description
		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 March 31, 2015 follow:

	TOTAL	UP TO SIX MONTHS	OVER SIX MONTHS TO ONE YEAR	OVER ONE YEAR
Trade Receivables	₱18,020,584	₱13,804,575	₱1,315,774	₱2,900,235
Less: Allowance for impairment loss	(572,710)	–	(274,354)	(298,356)
Net Trade Receivables	17,447,874	13,804,575	1,041,420	2,601,879
Non-trade Receivables				
Finance Receivables (including noncurrent portion)	23,383,501	6,817,386	–	16,566,115
Others	7,785,997	7,512,458	273,539	–
	31,169,498	14,329,844	273,539	16,566,115
Less: Allowance for impairment loss	(899,784)	(711,054)	(188,730)	–
Net Non-trade Receivables	30,269,714	13,618,790	84,809	16,566,115
	₱47,717,588	₱27,423,365	₱1,126,229	₱19,167,994

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 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.

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.

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.

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.

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.

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.

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.

Foreign currency risk
RBC seeks to maintain a square or minimal position on its foreign currency exposure. Foreign currency liabilities generally consist of foreign currency deposits in RBC's Foreign Currency Deposit Unit (FCDU). Foreign currency deposits are generally used to fund RBC's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held in the FCDU. In addition, the BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU. RBC uses VaR methodology for measuring foreign currency risk.

---

5. **Fair Value 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.

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.

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.

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.

6. Segment Information

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

The industry segments where the Group operates are as follows:

- Foods, agro-industrial and commodities businesses - manufacturing of snack foods, granulated coffee and pre-mixed coffee, chocolates, candies, biscuits, instant noodles, ice cream and frozen novelties, pasta and tomato-based products and canned beans; raising of hog, chicken and manufacturing and distribution of animal feeds, corn products and vegetable oil and the synthesis of veterinary compound; and sugar milling and refining and flour milling.
- Air transportation - air transport services, both domestic and international, for passengers and cargoes.
- Real estate and hotels - ownership, development, leasing and management of shopping malls and retail developments; ownership and operation of prime hotels in major Philippine cities; development, sale and leasing of office condominium space in office buildings and mixed use developments including high rise residential condominiums; and development of land into residential subdivisions and sale of subdivision lots and residential houses and the provision of

customer financing for sales.

- Petrochemicals - manufacturer of polyethylene (PE) and polypropylene (PP), polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.
- Banking - commercial banking operations, including deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing.
- Other supplementary businesses - asset management, insurance brokering, foreign exchange and securities dealing. Other supplementary businesses include dividend income from PLDT and 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 three months ended March 31, 2015 and 2014. 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:

	March 31, 2015							
	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	**₱28,647,286**	**₱14,198,355**	**₱4,883,279**	**₱5,232,823**	**₱721,219**	**₱120,352**	**₱–**	**₱53,803,314**
Intersegment revenue	–	–	–	2,657,172	–	–	(2,657,172)	–
	28,647,286	14,198,355	4,883,279	7,889,995	721,219	120,352	(2,657,172)	53,803,314
Dividend income	16,151	–	–	–	–	1,558,546	(1,142)	1,573,555
Equity in net earnings of associates and joint ventures (Note 14)	(88,055)	(17,018)	639,366	–	–	1,141,471	–	1,675,764
Total revenue	28,575,382	14,181,337	5,522,645	7,889,995	721,219	2,820,369	(2,658,314)	57,052,633
Cost of sales and services	19,752,493	8,043,565	2,291,599	8,499,123	149,415	–	(2,692,590)	36,043,605
Gross income (loss)	**₱8,822,889**	**₱6,137,772**	**₱3,231,046**	**(₱609,128)**	**₱571,804**	**₱2,820,369**	**₱34,276**	**₱21,009,028**
General and administrative expenses								9,276,237
Impairment losses and others								45,906
Operating income								11,686,885
Financing cost and other charges								(1,730,485)
Finance income								327,357
Other operating income								26,489
Core earnings								10,310,246
Market valuation gain on financial assets								(178,593)
Foreign exchange gains								(195,650)
Income before income tax								9,936,003
Provision for income tax								1,227,137
Net income								8,708,866
Net income attributable to equity holders of the Parent Company	**₱1,775,148**	**₱1,495,926**	**₱1,492,089**	**(₱891,989)**	**₱16,821**	**₱2,099,147**	**(₱2,795)**	**₱5,984,347**
EBIT	**₱4,354,993**	**₱2,830,850**	**₱2,598,182**	**(₱778,177)**	**₱68,448**	**₱2,612,590**	**₱–**	**₱11,686,886**
Depreciation and amortization	1,148,024	1,214,702	757,160	75,796	62,564	192,148	–	3,450,394
EBITDA	**₱5,503,017**	**₱4,045,552**	**₱3,355,342**	**(₱702,381)**	**₱131,012**	**₱2,804,738**	**₱–**	**₱15,137,280**
Other information								
Non-cash expenses other than depreciation and amortization								
Impairment losses on receivables	**₱–**	**₱–**	**₱–**	**₱–**	**₱45,906**	**₱–**	**₱–**	**₱45,906**

	March 31, 2014							
	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	₱23,038,072	₱11,764,416	₱4,067,850	₱202,469	₱602,829	₱95,529	₱–	₱39,771,165
Intersegment revenue	–	–	–	–	–	–	–	–
	23,038,072	11,764,416	4,067,850	202,469	602,829	95,529	–	39,771,165
Dividend income	–	–	–	–	3	2,053,224	(1,142)	2,052,085
Equity in net earnings of associates and joint ventures (Note 14)	4,735	36,240	479,065	–	–	1,087,245	(12,244)	1,595,041
Total revenue	23,042,807	11,800,656	4,546,915	202,469	602,832	3,235,998	(13,386)	43,418,291
Cost of sales and services	15,632,517	8,674,118	1,927,719	138,331	130,448	–	(33,733)	26,469,400
Gross income	₱7,410,290	₱3,126,538	₱2,619,196	₱64,138	₱472,384	₱3,235,998	₱20,347	₱16,948,891
General and administrative expenses								7,606,148
Impairment losses and others								32,570
Operating income								9,310,173
Financing cost and other charges								(1,220,902)
Finance income								354,226
Other operating income								9,768
Core earnings								8,453,265
Market valuation gain on financial assets								(36,770)
Foreign exchange gains								(163,692)
Income before income tax								8,252,803
Provision for income tax								874,623
Net income								₱7,378,180
Net income attributable to equity holders of the Parent Company	₱1,845,367	₱110,375	₱1,167,756	(₱24,483)	₱18,444	₱2,306,476	(₱42,674)	₱5,381,261
EBIT	₱3,672,113	₱548,621	₱2,145,254	(₱14,991)	₱33,064	₱2,926,112	₱–	₱9,310,173
Depreciation and amortization	953,780	993,726	666,276	43,847	46,223	9,537	–	2,713,389
EBITDA	₱4,625,893	₱1,542,347	₱2,811,530	₱28,856	₱79,287	₱2,935,649	₱–	₱12,023,562
Other information								
Non-cash expenses other than depreciation and amortization								
Impairment losses on receivables	₱–	₱–	₱–	₱–	₱32,570	₱–	₱–	₱32,570

Other information on the Group's operating segments follow:

	March 31, 2015							
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Banking**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**Consolidated**
Segment assets	**₱103,717,093**	**₱81,185,234**	**₱95,851,832**	**₱55,034,170**	**₱50,212,076**	**₱255,970,726**	**(₱80,254,189)**	**₱561,716,942**
Segment liabilities	**₱46,473,609**	**₱57,365,333**	**₱40,483,814**	**₱12,805,888**	**₱43,919,022**	**₱132,295,983**	**(₱47,951,891)**	**₱285,391,758**
Capital expenditures	**₱932,656**	**₱3,882,056**	**₱2,577,163**	**₱1,108,189**	**₱21,863**	**₱515**	**₱–**	**₱8,522,442**

	March 31, 2014							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Segment assets	₱68,966,884	₱72,850,238	₱80,056,370	₱42,513,226	₱48,819,337	₱253,187,396	(₱83,412,695)	₱482,980,756
Segment liabilities	₱18,452,093	₱58,516,919	₱28,424,113	₱6,548,474	₱43,498,765	₱140,736,140	(₱49,991,576)	₱246,184,928
Capital expenditures	₱1,869,918	₱4,617,632	₱1,921,758	₱2,217,155	₱32,210	₱23,439	₱–	₱10,682,112

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
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.

7. Cash and Cash Equivalents

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Cash on hand	**₱1,022,270**	₱1,682,183
Cash in banks	**19,079,412**	17,013,262
Cash equivalents	**16,882,148**	18,779,197
	₱36,983,830	₱37,474,642

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.

8. **Derivative Financial Instruments**

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.

- 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 March 31, 2015 and December 31, 2014, 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.

- 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 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 18). 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.

Hedge Effectiveness Results

As of March 31, 2015, the positive fair value of the swap amounted to ₱30.3 million with an outstanding notional amount of US$250 million.

Fair value changes in derivatives

The net changes in fair value of derivatives taken to profit or loss are included under 'Market valuation gains on derivative financial instruments' in the consolidated statements of comprehensive income.

9. Financial Assets at Fair Value through Profit or Loss

These investments that are held for trading consist of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Debt securities:		
Private	**₱9,655,819**	₱9,521,127
Government	**3,278,076**	2,852,472
	12,933,895	12,373,599
Equity securities:		
Quoted	**2,906,643**	2,900,367
Unquoted	**3**	3
	2,906,646	2,900,370
	₱15,840,541	₱15,273,969

10. **Available-for-Sale and Held-to-Maturity Investments**

Available-for-Sale Investments
This account consists of investments in:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Debt securities:		
Government	**₱6,622,873**	₱7,817,195
Private	**2,557,445**	2,674,606
	9,180,318	10,491,801
Equity securities:		
Quoted	**50,647,835**	51,533,598
Unquoted	**22,933**	24,293
	50,670,768	51,557,891
	₱59,851,086	₱62,049,692

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Current portion	**₱10,455,204**	₱11,789,036
Noncurrent portion	**49,395,882**	50,260,656
	₱59,851,086	₱62,049,692

Held-to-Maturity Investment
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 April 2, 2015 to May 18, 2015.

11. **Receivables**

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Finance receivables	**₱23,383,501**	₱22,618,883
Trade receivables	**18,020,584**	18,698,280
Due from related parties	**1,229,920**	1,173,282
Interest receivable	**541,354**	582,700
Other receivables	**6,014,723**	2,065,991
	49,190,082	45,139,136
Less allowance for impairment losses	**1,472,494**	1,372,684
	₱47,717,588	₱43,766,452

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Current portion	**₱28,251,237**	₱24,765,869
Noncurrent portion	**19,466,351**	19,000,582
	₱47,717,588	₱43,766,451

Noncurrent receivables consist of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Trade receivables	**₱2,900,235**	₱3,134,496
Finance receivables	**16,566,116**	15,866,086
	₱19,466,351	₱19,000,582

Restructured receivables which do not meet the requirements to be treated as performing receivables are considered as nonperforming loans.

Trade Receivables

Included in trade receivables are installment contract receivables of the real estate segment of the Group. These are collectible in monthly installments over a period of between one year to five years and earn annual interest computed on the diminishing balance of the principal. Revenue from real estate and hotels includes interest income earned from installment contract receivables.

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 pertain to investments in private bonds with local companies. Unquoted debt securities earn interest at annual fixed rates.

12. **Inventories**

This account consists of inventories held as follows:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
At cost:		
Raw materials	**₱6,428,653**	₱7,000,655
Finished goods	**8,148,657**	7,341,431
Total	**14,577,310**	14,342,086
At NRV:		
Subdivision land, condominium and residential units for sale	**14,854,760**	15,624,283
Spare parts, packaging materials and other supplies	**5,296,237**	5,008,323
Work-in-process	**1,148,993**	2,005,442
By-products	**22,321**	16,189
	21,322,311	22,654,237
Materials in-transit	**1,794,803**	3,136,444
	₱37,694,424	₱40,132,767

13. **Other Current Assets**

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Input value-added tax (VAT)	**₱4,656,392**	₱5,180,805
Advances to suppliers	**3,539,587**	3,595,834
Prepaid expenses	**1,034,390**	928,442
Deposit to counterparties	**996,452**	841,439
Advances to lot owners and joint operations	**889,744**	1,033,643
Restricted cash	**207,011**	217,836
Utility deposits	**5,568**	5,294
Others	**489,225**	494,555
	₱11,818,369	₱12,297,848

<u>Input VAT</u>
The Group believes that the amount of input VAT is fully realizable in the future.

<u>Advances to Suppliers</u>
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.

<u>Advances to Lot Owners and joint operations</u>
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.

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

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.

14. Investments in Associates and Joint Ventures

Details of this account follow:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Acquisition cost:		
Balance at beginning of year	**₱93,853,195**	₱92,854,141
Additional investments	**129,000**	1,049,700
Return of investment from an associate	**(5,000)**	(45,000)
Disposal of investment	**–**	(5,646)
Balance at end of year	**93,977,195**	93,853,195
Accumulated equity in net earnings:		
Balance at beginning of year	**18,455,083**	15,652,387
Effect of adoption of uniform accounting period (Note 2)	**–**	14,459
Balance at beginning of year, as restated	**18,455,083**	15,666,846
Equity in net earnings	**1,675,764**	7,247,680
Dividends received	**(2,595,303)**	(4,454,790)
Accumulated equity in net earnings of disposed investment	**–**	(4,653)
Balance at end of year	**17,535,544**	18,455,083
Share in net unrealized gain on AFS investments of an associate:		
Balance at beginning of year	**3,222**	4,548
Share in net changes in fair value of AFS investments of an associate (Note 10)	**–**	(1,326)
Balance at end of year	**3,222**	3,222
Share in remeasurements of the net defined benefit liability of an associate	**1,433**	1,433
Cumulative translation adjustment	**94,203**	94,203
	111,611,597	112,407,136
Less allowance for impairment losses	**297,450**	297,450
	₱111,314,147	₱112,109,686

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	
	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)	**March 31, 2015 (Unaudited)**	December 31, 2014 (Audited)
			(In Million Pesos)	
Associates				
Foreign:				
United Industrial Corp., Limited (UICL)	**36.97**	36.99	**₱37,955.2**	₱37,315.9
Domestic:				
Manila Electric Company (Meralco)	**27.10**	27.10	**71,574.6**	73,025.8
OPMC	**19.40**	19.40	**573.3**	575.9
Cebu Light Industrial Park, Inc. (CLIPI)	**20.00**	–	**78.0**	83.0
Sterling Holdings and Security Corporation (SHSC)	**49.00**	49.00	**–**	–
Bauang Private Power Corporation (BPPC)/First Private Power Corporation (FPPC)	**18.66**	18.66	**–**	–
			110,181.1	111,000.6
Joint Ventures				
Domestic:				
SIA Engineering (Philippines) Corp. (SIAEP)	**23.53**	23.53	**203.5**	245.7
Aviation Partnership (Philippines) Corp. (APPC)	**32.95**	32.95	**212.8**	191.9
Hunt-Universal Robina Corporation (HURC)	**27.91**	27.91	**100.9**	95.2
Philippine Academy for Aviation Training (PAAT)	**33.62**	33.62	**158.0**	153.8
MPIC-JGS Airport Holdings, Inc.	**41.25**	41.25	**3.8**	3.8
Foreign:				
Calbee- URC, Inc. (CURCI)	**27.91**	27.91	**293.0**	325.5
Danone Universal Robina Beverages, Inc. (DURBI)	**27.91**	27.91	**161.0**	93.2
			1,133.0	1,109.1
			₱111,314.1	₱112,109.7

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 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.

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.

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.

Investment in SHSC
The investment in SHSC is fully provided with allowance amounting to ₱113.4 million as of March 31, 2015.

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.

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.

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.

15. **Other Noncurrent Assets**

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Deferred tax assets	**₱735,527**	₱677,727
Security and miscellaneous deposits	**608,485**	671,278
Utility deposits	**483,982**	460,111
Advances to lot owners	**190,079**	190,079
Advances to suppliers	**164,591**	489,143
Others	**938,815**	1,026,057
	₱3,121,479	₱3,514,395

<u>Security Deposits</u>
Security deposits pertain to deposits provided to lessor for aircraft under operating lease.

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

<u>Utility Deposits</u>
Utility deposits consist primarily of bid bonds and meter deposits.

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

<u>Advances to Lot Owners</u>
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.

<u>Others</u>
Others include deposit to joint venture, prepaid rent and repossessed chattels

16. **Accounts Payable and Accrued Expenses**

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Deposit liabilities	**₱32,205,693**	₱35,767,539
Trade payables	**16,600,078**	13,959,305
Accrued expenses	**12,712,659**	13,201,059
Airport and other related fees payable	**1,585,780**	1,211,267
Withholding taxes payable	**780,130**	188,372
Due to related parties (Note 23)	**533,135**	548,148
Output VAT	**273,699**	399,486
Dividends payable	**14,149**	12,889
Other payables	**2,356,000**	2,109,147
	₱67,061,323	₱67,397,212

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 61.61% is subject to periodic interest repricing. Remaining deposit liabilities of the RBC and LBC incur interest at annual fixed rates of up to 2.8% .

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.

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.

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.

17. Other Current Liabilities

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Unearned transportation revenue	**₱7,088,313**	₱6,373,745
Deposit from lessees (Note 19)	**1,674,738**	1,638,267
Deposits from real estate buyers (Note 19)	**887,329**	868,007
Advances from agents and others	**606,889**	554,620
Customer's deposits	**157,029**	140,937
Redeemable preference shares	**1,700**	1,700
	₱10,415,998	₱9,577,276

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.

18. Short-term and Long-term Debts

Short-term Debts

Short-term debts consist of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Parent Company:		
Philippine Peso - with interest rates of 1.6% to 2.8% in 2014	**₱–**	₱14,349,800
	–	14,349,800
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 0.4% to 4.8% in 2015 and 2014	**17,465,181**	21,494,684
Philippine Peso - with interest rates of 1.423% in 2015 and 2014	**2,598,168**	8,442,250
	20,063,349	29,936,934
	₱20,063,349	₱44,286,734

Long-term Debts

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

	Maturities	Interest Rates	**March 31, 2015 (Unaudited)**	December 31, 2014 (Audited)	Condition
Parent Company:					
Fixed Rate Retail Bonds:					
₱30.0 billion Fixed Rate Retail Bonds					
₱24.5 billion bonds	2019	5.23%	**₱24,327,110**	₱24,316,681	Unsecured
₱5.3 billion bonds	2021	5.22%	**5,270,255**	5,268,728	Unsecured
₱0.2 billion bonds	2024	5.30%	**174,840**	174,807	Unsecured
Term Loans					
₱9.0 billion Term Loan	2019	4.50%	**8,944,383**	8,941,749	Unsecured
₱7.5 billion Term Loan	2016	PDST-R1+0.75%	**7,468,055**	7,463,549	Unsecured
₱1.5 billion Term Loan	2016	PDST-R1+0.75%	**1,493,610**	1,492,710	Unsecured
			47,678,253	47,658,224	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US$750.0 million guaranteed notes	2023	4.375%	**29,532,264**	29,630,633	Guaranteed
US$250.0 million guaranteed notes	2018	US$ LIBOR plus 2.2% margin	**11,040,264**	11,034,105	Guaranteed
CAI					
ECA loans	2024	Libor + 3bps	**16,873,961**	17,626,805	Secured
Commercial loan from foreign banks	2023	Libor + 1.15% to 1.25%	**18,721,269**	16,222,858	- do -
URC					
US$420.0 million term loan	2019	5.72%	**13,796,750**	14,402,492	
US$322.3 million term loan	2019	5.72%	**10,583,222**	11,052,949	
			100,547,730	99,969,842	
Philippine Peso:					
RLC					
₱9.0 billion loan facility	2019	5.04%	**8,933,874**	8,932,698	Unsecured
₱1.0 billion loan facility	2019	5.04%	**994,259**	993,972	Unsecured
₱10.6 billion loan facility	2025	4.80%	**10,537,488**	−	Unsecured
₱1.4 billion loan facility	2025	4.934%	**1,351,892**	−	Unsecured
			21,817,513	9,926,670	
			170,043,496	157,554,736	
Less current portion			**4,760,242**	4,475,008	
			₱165,283,254	₱153,079,728	

Long-term debt to foreign banks is shown net of unamortized debt issuance costs.

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

Subsidiaries' Foreign Currency Loans

JGSPL 4.375% Senior Unsecured Notes Due 2023

On January 24, 2013, JGSHPL issued US$750.0 million, 4.375% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

JGSPL 5-year Guaranteed Notes

On January 16, 2013, JGSHPL, a wholly owned subsidiary of JGSPL, issued US$250.0 million, US$ LIBOR plus 2.2% margin, 5-year guaranteed notes. The notes are unconditionally and irrevocably guaranteed by the Parent Company. These notes are hedged items in a cash flow hedge (see Note 8).

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.

RLC Seven-year bonds due in February 2022
On February 23, 2015, RLC issued ₱10.6 billion bonds from BDO, HSBC, SB Capital, Standard Chartered, DBP and East West maturing on February 23, 2022. The interest rate is at 4.8% per annum and shall be payable semi-annually.

RLC Ten-year bonds due in February 2025
On February 23, 2015, RLC issued ₱1.4 billion bonds from BDO and Standard Chartered maturing on February 23, 2025. The interest rate is at 4.9344% per annum and shall be payable semi-annually.

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 ₱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 guaranteed 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 March 31, 2015 and December 31, 2014.

19. **Other Noncurrent Liabilities**

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Deposit from lessees	**₱1,706,315**	₱1,669,157
Due to related parties (Note 23)	**1,624,413**	1,619,940
Deposit liabilities	**1,489,912**	1,474,269
Accrued rent expense	**1,312,553**	1,312,553
Pension liabilities (Note 21)	**1,061,250**	1,001,111
Deposits from real estate buyers	**766,544**	749,851
ARO	**720,828**	586,069
Accrued maintenance cost	**224,414**	224,414
Derivative liabilities	**–**	508,216
Others	**541,680**	541,396
	₱9,447,909	₱9,686,976

Deposits from Lessees
Deposits from lessees (including the current portion shown in Note 17) 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 deposits from lessees were discounted using PDST-F rate plus 2.0% spread.

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.

Deposits from Real Estate Buyers
Deposits from real estate buyers (including the current portion shown in Note 17) 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 17).

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.

20. **Equity**

Details of the Parent Company's authorized capital stock as of March 31, 2015 and December 31, 2014 follow:

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

As of March 31, 2015 and December 31, 2014, the paid-up capital of the Group consists of the following:

Capital stock:		
Common shares - ₱1 par value	**₱7,162,842**	₱7,017,192
Preferred voting shares - ₱0.01 par value	**40,000**	40,000
	7,202,842	7,057,192
Additional paid-in capital	**23,553,142**	14,958,146
Total paid-up capital	**₱30,755,984**	₱22,015,338

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.

On January 21, 2015, shares of the Parent Company were sold via an accelerated overnight equity placement at a price of ₱61.0 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.

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.

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

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
June 30, 1993	Registration of authorized capital stock	−	₱1.00	₱−	12,850,800,000 common shares and 2,000,000,000 preferred non-voting shares	−
June 30, 1993	Initial public offering (IPO)	1,428,175 common shares	1.00	4.40	−	1,428,175 common shares
June 30, 1994	Conversion of convertible bonds into common shares	428,175 common shares	1.00	13.75	−	3,725 common shares
July 3, 1998	Stock rights offering (1:2)	2,060,922 common shares	1.00	2.00	−	2,060,9212 common shares

<u>Capital Management</u>
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:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
(a) Gross debt		
Short-term debt (Note 18)	**₱20,063,349**	₱44,286,734
Current protion of long-term debt (Note 18)	**4,760,242**	4,475,008
Long-term debt, net of current portion (Note 18)	**165,283,254**	153,079,728
Derivative liabilities (Note 8)	**2,136,453**	2,271,027
Redeemable preferred shares (Note 20)	**1,700**	1,700
	₱192,244,998	₱204,114,197
(b) Capital	**₱276,325,184**	₱261,610,454
(c) Debt-to-capital ratio (a/b)	**0.70:1**	0.78:1

The Group's policy is to ensure that the debt-to-capital ratio would not exceed the 2.5:1.0 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 March 31, 2015, the RBC was in compliance with the required capital adequacy ratio (CAR).

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. 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.

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 as of December 31, 2014 is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

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.

21. 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 overall expected rates of return on assets are based on the market expectations prevailing as at the reporting date, applicable to the period over which the obligation is settled.

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

22. **Earnings Per Share**

Basic earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company divided by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

The following tables reflect the net income and share data used in the basic/dilutive EPS computations:

Earnings per share attributable to equity holders of the Parent Company

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Income attributable to equity holders of the Parent Company	**₱5,984,347**	₱5,381,261
Less: Dividends on preferred shares	**–**	–
Income attributable to holders of common shares of the Parent Company	**₱5,984,347**	₱5,381,261
Weighted average number of common shares	**7,162,842**	7,017,192
Basic/diluted earnings per share	**₱0.84**	₱0.77

23. **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.

The Parent Company has signed various financial guarantee agreements with third parties for the short-term and long-term loans availed by its subsidiaries. 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.

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 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.

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.

24. **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.

25. **Contingent Liabilities**

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.

26. **Subsequent Events**

No material subsequent events to the end of the interim period have occurred that would require recognition disclosure in the consolidated financial statements for the interim period.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

FINANCIAL RATIOS
AS OF MARCH 31, 2015 AND DECEMBER 31, 2014 AND FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

The following are the financial ratios that the Group monitors in measuring and analyzing its financial soundness:

Financial Ratios:	2015	2014
Profitability Ratio:		
Operating Margin	20%	21%
Liquidity Ratio:		
Current ratio	1.34	1.10
Capital Structure Ratios:		
Gearing ratio	0.69	0.77
Net debt to equity ratio	0.51	0.59
Asset to equity ratio	2.03	2.14
Interest rate coverage ratio	8.75	9.85