JG SUMMIT
HOLDINGS, INC.

Making Life Better

2015 ANNUAL REPORT

JG SUMMIT
HOLDINGS, INC

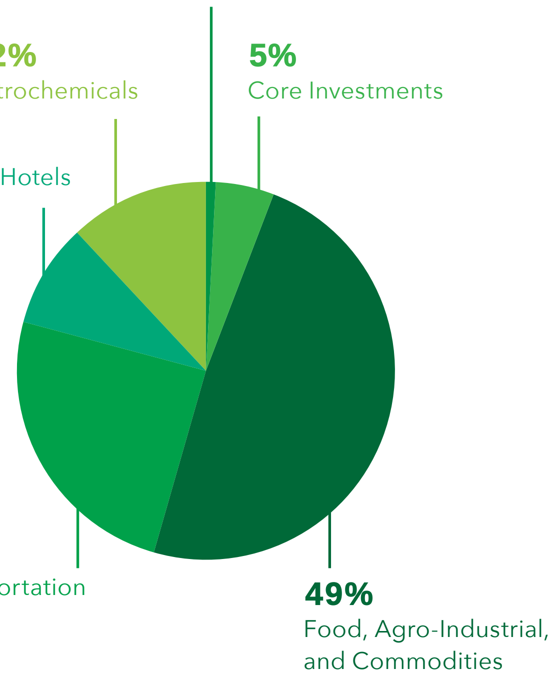
Contents

Financial Highlights

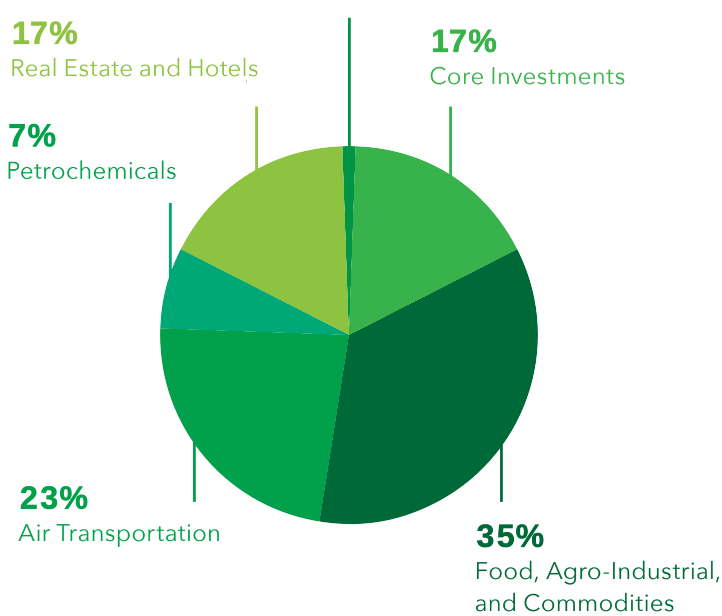
December 31 (in million pesos except per share and statistical data)

	2015	2014 (As Restated)	2015 VS 2014 INCREASE (DECREASE) Amount	%
For the Year				
Revenues	229,272	184,812	44,459	24%
Core Net Income after Taxes	28,048	20,304	7,744	38%
Net Income (Equity Holders of the Parent)	22,610	18,245	4,365	24%
EBIT	49,353	37,475	11,878	32%
EBITDA	63,792	49,235	14,558	30%
As of Year End				
Total Assets	596,332	559,305	37,027	7%
Total Liabilities	309,006	297,694	11,312	4%
Total Equity	287,326	261,610	25,715	10%
Per Share				
Basic Earnings	3.16	2.60	0.56	21%
Book Value	31.18	29.58	1.60	5%
Other Financial Data				
Current Ratio	1.04	1.10	(0.06)	(5%)
Gearing Ratio	0.71	0.78	(0.07)	(9%)
Net Debt Equity Ratio	0.52	0.59	(0.07)	(11%)

Revenue Contribution



EBITDA Contribution



Net Income ↑24%

Revenues ↑24%

Core Net Income after Taxes ↑38%

Message from the Chairman and the President

Dear Shareholders,

We are pleased to report that 2015 was another banner year for your company. It was a year when our diversified portfolio of businesses was tested by a turbulent environment and competition, and yet, performed creditably with strong growth and robust profitability. The global economy went through turbulence in 2015 – from a sharp decline in oil prices, weakening demand for commodities, currency instability, to a slowdown in China. Against this volatile global environment, JG Summit's core net income increased by 38%. Our stable, consumption-driven businesses in food, beverage and property posted record sales and margins despite vigorous competition and unstable input prices. Blessed by a benign fuel environment, our cyclical businesses like airlines and petrochemicals hit record profits as low input costs and improved yields worked to our advantage. Lastly, our core investments in Philippine Long Distance Telephone Co. (PLDT) and Manila Electric Company (Meralco) sustained their strong dividend payout and contributed to our overall growth and profitability.

Stronger Balance Sheet

Over the last 15 years, our asset base, revenues and net income grew by a CAGR of 11%, 13% and 17%, respectively. In 2015, we performed stronger than our historical average. Our asset base was at ₱596 billion, generating revenues of ₱229 billion and core net income of ₱28 billion, an increase of 7%, 24% and 38%, respectively. We also generated solid cash flows from the core operating businesses as they established their position as strong cash-generative and high-dividend-paying assets. As a holding company, we received a total of ₱12.6 billion in dividend income from our core operating businesses, core investments and other interest income. This is 4% higher than last year on a recurring basis because of higher dividends declared by Meralco and Cebu Pacific (CEB). As a result, our company has a balance sheet poised to fund further expansion and growth.

This performance and financial condition clearly shows the sustained improvement in shareholders' returns. Our revenues have posted higher average growth than our assets, reflecting effective asset turnover. Further, as our revenues grew, our net income grew faster because of scale efficiencies resulting in constantly improving margins.

Record Share Price

This consistent growth in assets, revenues and earnings over the past years has contributed to an impressive 29% average growth rate in our market capitalization over the last 15 years. This is more than double the average growth rate of our assets, revenue and net income. This figure is definitely something we can be proud of. It reflects that more than the growth in our balance sheets and income statements, the investing public is valuing us for our improvement in credibility, corporate governance and company's image.

In 2015, JG Summit's share price hit record highs. Our strong performance on top of our sound fundamentals has greatly contributed to our overall corporate image and market value. We outperformed the PSE Index in 2015 by over 15%. Our listed subsidiaries generally outperformed the index as well. But more importantly, JG Summit outperformed each of our listed subsidiaries, highlighting the fact that JG Summit is now viewed more valuable than the sum of its parts because of our track record of building businesses that unlock value for our shareholders.

Major Developments

Awards

Universal Robina Corporation (URC) was voted as the "Best Managed Consumer Company in Asia" and yours truly as Best CEO for the Philippines. The company was also ranked among the top ten in the country awards in terms of investor relations, dividend payment, corporate governance and best managed as a public corporation by leading business magazine Finance Asia.

Fund Raising

In January 2015, shares of JG Summit were sold via an accelerated overnight equity placement through a top-up placement of 146 million common shares raising approximately ₱8.8 billion.

In February 2015, Robinsons Land Corporation (RLC) issued ₱12 billion worth of fixed rate bonds. For the 7-year tenor, the interest rate is 4.8% per annum while for the 10-year bond, the interest rate is at 4.93%. This bond issuance was the second and biggest for RLC to date.

Acquisitions

In May 2015, RLC acquired an 18-hectare property from Mitsubishi located along the Ortigas Avenue Extension in Cainta, Rizal, which will be its largest mixed-use urban development ever.

In October 2015, RLC acquired land use rights for the Chengdu Ban Bian Property with gross floor area of approximately 220,000 sqm. The planned development is mainly residential with a partial commercial component. It is RLC's first and only international presence.

Other Milestones

In January 2015, URC has officially introduced its Danone-URC beverage product under the brand name B'lue and CEB flew its 100 millionth passenger.

In May 2015, CEB announced that Tigerair Philippines will begin operating as Cebgo, utilizing the colors blue and yellow to establish the airline's relationship with Cebu Pacific. CEB also became the largest carrier to operate the Manila-Sydney route. From its launch in September 2014 up to May 2015, it captured 37% of total passenger traffic, according to Australia's Bureau of Infrastructure, Transport, and Regional Economics. For May 2015 alone, CEB captured 42% market share, with the next carrier at 30%.

In June 2015, URC Sugar's 46MW Cogeneration power plant was inaugurated and is currently dispatching around 20MW power to the national grid.

In November 2015, URC launched Griffin's brands in Singapore with products ranging from Griffin's Sweet Biscuits, Cookie Bear for Kids, Huntley and Palmers' Flat Bread and Sesameal, and wrapped snacks under Nice & Natural's Supergrains and Superfruits.

In December 2015, URC inaugurated its world class AAA Slaughterhouse and Meat Processing facility for its agro-industrial business.

Disciplined Strategy

Together with good governance and a vibrant entrepreneurial culture, we have employed a disciplined approach – both in strategy and execution. Our vision is to be a leading conglomerate in the Philippines with a growing global presence. We have targeted the growing middle income class in the Philippines and around ASEAN. We have successfully aimed and have become among the market leaders by sustaining a strong competitive profile and achieving economies of scale that make it hard for new competition to enter our market. Our products and services have always regarded as best value for money.

Our discipline in strategy extends to execution. We have created a proven track record of game changing execution of products and services. We continuously employ strategic innovation with key discipline in efficiency and scale at the same time. This has led our company to a well-balanced, well-diversified and well-run portfolio of businesses. Specifically, in 2015, core net income is almost evenly spread among our three categories of business – a third from consumer businesses such as RLC and URC, about another third from high yielding and cash generative core investments, PLDT and Meralco, and lastly, a third from our cyclical businesses, composed of CEB and our Petrochemicals group.

Prospects & Outlook

We remain optimistic on the growth prospects of the group as all subsidiaries are poised for continuous growth and sustained profitability. Amidst a volatile and challenging global environment, the evolving ASEAN market will also be a key driver of our group's growth in the medium term.

The establishment of the ASEAN Economic Community in 2015 is expected to increase competition from both multinational companies and local players. We may expect new ways of doing business, new foreign ideas and business practices. But more importantly, with an evolving economy fueled by the rise of consumers empowered by increasing disposable income, people are reshaping their relationships with companies. The customers today are more demanding of premium products and services.

To continue to be successful, we must continue to innovate and create value. We should transform to a business which will meet our customers' new needs and lifestyle.

URC will launch a new visual expression of its corporate identity. The new URC brand logo will evolve into a purposeful and contemporary global food brand with an umbrella of innovative, ownable and consistently managed tiered portfolio of brands, loved and valued by customers. It has crafted its 2020 vision to be a leading, respected and recognized corporate brand spanning the PAN-ASEAN-Oceania region with leading consumer and household brands in snackfoods and beverages across the mainstream and premium segments. Further, URC will have a stable and cost competitive nonbranded foods businesses in the Philippines providing consistent and robust cash flow generation for the company and the Group. URC aims to continue to maintain the competitiveness of its nonbranded foods businesses with the entry into renewables, value added offerings for farms and opportunistic expansion in flour and sugar milling. Lastly, URC aims to continue focus on productivity with cost leadership in its industry.

RLC remains optimistic on its growth prospects across all its businesses. Its Commercial Centers Division targets to open four new malls and expand one existing mall in its fiscal year 2016. It targets total leasable space to increase by 15% to 1.3 million sqm. In fiscal year 2017, it plans to grow total leasable space by 11%. Its Office Buildings Division remains bullish on this segment backed by the BPO growth in the country. It will be adding 5% leasable space in fiscal year 2016 while in fiscal year 2017, targets to add 15% of office leasable space. Its Hotels Division plans to add one hotel, managing a total of 15 hotel properties by the end of fiscal year 2016, increasing its hotel room portfolio by 8% year on year. Its Residential Division remains conservative but cognizant of the strong demand. For fiscal year 2016, it is ready to launch approximately ₱15 billion worth of project launches in terms of sales value across all four residential segments. Lastly, RLC's announcement on a regional expansion kicks off with the Chengdu property acquisition last October 2015. The company is currently working on the master plan which targets pre-selling activities to commence in two years.

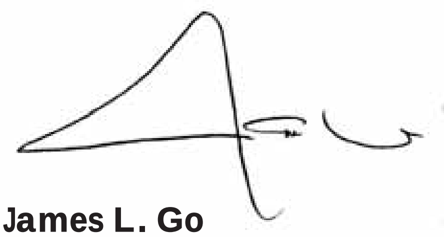
CEB continues its growth plans through adding international routes and flights while domestic prospects remain in other flights through provincial routes. Specifically, CEB launched a four times weekly service between Manila and Guam last March 15, the airline's first US destination. Civil Aeronautics Board (CAB) also granted additional entitlements to CEB for international routes from Manila to UAE, from various points in the Philippines to Taipei and Kaohshiung in Taiwan, and from Manila to key destinations in Russia. Between 2015 to 2022 CEB has a total remaining order book of three A320, 30 A321 NEO, and 16 ATR 72-600 for a total of 61 aircraft by end 2017 and 69 aircraft by end of 2018.

For the **JG Summit Petrochemical Group (JGSPG)**, our Petrochemicals business, we target 95%-100% run rate for 2016. We plan to continuously improve operations and processes amidst a volatile and challenging environment. We will be launching a commercial study this year to evaluate expansion prospects for the Petrochemical business. This will cover cracker expansion, aromatics and butadiene extraction, and other possible downstream projects.

For **Robinsons Bank (Rbank)**, after launching the Roadmap 2020, where we have started capacity building last year, we are now in the second phase. We aim to grow RBank's core income and our focus will be on building the lending portfolio and other fee-based income.

Acknowledgement

Our success today is possible because of your trust and support. We would like to express our deepest gratitude and appreciation to our customers, business partners and fellow shareholders. To our board, executives and employees, thank you for your unwavering dedication and confidence. Thank you for the patronage and believing in JG Summit's commitment to make every Filipino life better.



James L. Go
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Lance Y. Gokongwei
PRESIDENT AND CHIEF OPERATING OFFICER

Management Discussion and Analysis of Operating Performance and Financial Condition

JG Summit Holdings, Inc. posted a 38.1% increase in consolidated core net income (excluding non-recurring items), earning a total of ₱28.05 billion in 2015 compared to ₱20.30 billion in 2014. The increase in core net income is due to the double-digit income growth in our core operating businesses particularly in CEB, which benefited from the drop in fuel prices, and from our Petrochemicals business, which expanded significantly since the start of its integrated operations in November 2014. The Group's consolidated net income from equity holders of the parent amounted to ₱22.61 billion in 2015, a 23.9% increase from ₱18.25 billion last year. The increase is lower compared to the growth of core net income because of foreign exchange losses caused by the depreciation of Philippine Peso vs. U.S. Dollar by more than ₱2.00 by year-end 2015, as well as mark-to-market losses mainly from CEB's fuel hedging losses in 2015. Consolidated EBITDA reached ₱63.79 billion, a 29.6% increase compared to last year.

Consolidated revenues grew 24.1% from ₱184.81 billion in 2014 to ₱229.27 billion in 2015 due to the strong performance of core subsidiaries. URC's total revenues increased by 15.9% from ₱96.65 billion in 2014 to ₱112.00 billion in 2015 due to a 16.3% growth in branded consumer foods, both domestic and international, including the sales contribution from Griffin's which was consolidated starting mid-November of 2014. RLC's total revenues posted a 16.4% growth from ₱17.43 billion in 2014 to ₱20.30 billion in 2015 brought about by the additional revenue contribution of nine new malls, three office buildings and four new hotels. CEB's total revenues went up by 8.7% from ₱52.00 billion in 2014 to ₱56.50 billion in 2015 due to 8.9% growth in passenger volume and a 9.8% increase in ancillary revenue per passenger, which was partially offset by a 2.5% decrease in average fares. JGSPG revenues increased substantially from ₱3.23 billion in 2014 to ₱26.78 billion in 2015 as they commenced integrated operations in November 2014. Banking revenue increased 9.3% from ₱2.72 billion in 2014 to ₱2.97 billion this year due to an increase in interest income recognized from finance receivables. Revenue from other supplementary businesses recorded a 21.0% increase due to higher commission income and outsource revenue for the year. Revenues from our core investments, declined this year as dividend income received by the Group dropped 43.9% from ₱5.07 billion last year to ₱2.85 billion this year mainly to ₱1.70 billion dividend income received from Jobstreet in 2014 with no equivalent in 2015 and lower dividend income declared by PLDT from ₱185 per share in 2014 to ₱152 per share in 2015. Operating Income or EBIT went up 31.7% from ₱37.48 billion in 2014 to ₱49.35 billion in 2015.

URC generated a consolidated sale of goods and services of ₱112.01 billion for the year ended December 31, 2015, 15.9% sales growth over last year's ₱96.65 billion. The branded consumer foods segment (BCFG), excluding packaging division, increased 16.3%, to ₱92.96 billion in 2015 from ₱79.90 billion registered in 2014. Domestic operations posted a 7.3% increase in net sales from ₱54.49 billion in 2014 to ₱58.46 billion in 2015 as ready-to-drink (RTD) tea continues to grow strongly with additional capacities while noodles continue to gain traction with Nissin Cup Noodles. Sales growth was muted mainly due to aggressive competition across all categories, mostly coffee and snacks. BCFG's international sales increased by 35.8% to ₱34.50 billion in 2014 against ₱25.41 billion in 2014, the top-line growth coming from Vietnam, Indonesia and Thailand with sales contribution from New Zealand. The Group started consolidating Griffin's sales into URC International starting mid-November 2014 upon closing of the acquisition. Sale of goods and services in URC's packaging division slightly went down to ₱1.15 billion in 2015 from ₱1.19 billion recorded in 2014 due to decline in volume. The Agro-Industrial segment's amounted to ₱8.97 billion in 2015, an increase from ₱8.41 billion recorded in 2014 as Feeds business increased by 21.2% due to higher sales volume, while Farms business declined by 4.4% due to lower selling price and volume. Sale of goods and services in Commodity Foods segment amounted to ₱8.93 billion in 2015, up by 25.0% from ₱7.15 billion reported in 2014 with growth coming from sales contribution of the Renewable Energy businesses, Distillery and Cogeneration, which amounted to ₱1.58 billion. Sugar business also reported a 6.9% sales growth due to higher sales volume while Flour business remained flat.

RLC generated total gross revenues of ₱20.30 billion for calendar year 2015, an increase of 16.4% from ₱17.43 billion total gross revenues for calendar year 2014. EBIT grew 24.3% to ₱7.92 billion while EBITDA posted a 20.5% growth to ₱11.13 billion. Net income stood at ₱5.95 billion, up by 24.7% compared to last year. The Commercial Centers Division posted a 12.6% revenue growth to ₱9.40 billion in 2015 from ₱8.35 billion last year, driven by the steady same mall rental revenue growth of 7% as well as the contribution of the newly opened malls Robinsons Place Antipolo, Robinsons Place Las Pinas, Robinsons Place Antique, Robinsons Novaliches expansion and Robinsons Galleria Cebu. The Residential Division realized revenues stood at ₱6.70 billion in 2015 versus ₱5.88 billion last year, an increase of 14.0%. The Office Buildings Division revenues grew by 47.3% to ₱2.42 billion in 2015 from ₱1.65 billion last year as Tera Tower, RLC's newest office building, as well as Cyberscape Alpha and Cyberscape Beta contributed to the strong growth of the division being 100% leased out as of December 31, 2015. The Hotels Division registered gross revenues of ₱1.80 billion for the year, posting a 13.8% increase compared last year with contribution coming from the opening of Summit Hotel Magnolia and Go Hotels Butuan.

CEB generated gross revenues of ₱56.50 billion for the year ended December 31, 2015, 8.7% higher than the ₱52.00 billion revenues earned last year mainly attributed to the increase in passenger revenues by 6.2% to ₱42.68 billion for the year ended December 31, 2015 from ₱40.19 billion registered in 2014. This increase was primarily due to the 8.9% growth in passenger volume to 18.4 million from last year's 16.9 million driven by the 7.6% increase in number of flights in 2015 as CEB added more aircraft to its fleet. The number of aircraft increased from 52 aircraft as of December 31, 2014 to 55 aircraft as of December 31, 2015. The 2.5% decrease in average fares partially offset the increase in revenues. Cargo and ancillary revenues grew 10.0% and 19.6% respectively following the increase in the volume of cargo and improved online bookings, together with a wider range of ancillary revenue products and services.

JGSPG which consists of JG Summit Petrochemicals Corp. (JGSPC) and JG Summit Olefins Corp. (JGSOC) combined gross revenues reaching ₱26.78 billion in 2015 as compared to last year's ₱3.23 billion as JGSPC resumed its commercial operations after the completion of its polymer plant expansion and rehabilitation projects and the commencement of JGSOC's commercial operations in November 2014 resulting to increase in polymer volumes sold by JGSPC and increase in volume of exported olefins of JGSOC. A net foreign exchange loss of ₱307.03 million was recorded in 2015 from ₱45.84 million last year due to the weakening of Philippine Peso against U.S. Dollar. Petrochemicals posted a net income of ₱3.16 billion in 2015 versus the net loss of ₱759.45 million in 2014, an improvement of 516.5%.

Rbank generated banking revenue of ₱2.97 billion in 2015, a 9.3% increase from last year's ₱2.72 billion, brought about by higher interest and commission income for the year, net of lower trading gains in 2015. However, cost and expenses also increased, higher than the revenue growth as the bank continued its expansion contributing to lower net earnings of ₱106.67 million for the year ended December 31, 2015, a 27.4% decline from last year's ₱146.91 million.

Equity in net earnings of associated companies and joint ventures amounted to ₱7.31 billion for the year ended December 31, 2015, a slight increase from last year's ₱7.25 billion mainly attributable to the 6.1% increase in equity earnings from Meralco from ₱4.68 billion last year to ₱4.96 billion this year, partially offset by the higher losses on equity investments in Calbee-URC and Danone-URC. Equity income from United International Corp. Limited (UIC) remained flat at ₱2.51 billion. UIC recorded a 6.1% growth in its net income from operations from S$222.79 million in 2014 to S$236.28 million in 2015 mainly due to higher trading property sales. 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.

JG Summit Businesses

JG SUMMIT
HOLDINGS, INC.

JG Summit Holdings, Inc.

The business of JG Summit Holdings, Inc. (JG Summit) started in 1957 when Universal Corn Products was established to operate a cornstarch plant in Manila. Since then, JG Summit has pioneered breakthroughs, broadened its enterprise and stayed at the forefront in every phase of the country's rise to development, built on a strong entrepreneurial culture and conservative financial management.

Currently, JG Summit is one of the largest and most diversified conglomerates in the Philippines, engaged primarily in businesses that serve a growing middle class with rising disposable income in the Philippines, South East Asia and Oceania region.

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


Granny Goose
JACK'n JILL
TEAR HERE
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FOOD, AGRO-INDUSTRIAL & COMMODITIES

Universal Robina Corporation

Universal Robina Corporation (URC), the "first Philippine multinational," is one of the leading food and beverage companies in Southeast Asia and a major player in agro-industrial, commodity and renewable businesses in the Philippines.

URC started out as a cornstarch manufacturer in the 1950's but eventually branched out into branded consumer foods in the 1960's and commodities in 1970's and 1980's. Today, URC has established a strong position in the ASEAN markets and has recently expanded its reach to New Zealand and Australia through the acquisition of Griffin's, a leading snackfoods player in New Zealand.

The Branded Consumer Foods Group (BCFG) is considered as the largest locally based player in the ASEAN for snackfoods with the widest geographical footprint in Southeast Asia and the Oceania region. At present, URC has a full-scale presence with manufacturing facilities in Vietnam, China, Thailand, Malaysia, Indonesia, Myanmar and New Zealand, and trading offices in Hong Kong and Singapore.

Aside from this geographic expansion, URC has developed its own brands and product portfolio throughout the years. BCFG is bannered by the Jack 'n Jill megabrand, which houses well-loved snackfoods brands like Piattos, Chippy, Magic, Cream-O, Maxx, and Cloud 9. Jack 'n Jill also introduced innovative new brands like Mang Juan and Fun-O. Through its recent partnership with Calbee, the largest snacks maker in Japan, URC introduced a new sophisticated range of salty snacks for a new market in the Philippines.

Jack 'n Jill has grown to represent the simple pleasures of life as well as the fun and camaraderie of snacking. It has become one of the most recognizable brands in the Philippines and is well-recognized in other Southeast Asian countries. In the Philippines, URC is the market leader in salty snacks, candies, chocolates, and a significant player in biscuits, with leading positions in cookies and pretzels. Outside its home market, URC is the market leader in both biscuits and wafers in Thailand, and the fastest growing snacks company in Indonesia with "Piattos" as the number one fabricated potato chips in the market.

URC has a strong presence on the beverage category with the success of Great Taste and C2 Cool & Clean. Great Taste has become one of the leaders in the coffee business innovation through the launch of its Great Taste White variants. C2, on the other hand, was the first of its kind in the Philippines and was the cornerstone for the entire RTD tea market. This brand has maintained being the largest player in the Philippines and is currently the #1 brand in Vietnam's six key cities. URC also offers juices, water, and ready-to-drink chocolate beverages. Through the joint venture of URC and Danone, URC now offers B'lue, a water plus drink for the millennials.

URC's Agro Industrial Group (AIG), which is focused and known in providing Total Agri-Solution and farm management expertise including state-of-the-art diagnostic capability is divided into four segments namely, Commercial Feeds, Commercial Drugs, Robina Farm Hogs and Robina Farm Poultry. AIG provides high quality feeds, veterinary medicines, live animals (hogs and chicken), and premium meat cuts and eggs making it one of the biggest players in the agro-industrial segment in the Philippines.

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

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

BRANDED CONSUMER FOODS GROUP (BCFG)

BCFG is a dominant player in the industry being the market leader in salty snacks, confectioneries, and ready-to-drink tea while continuously holding a strong presence on coffee and bakery.

Salty Snacks	
Bakery	Biscuits Cakes
Confectioneries	Candies Chocolates
Ready-To-Drink Beverages	Tea Juices Water Chocolate
Powdered Beverages	Creamer Instant Coffee (Pure Soluble and 3-in-1 Mixes)

AGRO-INDUSTRIAL GROUP

Robina Farm Poultry	Breeds and grows day-old broiler, layer chicks, and premium table eggs
Robina Farm Hogs	Breeds and sells live pigs, and warm and chilled carcasses
Commercial Feeds	Produces and distributes animal feeds for fish, hogs and poultry
Commercial Drugs	Manufactures, distributes and sells a wide range of high-quality and well-known animal health products

JOINT VENTURES

Nissin-URC

URC manufactures and markets Nissin's instant noodles in cups and pouches, and Payless, a value-for-money instant noodles in pouches through its joint venture with Nissin Foods Holdings, Co. Ltd.

Hunts-URC

URC manufactures and markets Hunt's Pork & Beans, the market leader in the canned bean industry, and other tomato-based products through its joint venture with ConAgra Foods Inc. (U.S.).

Calbee-URC, Inc.

URC manufactures premium and innovative potato snacks through its joint venture with Calbee of Japan.

Danone Universal Robina Beverages, Inc.

URC manufactures a millennial water plus drink through its joint venture with Danone Asia Holdings Private Ltd. (Danone Asia), a unit of the multinational Danone Group of France.

COMMODITY FOODS GROUP

URC Flour Division

Produces and distributes hard flour, soft flour and specialty flour. It also manufactures and sells pasta products under the brand El Real.

URC Sugar and Renewables Division

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

URC PACKAGING manufactures and offers a wide range of Bi-axially Oriented Polypropylene (BOPP) films which are primarily used for packaging of different consumer products.

URC Facts

URC started out as a cornstarch manufacturing company in 1954. With Panda Cornstarch as its first brand, URC soon grew to include the Jack 'n Jill brand of fun snackfoods, Blend 45 and Great Taste coffee, C2 ready-to-drink (RTD) tea, and many other Filipino favorites. URC will further expand this portfolio with the launch of Griffin's and Nice & Natural to the ASEAN market in the coming years.

URC launched the first locally manufactured coffee blend in the 1960s with Blend 45. With its distinctly Filipino blend and flavor, it soon became a local favorite. URC also introduced the first 3-in-1 coffee mix with Great Taste which has been a trailblazer on innovation in the coffee mixes segment.

URC's first branded snack product was Jack 'n Jill Chiz Curls. It has since been followed by Chippy, Nova, Piattos and many other fun snacks that have become Filipino favorites for generations.

URC entered the RTD market in 2004 with C2 Green Tea. Originally available in lemon and green tea flavors, C2 was a runaway success, creating the RTD Tea market in the Philippines. C2 also maintained its dominance in the market for 11 years after its launch despite the stiff competition from multinational brands.

URC has also built C2 as the #1 RTD tea brand in Vietnam's six key cities. Vietnam presents a significant market for URC as it is a natural tea drinking country. While the initial attempt to sell C2 in more traditional tea flavors of jasmine and lotus did not excite the market, URC's C2 came roaring back using the sweeter fruit-flavored formulation that has endeared Filipino consumers. Vietnam's favorite is C2 Green Tea lemon flavor.

URC expanded in the ASEAN and Oceania market after the international investments of the Gokongwei family in food manufacturing was folded-in into the Company. From operations in Thailand, China, Malaysia, Indonesia and Vietnam, the Company has added new facilities in Myanmar and New Zealand in 2015.

URC continuously innovates and introduces new products both locally and in the region to constantly excite the market. The company realizes that innovation is one of the key factors for the success and sustainability of the business.

In 2011, URC successfully launched extruded and pelletized snacks called Chicharron ni Mang Juan as well as Great Taste White Coffee mixes, a first in the domestic market. The company was also the first to introduce packaging innovation through its Great Taste twin packs which provide better value to consumers.

URC's investment license for Myanmar was approved last April 2013. The company has formed a 95-5 joint venture (JV) in favor of URC. Currently, URC sells biscuits products out of its Thailand facility and wafers under the brand name Halo. Halo is manufactured in Myanmar's new factory which has started its operations last June 2015.

URC acquired Griffin's, the leading player in snack foods in New Zealand last November 2014. With less than a year of ownership, URC has invested in a new bar line for Griffin's Wiri plant which was commissioned last October 2015. This is expected to augment supply for wrapped snacks and bars given the growing demand for products that are anchored on health, wellness and nutrition.

URC has entered into a 50-50 JV partnership with Calbee of Japan, a major Japanese snack food maker, with products enjoying a huge popularity in Asia and the United States. Last February 2015, Calbee-URC, Inc. launched a diverse range of innovative potato snacks with Potato Chips, Pizza Potato and Jagabee Potato Fries.

URC signed a JV agreement in October 2014 with Danone Asia Holdings Private Ltd. (Danone Asia), a unit of the multinational Danone Group. Last January 2015, Danone Robina Beverages, Inc (DURBI) introduced B'lue, a unique and refreshing water plus drink to the Philippine market.

URC also supports the livestock industry with Robina Farms, which raises hogs and poultry; Commercial Feeds, which provides a variety of feeding and nutritional needs for them; and Commercial Drugs, which takes care of their veterinary requirements. URC ensures healthy, well-tended livestock — just one of the ways URC helps make life better for the Filipino.

URC is a major player in commodity foods, with strong positions in flour milling, sugar milling, and sugar refining. In 2015, URC has a combined capacity of milling 31,000 tons of sugar cane and 33,000 bags of refined sugar per day through its Tolong mill expansion. With this capacity, URC is among the top sugar companies in the country. The company is also expanding its flour milling capacity in Davao and Pasig to support the growth of this business. These expansions ensure a consistent supply of these raw materials for URC's branded consumer foods group.

URC has ventured into the renewable energy with its Bioethanol Distillery and Biomass Cogeneration plants, and Biogas facilities. The ethanol distillery plant with a capacity of 100,000 liters per day is located in Manjuyod, Negros Occidental, and produces fuel grade anhydrous ethanol suitable for gasoline blending using sugar molasses as feedstock. This plant was commissioned last November 2014 and supplies ethanol requirement to big oil companies such as Flying V and SEAOIL. The 46MW Biomass Fired Power Cogeneration plant in Negros Occidental, which started its installation in 2014 has already been inaugurated last June 2015 and currently exports around 20MW power to the national grid. The company also developed two Biogas facilities for its agro-industrial business which convert manure of its hogs and poultry into energy to save on electricity costs and to eliminate manure hauling for a better waste management.

URC Becoming More and More Relevant to Consumers through the Successful Launches of its Affordable Premium Products

For more than four decades, URC has made itself significant through the products it has developed and offered to be able to satisfy the demands of the ever changing consumers. With stronger consumption and spending in the country brought about by the growth of the Business Process Outsourcing (BPO) sector and higher employment rate, URC has started implementing its affordable premiumization strategy this 2015. Along with URC's mainstream brands such as Jack 'n Jill, Great Taste and C2 Cool and Clean, the Company has introduced additional premium products that are anchored on indulgence, play plus, authenticity, health, nutrition, and wellness through its joint ventures with Danone and Calbee, and its acquisition of Griffin's.

The Company has successfully launched these products to the market with positive responses from consumers.

Refreshing Taste of B'lue for the Filipino Millennials

Last January 2015, Danone Universal Robina Beverages, Inc. (DURBI) has started to offer B'lue, a water plus drink with three different flavor variants: Orange, Lychee and Calamansi to the Filipino market. Millennials, the main target market of B'lue, have gravitated towards this offering. With the insight that the Filipino millennial is the live to feel generation, DURBI has implemented brand and consumer activations such as YouTV, Project Millenials and other online participative activations to engage customers with unique and delightful experiences on top of the refreshing drinking sensation brought by B'lue.

Innovative Jack 'n Jill Calbee's Potato Snacks for the Filipinos

Calbee-Universal Robina Corporation (CURC) has posted a successful offtake ever since its launch last February 2015 with snacks that are perfect for any chip cravings. CURC introduced to the Filipino consumers Jack 'n Jill Calbee Potato Chips, Jack 'n Jill Calbee Pizza Potato, and Jagabee Potato Fries—all diverse and innovative potato snacks produced under the Japanese standards of quality. The Company has also rolled out different programs to enhance brand affinity through mini pop-up stores, consumer promotions, and digital and radio promotions.

Delightful Range of Griffin's Products for the ASEAN market

Through URC's acquisition of Griffin's, the number one snackfoods company in New Zealand, URC has diversified its product portfolio with more premium products for the ASEAN market. Last November 2015, URC introduced to Singapore products ranging from Griffin's Sweet Biscuits, Cookie Bear for Kids, Huntley and Palmers' Flat Bread and Sesameal, and wrapped snacks under Nice & Natural's Supergrains and Superfruits. Through sampling, social media and public relations activities after the launch, Griffin's has become more visible to the Singaporean market with great remarks from its consumers. Griffin's will also be launched to Hong Kong, Philippines, Thailand, Malaysia and Indonesia in 2016.

URC has then again proven its continuous efforts to innovate to make itself more relevant to its consumers. Through B'lue, Jack 'n Jill Calbee potato snacks and Griffin's diverse products, URC creates a better drinking and snacking experience, in line with JG Summit's vision of making the Filipino life better.

URC's Strategic Brand Shift and Evolution in the coming years

From humble beginnings in 1954 as Universal Corn Products with corn starch manufacturing, URC transformed to become a full pledged and successful food company with market leading brands and spanning the ASEAN and Oceania region. Our strong local heritage and unceasing entrepreneurial spirit and grit coupled with strong core values namely Passion to Win, Dynamism, Integrity and Courage have brought us to where we are today. The world is becoming a smaller place and markets are now connected and interdependent. Globalization is now the new normal and consequently we are now articulating our renewed ambition. The URC brand will evolve into a purposeful and contemporary global food brand with an umbrella of innovative, ownable and consistently managed tiered portfolio of brands, loved and valued by consumers. With this shift, we are introducing a new visual expression of our corporate identity with the aim of uplifting URC as a brand that is closer, valuable, visible and meaningful to consumers.

As we continue to create value for all our stakeholders, we have likewise reviewed our strategic priorities and directions and have crafted our 2020 vision as follows:

- A leading, respected and recognized corporate brand spanning the PAN-ASEAN-TASMAN region with leading consumer and household brands in snackfoods and beverages across the mainstream and premium segments.

- A stable of leading and cost competitive non-branded foods businesses in the Philippines providing consistent and robust cash flow generation (food ingredients, renewables and agro-industrial).

Our aspiration is to be a significant PAN-ASEAN-TASMAN multinational with five strong consumer brands namely Jack 'n Jill, C2, Great Taste, Griffin's and Nice & Natural. We will continue our drive on product innovation and scale up our brands across the markets where we are present.

New opportunities are emerging and we believe that the market will further evolve and will gradually adapt to emerging global consumer trends on indulgence, play-plus, authenticity/provenance, health, wellness and nutrition. Our thrust on innovation is to maintain our relevance to the target consumer by consistently offering new and innovative formats, exciting flavors, on-the-go and better-for-you (BFY) products.

We have deployed a two pronged approach on how to build our branded foods business, the first is to maintain our core mainstream brands Jack 'n Jill for snackfoods, C2 for RTD tea, Great Taste for coffee as well as launch new brands or replicate existing ones across the ASEAN. These core mainstream brands will continue to scale up in markets such as Indonesia, Vietnam and Myanmar and sustain our category leadership in Thailand and the Philippines. The second anchor is the progressive introduction of Griffin's brands into Asia starting FY2016 to build a portfolio of premium brands that will be offered for consumers that are trading-up, and retailing that is shifting into modern-convenience format. Our two new joint ventures with Calbee and Danone are also positioned to take advantage of similar trends and we will further invest to build their brand equity and distribution. We have also integrated new media and digital marketing in our communication strategy as well as executed brand and consumer activation to make our

OLD LOGO

UNIVERSAL ROBINA
CORPORATION

NEW LOGO

Universal
Robina

target customers experience our brands. More than investments in brand building, we have also earmarked bulk of our capex to build facilities, add capacities and new capabilities in branded foods.

We will continue to maintain the competitiveness of our non-branded foods businesses in the Philippines with our entry into renewables, value added offerings for farms and opportunistic expansion in flour and sugar milling.

Our foray into ancillary businesses will start to bear fruit with sales and profit contribution coming from our investments in bio-ethanol and biomass cogeneration while we maintain the competitiveness of our milling operations for Sugar, Flour and Feeds. Capacity for sugar milling has been expanded in our Tolong mill while we opportunistically capture further value in our Flour milling business with our entry into hauling wheat for freight efficiencies. We have also invested in World Class AAA slaughterhouse and meat fabrication facility that will integrate our processing of live hogs to meat cuts to further add value on this segment.

Productivity will be a recurring key initiative across the organization to better manage our cost base. We believe that we can do more with less as we deliberately institute operational efficiencies and measures in the business.

We believe that URC's regional footprint will be a significant competitive advantage in a single unified economy. With the decline in tariffs for finished goods to zero, barriers to entry will be collapsed enabling us to enter into new markets or categories and build our brands. This foray will also present greater challenges as investments in brand building and defense coupled with distribution expansion will be higher thus better cost management through productivity is a must. We have begun implementing several initiatives in the organization to further manage our costs - from centralized procurement to get leverage on suppliers, optimized supply chain to best deliver and handle our products at the least possible cost, regional manufacturing and sourcing to make our unit cost of production very competitive and shared services for our back-office functions to manage general and admin expenses better.

REAL ESTATE AND HOTELS

Robinsons Land Corporation

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

RLC is one of the country's largest mixed-use property developers. It has numerous mixed-use developments such as Robinsons Galleria, Robinsons Place Manila and Robinsons Cybergate Complex which integrate shopping malls, office buildings, hotels and residential projects. RLC's newest mixed-use development is the 8-hectare Bridgetowne complex in Quezon City.

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

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

COMMERCIAL CENTERS DIVISION

Develops, leases and manages shopping malls throughout the Philippines. As of December 31, 2015, RLC operates 41 shopping malls, comprising nine malls in Metro Manila and 32 malls in other urban areas throughout the Philippines.

HOTELS DIVISION

Owns and operates hotels all over the country. As of December 31, 2015, RLC's Hotels Division currently has a portfolio of 14 hotel properties, under the three brand segments, namely, internationally branded hotels (Crowne Plaza Manila Galleria and Holiday Inn Manila Galleria), Summit Hotels (Summit Circle Cebu, Summit Ridge Tagaytay and Summit Hotel Magnolia), and Go Hotels (nine Go Hotels in Mandaluyong-Manila, Palawan, Dumaguete, Tacloban, Bacolod, Otis-Manila, Iloilo, Ortigas Center-Manila and Butuan).

OFFICE BUILDINGS DIVISION

Develops office buildings for lease. As of December 31, 2015, this division has 11 office buildings, 10 of which are located in Metro Manila and one in Cebu. These office projects are primarily developed as investment properties and leased out to tenants by the company.

RESIDENTIAL DIVISION

Develops and sells residential developm ents including low-, mid-, high-rise condominium buildings and housing divisions. As of December 31, 2015, RLC's Residential Division completed 75 residential condominium buildings/towers/housing projects, and had 26 ongoing projects. It currently has several projects in various stages for future development that are scheduled for completion in the next one to five years. RLC's residential division is categorized into four brands – Robinsons Luxuria, Robinsons Residences, Robinsons Communities, and Robinsons Homes.

RLC Facts

RLC was incorporated in June 1980 to serve as the real estate arm of JG Summit Holdings, Inc.

RLC pioneered the mixed-use property development concept in the country supporting the live-work-play lifestyle. Robinsons Galleria complex, which opened in 1990, is the company's first and premier mixed-use development project where two deluxe hotels, two high-rise office buildings, an upscale residential condominium, and its flagship mall are all fully integrated. More mixed-use development projects followed thereafter and more are planned for future openings. As of December 2015, RLC had 15 mixed-use developments.

In 1996, the real estate development and hotel management activities of JG Summit group was consolidated under RLC through the share swap transactions of two affiliated entities, Manila Midtown Hotels and Land Corporation and Robinsons Inn.

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

RLC is one of the leading office space providers to BPO companies in the country with 310,000 sqm of leasable space from its eleven office buildings. In addition, 71,500 sqm of commercial center space are being leased out to BPO companies.

RLC is a leading owner and operator of hotels in the Philippines with a total of 2,174 guestrooms. The company successfully opened its first essential services/value hotel chain in the country in 2010, Go Hotels, viewed as a complement to its other property developments and also as a good strategic fit to an affiliate company, Cebu Pacific.

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

In 2013 and 2014, Philippine Retailers Association awarded Robinsons Magnolia as the Shopping Center of the Year (Medium Malls Category).

In 2013, the Philippine Property Awards named the Magnolia Town Center as the Best Commercial Development.

For two years in a row, 2013 and 2014, RLC was awarded as the Overall Best Managed Company in the Philippines by Euromoney, a leading international magazine, in their annual poll. Analysts praised RLC for its leading role in promoting transparent communication to investors as well as for its prudent gearing, good governance, visibility and clear articulation of strategy.

In 2015, RLC won the bidding for the acquisition of land use right to a property located in Chengdu Province, China. The property has a GFA of approximately 220,000 sqm which will be used for residential projects with a minor commercial component. This is the Company's first foray into the international real estate market.

Robinsons Land Remained Focused

Robinsons Land Corporation, the real estate arm of JG Summit Holdings, Inc., remained focused on its strategy of expanding its recurring income portfolio while, on the other hand, continuing to build award-winning residential condominiums and villages.

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

For its fiscal year 2015, RLC opened two new malls, Robinsons Place Las Pinas and Robinsons Antique, expanding it growing chain to 40 malls as of the end of September 2015. During the year, RLC also completed the expansion of Robinsons Novaliches.

Adding a feather to RLC's cap, the Philippine Retailers Association (PRA) elevated Robinsons Magnolia to a Hall of Fame awardee after it won the Shopping Center of the Year award under the Medium Category for the second year in a row.

Robinsons Magnolia forms part of the Magnolia Town Center complex, an internationally recognized mixed-use development in Quezon City.

Robinsons Palawan was also named Shopping Center of the Year under the Small Category by the PRA. Robinsons Palawan serves as the first and only full service mall in Puerto Princesa City and is fast becoming a landmark destination in Puerto Princesa. It was also the first Robinsons mall to generate its own renewable energy with the installation of its own rooftop solar power facility.

In response to the strong demand for quality office buildings, RLC continued to bolster its office portfolio. In 2015, it launched its first Pre-Certified Leadership in Energy and Environment Design (LEED) Gold Core & Shell Building, Tera Tower, which increased its office net leasable area by 13%. It is located in RLC's newest 8-hectare mixed-use development, Bridgetowne, in Quezon City. The company continues to be a leading provider of office spaces to BPOs in the country.

In line with the government's thrust to develop support structures for the promotion of the Philippines as a prime tourist destination, RLC opened two new hotels, Go Hotels Butuan which is its first branch in Mindanao, and Summit Hotel Magnolia, which is its first Summit Hotel in Metro Manila, in the Magnolia Town Center. These hotels complement RLC's existing developments and will help serve the country's growing tourism market.

With the continuing opportunities in the residential development business, Robinsons Communities has started the construction of Chimes Greenhills while completing construction of Acacia Escalades Building A and Escalades East Tower. Escalades South Metro was cited as being "Highly Commendable" in the Residential Development Category by the 2015 International Property Awards for Asia Pacific.

RLC also continues to reap accolades for its residential towers and the company emerged as the "Outstanding Developer" (Residential – Vertical) in the 2015 Property and Real Estate Awards hosted by the International Real Estate Federation (FIABCI) Philippine chapter for The Trion Towers, Robinsons Residences' topnotch development in Bonifacio Global City (BGC).

Robinsons Residences' Sapphire Bloc also bagged "Best Condo Development" at the 2015 Philippine Property Awards and received the "Best Residential High-Rise Development" (Philippines) award at the Asia Pacific Property Awards.

The company was also recognized for its condominium service called Ring Rob Concierge, the country's first and only extensive online service request platform exclusive to RLC residents. Ring Rob Concierge was cited by the Asia Pacific Property Award as a "Highly Commended Marketing Development" (Philippines).

Meanwhile, Robinsons Homes, which celebrated its 20th year in the industry, launched new and elegant house models under its Bloomfields, Brighton and Springdale sub-brands to highlight the quality of its projects that can truly be called "Pamana" (heritage) developments.

AIR TRANSPORTATION

Cebu Pacific

Cebu Air, Inc. (CEB) is the Philippines' leading airline and one of the fastest growing low-cost carriers in the world. It has a unique low-fare, great-value strategy that allows travelers to enjoy year-round affordable flights to 34 domestic and 30 international destinations. CEB uses a tiered pricing system that provides low fares through advanced bookings, making air travel a truly viable option for the Filipino.

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

On March 20, 2014, CEB acquired Tiger Airways Philippines (TAP), as a wholly owned subsidiary. CEB and TAP (collectively known as "CEB Group") are consolidated for financial reporting purposes.

In line with its commitment to make air travel more affordable and accessible,the CEB Group operates an extensive route network serving 56 domestic routes and 41 international routes with a total of 2,685 scheduled weekly flights as of December 31, 2015. It has three principal distribution channels: the Cebu Pacific website; direct sales through booking sales offices (reservations call center and government or corporate client accounts); and third-party sales outlets. CEB Group operates from seven hubs: the Ninoy Aquino International Airport (NAIA) Terminal 3 and Terminal 4 both located in Pasay City, Metro Manila; Mactan-Cebu International Airport located in Lapu-Lapu City, part of Metropolitan Cebu; Diosdado Macapagal International Airport (DMIA) located in Clark, Pampanga; Davao International Airport located in Davao City, Davao del Sur; Ilo-ilo International Airport located in Ilo-ilo City, regional center of the western Visayas region; and Kalibo International Airport in Kalibo, Aklan.

As of December 31, 2015, CEB Group operates a fleet of 55 aircraft comprised of eight Airbus A319, 33 Airbus A320, six Airbus A330 and eight ATR 72-500 aircraft. CEB Group's fleet is one of the youngest in the world, with an average age of 4.80 years[1]. To support its growth requirements, the CEB Group will take delivery of five more brand new Airbus A320, 30 Airbus A321 NEO, and 16 ATR 72-600 aircraft between 2016 to 2021.

[1]As of December 31, 2015

CEB Group defended its dominance in the Philippine domestic market on all important metrics – most passengers, most seats, highest seat load factor, most destinations, routes, and daily flights. Based on the latest CAB data, the group's domestic market share in 2015 is 59.5% and its competitive performance index (CPI) for the year posted at 1.05, which means our share of the market remains higher than our capacity share. Our CPI remains the highest among the domestic players in the Philippines.

CEB Group continued to grow in the international market with 19.6% market share based on first half 2015 CAB data. Hong Kong, Singapore, and Korea continue to be our largest markets. New international destinations introduced in 2015 include Doha and Fukuoka. Last March 15, 2016, CEB started flying four times weekly service to Guam, our first US destination.

We continue to work at making more dreams of flight a reality for *every Juan*, true to JG Summit's vision of making life better for the Filipino.

DOMESTIC DESTINATIONS

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

INTERNATIONAL DESTINATIONS

Australia (Sydney)
Brunei (Bandar Seri Begawan)
Cambodia (Siem Reap)
China (Beijing, Guangzhou, Shanghai, Xiamen)
Hong Kong
Indonesia (Bali, Jakarta)
Japan (Fukuoka, Nagoya, Narita, Osaka)
Kingdom of Saudi Arabia (Riyadh)
Korea (Busan, Incheon)
Kuwait
Macau
Malaysia (Kota Kinabalu, Kuala Lumpur)
Qatar (Doha)
Singapore
Taiwan (Taipei)
Thailand (Bangkok, Phuket)
United Arab Emirates (Dubai)
United States of America (Guam)
Vietnam (Hanoi, Ho Chi Minh)

CEB Facts

CEB was established in August 1988 and was granted a 40-year congressional franchise to operate international and domestic air transport services in 1991. In March 1996, the company launched its domestic operations with its first domestic flight from Manila to Cebu. In 1997, it was granted the status as an official Philippine carrier to operate international services by the Office of the President of the Philippines pursuant to Executive Order No. 219. In November 2001, CEB inaugurated its first international flight from Manila to Hong Kong.

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

In January 2006, CEB introduced its online booking system. Through www.cebupacificair.com, passengers can book flights and purchase services online. The system also provides passengers with real time access to CEB's flight schedules and fare options. As of December 31, 2015, CEB has a network of nine organic booking offices located throughout the Philippines and one booking office located in Hong Kong.

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

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

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

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

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

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

On October 7, 2013, CEB launched its first long-haul flight from Manila to Dubai. CEB is the first Philippine carrier to land in Dubai in 15 years. In September 2014, CEB launched a thrice weekly service to Kuwait and a four times weekly service to Australia. In October 2014, CEB launched thrice weekly services to Riyadh.

Tigerair Group and CEB have entered into a strategic alliance. This allows both companies to leverage on their extensive networks spanning from North Asia, ASEAN, Australia, India, all the way to the Middle East. As part of the strategic alliance, on February 10, 2014, CEB signed a sale and purchase agreement to acquire 100% of Tiger Airways Philippines. The acquisition was completed on March 20, 2014.

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

CEB Facts

On March 8, 2015, CEB launched its rewards program for frequent fliers namely, the GetGo lifestyle rewards program. Members of GetGo can earn points when flying with Cebu Pacific. Their GetGo points can be used to redeem Cebu Pacific flights.

On May 10, 2015, Tigerair Philippines is rebranded as Cebgo. The new brand clearly identifies it as part of the Cebu Pacific group with its logo also utilizing CEB colors.

On September 25, 2015 Cebu Pacific started transferring its ATR fleet to Cebgo eventually transitioning the latter into an all-turboprop fleet while Cebu Pacific focuses on an all-jet fleet. This allows both airlines to operate with greater efficiency and to focus on network expansion opportunities.

On March 15, 2016, CEB launched Manila to Guam with four times weekly frequency. Guam is CEB's first US destination and CEB is the first low cost carrier to operate this route.

CEB has been recognized and awarded by a number of travel institutions and groups, affirming our unyielding commitment to excellence:

- Featured by Air Transport World Magazine as Asia's Low Fare Success Story in February 2003.

- Received a gold award for Best Marketing Program from the Air Carrier Domestic Category Pacific Asia Travel Association 2004.

- Awarded as Domestic Airline of the Year during the Kalakbay Awards in 2004. This is considered as one of the most prestigious awards in the Philippine Travel Industry.

- Gold award for the Best Established Service Brand Campaign in 2005 and Silver winner for the Best Established Service Brand Campaign in 2007. Awarded by the University of Asia and the Pacific, recognizing CEB as the airline with the most effective brand campaigns across different industries.

- A gold awardee in the Readers Digest Trusted Brands in 2010.

- CEB was awarded by the Changi Airport Group as the top Southeast Asian airline which registered the highest growth in passenger traffic in 2009.

- 2010 WWF Partner of the year award. Awarded by the WWF-Philippines for the company that has made the most difference in saving the environment.

- Airport Transport World's World Airline Report special feature last July 2011 cited CEB as fifth in net profit and eighth in operating profit in a list of international low-cost carriers including USA's Southwest Airlines and Europe's Ryanair.

- CEB bested other airlines in the 2011 Digital Filipino Web Awards, when it was recognized as the winner for the airline category.

- Budgie$ and Travel Awards 2012 Low-Cost Carrier of the Year and LCC CEO of the Year. Awarded during the Low Cost Airlines World Asia Pacific Congress in Singapore last February 2012.

- Recognized as one of Asia's Most Promising Brands for 2012-2013 in the Asian Brand and Leadership Summit held last August 2013 in Dubai.

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

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

CEB tops 18M passenger target for 2015

Cebu Pacific flew 18.4 million passengers in 2015, an increase of 9% from 16.9 million passengers flown in 2014. On average, CEB flights were 83% full during the year.

Growth in passenger volume was largely driven by the airline's low-cost long-haul services, and increased frequencies in key domestic markets. CEB also posted notable passenger growth in international destinations such as Hong Kong, Tokyo (Narita) and Nagoya in Japan, and Beijing and Shanghai in China.

"The scalable growth in our key domestic and international markets reflects our commitment in driving trade and tourism in the countries we operate in, and enabling more travellers to connect with families and friends around the globe," said Atty. JR Mantaring, CEB VP for Corporate Affairs.

Passengers flown on CEB's long-haul routes grew by 146% year-on-year, on the back of increased presence in Australia and the Middle East.

CEB carried over 150,000 passengers between Manila and Sydney for full-year 2015. Based on the latest report from Australia's Bureau of Infrastructure, Transport and Regional Economics (BITRE), the airline remains the largest carrier on the Manila – Sydney route, with 40% market share from November 2014 to October 2015. During this period, overall traffic between Manila and Sydney also grew by 69%.

Meanwhile, passenger growth on flights to and from the Middle East remained robust, driven by sustained capacity between Manila and Riyadh, Kuwait, and Dubai, and the launch of Manila – Doha in June 2015. Among the Middle East routes, flights between Manila and Dubai posted the highest number of passengers, with over 230,000 guests flown in 2015.

Passengers flown to short haul international destinations such as Hong Kong, Japan and China also increased. Passenger volume to and from Japan, in particular, grew by 39% to over 280,000 in 2015 as CEB successfully stimulated traffic with the launch of its operations from Manila and Cebu to Tokyo (Narita), and Manila to Nagoya. The airline also mounted flights between Manila and Fukuoka, its fourth destination in Japan, in December 2015.

In the Philippines, domestic passengers increased by 7.41% in 2015, following added frequencies between Manila and Tagbilaran (Bohol), and Cebu and Tandag (Surigao del Sur). Both routes posted over 100% in passenger growth year-on-year.

Cebu Pacific Air orders 16 ATR 72-600s at the Paris Air Show

Cebu Pacific ordered 16 ATR 72-600 from ATR, the European Turboprop aircraft manufacturer. At the Paris Air Show last June 16, 2015, Cebu Pacific and ATR announced that the order includes options to acquire an additional 10 ATR 72-600, valuing the total aircraft order at US$673 million, based on current list prices. The transaction will see Cebu Pacific double its turboprop fleet size, subject to the execution of final purchase documentation.

The order is part of Cebu Pacific's fleet renewal program. Cebu Pacific currently operates a fleet of eight ATR 72-500 aircraft, which will be retired as the new aircraft enter service. The entry into service of the ATR 72-600 will see Cebu Pacific with new generation aircraft to meet growing demand in the Philippines for inter-island services.

ATR aircraft enjoy a high reputation not only for versatility but also for their ability to operate on short runways. This will allow Cebu Pacific to expand its operations not only on main airports but also to several other airports around the country, enabling Cebu Pacific to continue to play a leading role in the development of regional transport, tourism, and local economy in the Philippines.

The ATR 72-600 ordered by Cebu Pacific will be equipped, for the first time, with the high density Armonia cabin, the widest cabin in the turboprop market. It will be equipped with 78 slim-line seats and wider overhead bins with 30% more stowage space. These new technological innovations further enhance space and comfort for passengers.

About 330 ATRs – including more than 100 ATR 72-600s – are currently operated by 55 airlines in the Asia-Pacific region, where for many years now, they have been seen as the reference regional aircraft. The ATR 72-600 has the lowest cost per seat mile in the 70 seat segment, with significantly lower fuel and maintenance costs compared to similar class aircraft.

On their new order from ATR, Lance Y. Gokongwei, President and CEO of Cebu Pacific states: "We have been operating ATR aircraft since 2008, and they have enabled us to bring safe, reliable, and affordable air transport to smaller cities and islands throughout the Philippines. This order is an affirmation of our commitment to extend the convenience of affordable air travel to even more communities. We are very pleased to be the launch customer of this new configuration of the ATR 72-600, as this will allow us to offer our customers more seats at even lower fares."

Patrick de Castelbajac, Chief Executive Officer of ATR, declares to be "very happy to continue our partnership with one of the leading airlines in South-East Asia and to contribute to the expansion of its network throughout the islands of the archipelago. Cebu Pacific will also be able to benefit from the vast support network for ATR operators in Asia. When their first ATR 72-600 arrives, there will be five ATR pilot training centers in the region."

CEB unveils new logo

Cebu Pacific rolled out its new logo on June 1, 2015, symbolizing the airline's growth and evolution from a low-cost pioneer to its larger operations today.

Proudly Filipino, the airline now uses the country's natural canvas as inspiration, featuring shades of the Philippines' land, sea, sky and sun.

"We have always prioritized building an extensive network within and from the Philippines, because we know how much air travel makes a difference in the lives of Filipinos. We bring the Philippine warmth and sense of fun everywhere we go. Now, with the Philippines' natural colors on our logo, we showcase the country to the world," said CEB VP for Marketing and Distribution Candice Iyog.

"The new branding is not just a tribute to our roots, but also a nod to the future. As we expand to farther shores, we look forward to being an even more relevant player in the wider, global market," she added.

Aircraft photo by Ajig Ibasco

PETROCHEMICALS

JG Summit Petrochemicals Group

JG Summit is a pioneer in the petrochemical industry in the Philippines, having two wholly-owned petrochemical investments operating in its 250-hectare fully integrated world-class manufacturing complex in Batangas City, around 120 km south of Manila. These subsidiaries, JG Summit Petrochemical Corporation (JGSPC) and JG Summit Olefins Corporation (JGSOC), are collectively known as the JG Summit Petrochemicals Group (JGSPG).

About JGSPC

JG Summit Petrochemical Corporation is the largest manufacturer of polyolefins in the Philippines, with current rated production capacities of 320,000 metric tons per annum (MTA) for polyethylene (PE) and 190,000 MTA of polypropylene (PP). JGSPC uses UNIPOL™ polymer production technology, known for its safety, operational stability, cost-effectiveness and versatility.

JGSPC was incorporated in 1994 and was awarded pioneer status by the Board of Investments in the same year. Construction of the USD 350 million polymer plants started in 1995, and was completed in 1998, with commercial operations commencing in August of the same year.

JGSPC is a proud ISO 9001:2008 and ISO 14001:2004 certified company, and markets PE and PP resins under the brand name EVALENE™.

About JGSOC

JG Summit Olefins Corporation operates the first and only naphtha cracker plant in the country. It uses Lummus™ Olefins Conversion Technology in manufacturing 320,000 MTA of polymer-grade ethylene and 190,000 MTA of polymer-grade propylene, which are used as feedstock by the downstream polymer plants operated by JGSPC. The cracker's products also include pyrolysis gasoline, mixed C4 and other by-products, which in turn are raw materials used to manufacture important intermediate chemicals such as benzene, toluene, mixed xylenes and butadiene.

JGSOC was incorporated in 2008 and was given pioneer status by the Board of Investments in 2010. Engineering works for the naphtha cracker started in 2009, and was completed in 2014. Integrated commercial operations with JGSPC commenced in November of the same year.

The cracker allows back integration with the PE and PP polymerization facilities, thereby ensuring stability in the supply and competitiveness of prices of PE and PP resins that are widely used by the Philippine plastics industry.

Faithful to its commitment of contributing to nation building, JG Summit Petrochemical Corporation offers a diverse array of products that are used as raw materials in flexible and rigid packaging, durable goods, infrastructure, as well as commercial and industrial markets.

- **EVALENE® High Density Polyethylene (PE) grades** exhibit superior balance of stiffness, impact strength and chemical resistance, making EVALENE® HDPE ideal for a broad range of applications such as extrusion (blown film, pipe and monofilament) as well as injection and blow molding of consumer, household and industrial products.

- **EVALENE® Linear Low Density PE grades** combine outstanding toughness, stretchability and good processability, making EVALENE® LLDPE a good choice for flexible packaging and film extrusion applications.

- **EVALENE® Homopolymer Polypropylene (PP) grades** are ideal for a broad range of applications that require rigidity, transparency, moisture barrier and hot-fill property.

- **EVALENE® Random Copolymer PP grades** offer high clarity, light weight and excellent hot-fill property suitable for transparent rigid packaging containers.

JG Summit: Petrochemical Building Blocks to Lead Industrialization

JG Summit Petrochemicals Group's (JGSPG) 2015 full year performance is a testament to the corporate vision of the Group to play a strategic role in the Philippine industrial sector. The 15% year-on-year combined revenue growth[1] of the chemicals and plastics sectors of the domestic manufacturing industry was significantly contributed to by the start-up of integrated operations of JGSOC and JGSPC, whose combined revenues reached over Php 27 billion in 2015, a record-breaking 630% growth from 2014.

This year, JGSPC's polyolefin business regained market dominance, capturing around 50% market share of the local resins demand previously dominated by imports and local competitors. Overseas EVALENE™ resins' geographical reach extended to 29 countries, not just to neighboring markets in the Asia-Pacific, but also to the Middle East, Indian subcontinent, Europe, and even to as diverse markets as South America and Central Africa.

The olefins and pygas business likewise has crossed into overseas Asian markets and has begun to compete with the largest petrochemical companies across the region. It was also this year that the company started to co-crack Liquefied Petroleum Gas (LPG) to produce petrochemicals and likewise saw the first ever exports of Mixed C4 from the country. These milestones expanded JGSOC's operational flexibility with regard to feedstock selection and bulk chemicals sales.

Given JGSPG's positive performance and growth outlook moving forward, plans are underway to increase the naphtha cracking capacity and to diversify the cracker product portfolio further via the introduction of new extraction units to produce aromatics and butadiene. With olefins production expected to increase from an expanded cracker, additional polymer units capable of producing higher-value polyethylene (PE) and prolypropylene (PP) resins are also being pursued. These investments are projected to boost JGSPG's annual petrochemicals revenue further, once planned units become commercially operational in the next few years.

[1]Source: Philippine Statistics Authority, 2014 & 2015 Gross Value Added in Manufacturing, at Constant 2000 Prices

BANKING & FINANCIAL SERVICES

Robinsons Bank Corporation

Robinsons Bank Corporation (Rbank) is the banking and financial services arm of the JG Summit Group of companies. 60% of the common stocks are owned by JG Capital Services Corporation (JGCSC), a wholly-owned subsidiary of JG Summit, while Robinsons Holdings Inc. (RRHI) owns the remaining 40%. Rbank is a full-service Philippine commercial bank which serves the banking requirements of its retail consumers, business partners, and general public via a wide-array of products and services.

Rbank started as a savings bank in 1997. In 2002, then Robinsons Savings Bank acquired the branches of ABN AMRO Savings Bank (Philippines), the licenses to operate the branches and the deposit portfolio. This acquisition made Robinsons Savings Bank the seventh largest thrift bank in the country during that period in terms of assets. In February 2010, Robinsons Savings Bank acquired the controlling interest of The Royal Bank of Scotland Philippines Inc. In that same year in August, The Royal Bank of Scotland Philippines Inc. was renamed as Robinsons Bank Corporation. In December, the *Bangko Sentral ng Pilipinas* (BSP) approved the merger of Robinsons Savings Bank and Robinsons Bank Corporation, with the latter as the surviving entity. With the proposed merger during the period, Robinsons Bank Corporation became the 14th largest among commercial banks and 31st among all commercial and universal banks in the country.

Rbank aims to be among the top 10 commercial banks in the country through acquisition and expansion in its banking operations. In December 2012, as part of Rbank's growth program to gain access to new and wider market through inorganic

growth, Rbank acquired Legazpi Savings Bank (LSB). LSB is a wholly-owned subsidiary of Rbank. LSB serves as a vehicle in countryside banking and microfinance lending in the Bicol region.

Today, Rbank is positioned not only to be more responsive in meeting the banking requirements of its stakeholders, but also to fully serve the general public through its network of 112 branches operating nationwide; 61 are strategically located in Metro Manila, 32 are in Luzon, 13 in Visayas, and six in Mindanao. In addition, LSB has 11 branches spread over Bicolandia.

Adding to Rbank's geographic reach are the 198 automated teller machines (ATMs) located nationwide, which are part of the BancNet consortium. Of these, 114 are on-site, while 84 are off-site. Likewise, LSB has 11 ATMs situated within the Bicol region.

The Bank also offers a broad range of deposit and loan products, cash management, investments, foreign exchange and securities – all aiming to secure and promote our customer's financial growth.

Rbank Facts

Robinsons Bank Corporation started as a savings bank in 1997.

In 2002, then Robinsons Savings Bank acquired ABN AMRO Savings Bank (Phils.).

Rbank became the newest commercial bank in 2010. It was the surviving entity from the merger of Robinsons Savings Bank and The Royal Bank of Scotland Philippines, Inc.

In 2012, Rbank acquired Legazpi Savings Bank, Inc. (LSB). LSB is a wholly-owned thrift bank subsidiary.

As of end-2015, Robinsons Bank Corporation is the 20th largest bank among all commercial and universal banks in the Philippines.

PRODUCTS AND SERVICES

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

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

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

TREASURY PRODUCTS
- Peso Special Savings
- Peso Sovereign Bonds (TBills, FXTNs, RTBs)
- Peso Corporate Bonds
- Spot Foreign Exchange for US$ and Third Currencies
- US$ Sovereign Bonds (ROPs and Sovereign Bonds)
- US$ Corporate Bonds

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

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

EXPORT
- Advising export letter of credit
- Export bills purchase
- Export bills for collection
- Export advances facility
- Issuance of Bank Guaranty

OTHER SERVICES
BRANCH BANKING SERVICES
- Bills Payment
- Safety Deposit Box
- Bank Settlement Service
- Deposit Pick-up Service

ELECTRONIC BANKING SERVICES
- ATM Service
- Cardless Banking
- CashWeb (Cash Management Service)
- RWeb (Retail Internet Banking)
- Payroll Crediting Service
- Remittance

Rbank is on track: Building towards Roadmap 2020

Robinsons Bank Corporation (Rbank) has taken the sure-and-steady route in its growth. Guided by its thrust – every step taken matters, all the Bank's actions are done after diligent study. Fundamentally, in 2015, Rbank institutionalized its five-year strategic plan through its Roadmap 2020. Set in three key initiatives, cumulatively, the plan's tipping point is to mark Rbank as a customer-centric organization. Phase one focuses on capacity building; phase two linchpins on core income growth, and phase three centers on expanded business ventures.

2015 was an important year for Rbank as it successfully capped phase one. The Bank's shareholders' approval of ₱6.36 billion capital infusion doubled Rbank's capital to ₱12 billion. This enabled Rbank for further growth and development.

There were significant improvements in the Bank's financial performance in 2015. Based on the 2015 audited financial report, Rbank posted a net income of ₱174 million, 37% higher than last year's net income of ₱127 million. The Bank's bottom-line was anchored by the continued growth in the lending business. Gross loans expanded by 23%, ending the year at ₱27 billion from 2014's P22 billion level. Also, Rbank's deposit base rose to ₱42 billion, spurred by the 28% growth in foreign currency denomination and 16% growth in CASA.

In 2015, amongst the 38 universal and commercial banks in the Philippines, Rbank ranked 20th in terms of total assets at ₱56 billion, growing 18% year-on-year and 19th as regards to capital at ₱12 billion.

Several programs were initiated in 2015. To adapt to the present diffusion of innovations, Rbank capitalized on infrastructure development. Rbank shifted to new core banking and cash management systems. These investments were an integral part of a strategic move into digital banking in order to support the growing number of clients and facilitate their changing financial needs.

To deliver hallmark value and convenience to its customers, innovative products and services were created. Alternative delivery channels were introduced towards digitization–internet banking. In 2015, the Transaction Banking Group's (TBG) Cash Management System (CMS) launched SME Builder HRIS (payroll system), SME Builder CheckPro, Post-Dated Check Warehousing, Reference Account Solution, and Bulk Account Opening.

To support the expansion program, in 2015, 20 new branches were opened: 15 in Metro Manila, two in North Luzon, and three in Visayas Region. There were also 27 new ATMs installed, 20 on-site, while seven are off-site.

At the same time in 2015, LSB became a member of BancNet, allowing its customers wider access to interbank networks. Its ATM network increased 11 from four in the previous year.

Complementing these initiatives is Rbank's structural reform program. The lending business was expanded, the retail banking group was restructured, the credit group was strengthened, and the backroom support was beefed-up.

Rbank's strong performance in 2015 is a reflection of the dedication and commitment of all Rbankers. To date, there are 1,155 Rbankers providing services to its stakeholders.

As Rbank marches ahead towards 2020, it continues to aim to be among the top banks in the country. Rbank prides itself with a competitive business portfolio, a solid financial position, and a formidable management team; strengths that Rbank will leverage in the ever changing landscape of the future.

Core Investments

Manila Electric Company (Meralco) is the largest electric power distribution company in the Philippines, with a franchise area covering 9,337 square kilometers. It provides power to 5.8 million consumers in 35 cities and 76 municipalities, including Metro Manila, the provinces of Rizal, Cavite and Bulacan, and parts of the provinces of Pampanga, Batangas, Laguna and Quezon.

The power segment of Meralco's business consists of electricity distribution, through Meralco and its subsidiary, Clark Electric Distribution Corporation, power generation, (through a minority equity interest in a power generating company, Global Business Power Corporation and through its wholly-owned subsidiary, Meralco PowerGen Corporation, and retail electricity supply, through its local RES unit, MPower.

Through several subsidiaries in the services segment, Meralco provides engineering, design, construction and consulting services, bill collection services, distribution and energy management services, and communications, information systems and technology services.

Meralco is listed on the Philippine Stock Exchange (PSE: MER).

JG Summit currently holds 27.1% stake in Meralco.

WEBSITE www.meralco.com.ph

*Source: Company Websites and Filings

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

PLDT is the country's leading fixed line service provider with 2.3 million fixed line subscribers nationwide as at December 31, 2015. Smart Communications, Inc. is the leading cellular service provider in the country, and together with the other PLDT Group cellular service provider, Digitel Mobile Philippines, Inc. (which offers Sun Cellular) account for 68.9 million wireless subscribers nationwide as at December 31, 2015.

PLDT is listed on the Philippine Stock Exchange (PSE: TEL) and its American Depositary Shares are listed on the New York Stock Exchange (NYSE:PHI). PLDT has one of the largest market capitalizations among Philippine-listed companies.

JG Summit currently holds 8% stake in PLDT.

WEBSITE www.pldt.com

*Source: Company Websites and Filings

United Industrial Corporation (UIC) is a Singapore-listed company whose core business is property development and investment, and with the acquisition of the majority equity of Singapore Land Limited, a well-established property company in 1990, the Group became a major real estate developer with a portfolio of 2.6 million sq ft of office space and 1 million sq ft of retail premise in Singapore. In 2014, UIC successfully privatized Singapore Land.

The Group's property portfolio includes some of Singapore's best known commercial and retail landmarks as well as residential projects in prime and suburban areas, such as Singapore Land Tower, Clifford Centre, SGX Centre, The Gateway, ABACUS Plaza and Tampines Plaza, West Mall as well as Marina Square. Overseas investments include properties in Beijing and Tianjin, China. The Group is actively pursuing investment opportunities in overseas markets.

A twin tower, comprising a 54-storey residential building and a 23-storey Grade A office building is currently being built at the former UIC Building at Shenton Way. This development is expected to be completed in 2017.

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

WEBSITE www.uic.com.sg

*Source: Company Websites and Filings

GOKONGWEI BROTHERS FOUNDATION

CORPORATE SOCIAL RESPONSIBILITY

Gokongwei Brothers Foundation

Built on the conviction that education is one of the keys to a better future for the country, the Gokongwei Brothers Foundation (GBF) was set up in 1992 to help uplift the socio-economic condition of the Filipinos through the funding of educational projects.

GBF has donated facilities and scholarships to various schools, and supported educational programs of different institutions such as: Immaculate Concepcion Academy, Xavier School, De La Salle University, the University of Asia and the Pacific and the University of San Carlos. A significant endowment by the foundation to the Ateneo de Manila University led to the John Gokongwei School of Management (JGSOM), a regional center for management education. To further strengthen the field of engineering in our country, GBF gave a significant endowment to the De La Salle University (DLSU), which led to the establishment of the DLSU Gokongwei College of Engineering.

Through the Gokongwei Brothers Foundation's continuing commitment to education, JG Summit intends to fulfill its responsibility to the country – and lead Filipinos to an even better life ahead.

Gokongwei Brothers Foundation Technical Training Center

The GBF Technical Training Center (GBF TTC) is a Php 100 million facility in Rosario, Pasig City, a "finishing school for graduates" in various technical and engineering fields.

The center offers the following:

Technical Courses

GBF offers scholarship programs for engineering and vocational or technical graduates with focus on technology.

Continuing Technical Professional Education

GBF offers programs for JG Summit incumbents, with focus on upgrading technical knowledge and skills.

Retail & Service Academy

Started in 2003, GBF offers courses that address the needs of the retail and service businesses.

Gokongwei Brothers Foundation Scholarships

Dedicated to empowering the Filipino youth, GBF launched programs which grant scholarships to the brightest and most deserving young leaders.

Under GBF's Scholarship For Excellence program, 40 carefully chosen students from public high schools are given scholarships to pursue engineering and science courses in partner universities.

Furthermore, the GBF University Scholarship Program sponsors 40 selected students who are children of JG Summit employees with excellent academic standing taking up various college courses in different universities.

In addition, under the GBF Business Unit-Specific Scholarship for Engineering, 40 students in their 4th and 5th year levels in Engineering or Science courses (Mechanical, Chemical, Electrical, ECE and Petroleum Engineering) are being given a lump sum amount per academic year until they finish their degrees.

For secondary school students, GBF offers scholarships to the best and the brightest students of St. Stephen's High School. The scholarship covers a maximum of six (School Years from Grade 7 to Grade 12 (based on the new Dep-Ed curriculum).

GBF TVET - Iskolar ni Juan

Iskolar ni Juan, one of the academic programs under Gokongwei Brothers Foundation's Technical Vocational Education and Training (GBF - TVET), granted scholarships to 30 students in the fields of Mechatronics Servicing and for Instrumentation and Control Servicing.

Last January 2016, all 30 scholars of the academic program took and passed the Technical Education and Skills Development Authority (TESDA) National Certification.

The 100% passing percentage of the NCII assessment demonstrates the scholarship program's capacity to equip the students with technical skills in all units of competencies that comprise the national standards set by TESDA.

Following the TESDA certification, the students will complete their second internship program in their respective plant assignments. They are set to graduate on July 2016. The second batch of scholars also started their first year academic term last December 2015.

GBF continues to provide quality training to underprivileged high school graduates who want to pursue a career in Mechatronics Servicing and Instrumentation & Control Servicing. Thus, it is expecting to have a new batch of scholars by August of this year.

MECHATRONICS SERVICING NC II

Baculi, Arnel B.
Beler, Kimberly Joy B.
Cedalla, Marjhon C.
Cembrano, James L.
Claveria, John Paulo E.
Cruz, Michael Melwin G.
Domingo, Aldrine L.
Fernandez, Christopher N.
Gabarda, Jomar N.
Gutierez, Ronnel M.
Hilario, Marvin R.
Lumogdang, Remajor M.
Manzon, Rewardolf B.
Ollosa, Angelica Jeanne G.
Parducho, Aaron SA.
Sornillo, Edel Limuel R.

INSTRUMENTATION AND CONTROL SERVICING NCII

Arceño, Juliane Mark D.
Braña, Aileen Jean A.
Calingacion, Carla M.
Dela Cruz, Fely M.
Hernandez, Arlon Joyce P.
Lacsamana, Reymart M.
Maganon, Jay-arr D.
Mamocod Jr., Bienvinido P.
Molinar, Maria Niña D.
Ramos, Raphael R.
Retardo, Roderick R.
Samia, Arlyne
Suico, Angelika B.
Tayong, Kurt Ryan Lendon D.

Board Members and Executive Officers

Board of Directors

John L. Gokongwei, Jr.
Chairman Emeritus and Founder

James L. Go
Chairman and Chief Executive Officer

Lance Y. Gokongwei
President and Chief Operating Officer

Robina Y. Gokongwei – Pe
Director

Lily G. Ngo Chua
Director

Patrick Henry C. Go
Director

Johnson Robert G. Go, Jr.
Director

Jose T. Pardo
Director

Cornelio T. Peralta
Director

Ricardo J. Romulo
Director

Renato De Guzman
Director

Board of Advisers

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

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

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

Heads of Subsidiaries

Universal Robina Corporation

Cornelio S. Mapa, Jr.
Branded Consumer Foods Group

Vincent Henry C. Go
Agro-Industrial Group

Ellison Dean C. Lee
Flour Division

Renato P. Cabati
Sugar and Renewables Group

Robinsons Land Corporation

Frederick D. Go

JG Summit Petrochemical Corporation / JG Summit Olefins Corporation

Patrick Henry C. Go

Robinsons Bank Corporation

Elfren Antonio S. Sarte

Advisers

Cebu Air Inc.

Garry R. Kingshott

Chief Executive Adviser
RETIRED MARCH 31, 2016

Richard S. Howell

Executive Adviser

Executive Officers

James L. Go
Chairman and Chief Executive Officer

Lance Y. Gokongwei
President and Chief Operating Officer

Constante T. Santos
Senior Vice President

Bach Johann M. Sebastian
Senior Vice President

Nicasio L. Lim
Senior Vice President

Aldrich T. Javellana
Vice President and Treasurer

Rosalinda F. Rivera
Corporate Secretary

Chona R. Ferrer
Deputy Treasurer

Financial Statements

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 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.

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, 2015 and 2014, 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, 2015, 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, 2015 and 2014, and their financial performance and cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Aris C. Malantic
Partner
CPA Certificate No. 90190
SEC Accreditation No. 0326-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 152-884-691
BIR Accreditation No. 08-001998-54-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321657, January 4, 2016, Makati City

April 6, 2016

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

	December 31	
	2015	2014 (As Restated - Note 44)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱45,272,108,772**	₱37,474,642,222
Financial assets at fair value through profit or loss (Note 9)	**14,870,294,325**	15,273,969,351
Available-for-sale investments (Note 10)	**11,999,665,499**	11,789,035,747
Receivables (Note 11)	**32,171,956,696**	24,765,869,045
Inventories (Note 12)	**36,189,914,201**	40,132,767,222
Biological assets (Note 17)	**1,096,482,209**	1,234,574,863
Derivative asset under hedge accounting (Note 8)	**–**	28,423,630
Other current assets (Note 13)	**12,550,648,338**	12,297,847,612
Total Current Assets	**154,151,070,040**	142,997,129,692
Noncurrent Assets		
Available-for-sale investments (Note 10)	**35,628,682,620**	50,260,656,162
Receivables (Note 11)	**21,191,403,292**	19,000,582,488
Held-to-maturity investment (Note 10)	**2,749,295,603**	1,768,603,469
Investments in associates and joint ventures (Note 14)	**114,776,087,906**	112,109,686,154
Property, plant and equipment (Note 16)	**159,836,100,377**	147,486,411,230
Investment properties (Note 15)	**67,258,434,671**	56,982,694,645
Goodwill (Note 19)	**15,517,919,985**	15,517,919,985
Intangible assets (Note 18)	**19,491,179,361**	9,063,976,055
Derivative asset under hedge accounting (Note 8)	**37,358,957**	126,183,696
Biological assets (Note 17)	**461,312,737**	476,437,792
Other noncurrent assets (Note 20)	**5,233,133,439**	3,514,394,665
Total Noncurrent Assets	**442,180,908,948**	416,307,546,341
	₱596,331,978,988	₱559,304,676,033

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 21)	**₱71,939,783,399**	₱67,397,212,321
Short-term debts (Note 23)	**34,883,956,474**	44,286,733,537
Current portion of long-term debts (Note 23)	**22,915,756,938**	4,475,008,046
Income tax payable	**4,198,402,000**	2,307,669,285
Derivative liabilities (Note 8)	**2,443,495,138**	1,762,810,918
Other current liabilities (Note 22)	**11,409,583,471**	9,577,275,829
Total Current Liabilities	**147,790,977,420**	129,806,709,936
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 23)	**143,566,429,906**	153,079,727,512
Deferred tax liabilities (Note 38)	**5,125,150,036**	5,120,807,861
Derivative liabilities (Note 8)	**–**	508,216,365
Other noncurrent liabilities (Note 24)	**12,523,760,268**	9,178,759,753
Total Noncurrent Liabilities	**161,215,340,210**	167,887,511,491
Total Liabilities	**₱309,006,317,630**	₱297,694,221,427

(Forward)

	December 31	
	2015	2014 (As Restated - Note 44)
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 25)	**₱30,755,866,814**	₱22,015,337,650
Retained earnings (Note 25)	**171,252,146,684**	150,226,755,543
Equity reserve (Note 25)	**27,575,017,926**	27,546,248,095
Other comprehensive income (losses) (Note 36)	**(6,192,501,831)**	7,827,996,048
	223,390,529,593	207,616,337,336
Non-controlling interests (Note 25)	**63,935,131,765**	53,994,117,270
Total Equity	**287,325,661,358**	261,610,454,606
	₱596,331,978,988	₱559,304,676,033

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2015	2014	2013
REVENUE			
Sale of goods and services:			
Foods	**₱112,004,706,553**	₱96,653,414,632	₱83,603,137,511
Air transportation	**56,501,654,516**	52,000,018,310	41,004,096,281
Petrochemicals	**26,780,296,575**	3,226,178,660	542,545,359
Real estate and hotels (Note 15)	**20,298,039,549**	17,432,805,294	16,544,606,068
Banking (Note 26)	**2,968,940,306**	2,717,195,606	2,749,898,312
Equity in net earnings of associates and joint ventures (Note 14)	**7,311,563,176**	7,247,680,555	2,283,133,632
Dividend income (Note 28)	**2,848,193,719**	5,073,575,341	3,256,956,364
Supplementary businesses	**558,258,619**	461,461,847	363,498,389
	229,271,653,013	184,812,330,245	150,347,871,916
COST OF SALES AND SERVICES			
Cost of sales (Note 30)	**97,621,663,241**	69,530,185,316	60,080,128,846
Cost of services (Note 30)	**43,241,983,101**	45,476,429,584	38,746,780,572
	140,863,646,342	115,006,614,900	98,826,909,418
GROSS INCOME	**88,408,006,671**	69,805,715,345	51,520,962,498
OTHER OPERATING EXPENSES			
General and administrative expenses (Note 31)	**38,677,396,939**	31,753,964,780	25,991,358,810
Impairment losses and others (Note 34)	**378,065,854**	576,706,999	124,685,876
	39,055,462,793	32,330,671,779	26,116,044,686
OPERATING INCOME	**49,352,543,878**	37,475,043,566	25,404,917,812
OTHER INCOME (LOSSES)			
Financing costs and other charges (Note 35)	**(6,879,818,419)**	(5,824,349,891)	(3,864,479,498)
Foreign exchange losses	**(4,136,883,267)**	(358,828,037)	(3,734,654,433)
Market valuation gains losses on derivative financial instruments (Note 8)	**(2,353,076,578)**	(2,318,346,454)	237,930,143
Finance income (Note 27)	**1,367,392,486**	1,347,723,538	1,525,051,592
Market valuation losses on financial assets at fair value through profit or loss (Note 9)	**(336,987,727)**	(1,267,046,070)	(160,607,808)
Others (Notes 14 and 29)	**151,214,790**	1,219,853,247	369,766,526
INCOME BEFORE INCOME TAX	**37,164,385,163**	30,274,049,899	19,777,924,334
PROVISION FOR INCOME TAX (Note 38)	**4,488,982,473**	4,449,245,289	3,041,525,316
NET INCOME	**32,675,402,690**	25,824,804,610	16,736,399,018

(Forward)

	Years Ended December 31		
	2015	2014	2013
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 36)			
Item that may be reclassified subsequently to profit or loss:			
Net gains (losses) on available-for-sale investments (Note 10)	**(₱14,932,125,338)**	₱4,381,664,494	₱1,426,722,576
Cumulative translation adjustments	**1,771,511,627**	45,527,477	573,868,615
Share in net unrealized losses on available-for-sale investments of an associate (Notes 10 and 14)	**(1,730,644)**	(1,326,352)	(11,597,069)
Net gains (losses) from cash flow hedges (Note 8)	**(91,909,256)**	(42,581,991)	171,850,204
Item that will not be reclassified to profit or loss:			
Remeasurements of the net defined benefit liability (Note 37)	**(123,037,866)**	193,076,661	(471,470,010)
	(13,377,291,477)	4,576,360,289	1,689,374,316
TOTAL COMPREHENSIVE INCOME	**₱19,298,111,213**	₱30,401,164,899	₱18,425,773,334
NET INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company	**₱22,610,016,306**	₱18,245,149,790	₱10,434,134,218
Non-controlling interests (Note 25)	**10,065,386,384**	7,579,654,820	6,302,264,800
	₱32,675,402,690	₱25,824,804,610	₱16,736,399,018
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company	**₱8,589,518,427**	₱22,611,782,184	₱12,343,662,718
Non-controlling interests (Note 25)	**10,708,592,786**	7,789,382,715	6,082,110,616
	₱19,298,111,213	₱30,401,164,899	₱18,425,773,334
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 39)			
Basic/diluted earnings per share	**₱3.16**	₱2.60	₱1.53

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, 2015, 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 Liability (Note 37)	Total Other Comprehensive Income (Loss)	Total	NON-CONTROLLING INTERESTS (Note 25)	TOTAL EQUITY
Balance at January 1, 2015	**₱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**
Total comprehensive income	–	–	–	**22,610,016,306**		**22,610,016,306**	–	**1,005,444,798**	**(14,839,997,904)**	**(90,546,696)**	**(95,398,077)**	**(14,020,497,879)**	**8,589,518,427**	**10,708,592,786**	**19,298,111,213**
Reversal of appropriation	–	–	–	**41,376,000,000**	**(41,376,000,000)**	–	–	–	–	–	–	–	–	–	–
Appropriation of retained earnings	–	–	–	**(47,000,000,000)**	**47,000,000,000**	–	–	–	–	–	–	–	–	–	–
Cash dividends (Note 25)	–	–	–	**(1,584,625,165)**	–	**(1,584,625,165)**	**28,769,831**	–	–	–	–	–	**(1,555,855,334)**	**(3,922,800,371)**	**(5,478,655,705)**
Deposit for future subscription by non-controlling in a subsidiary	–		–	–	–	–	–	–	–	–	–	–	–	**3,155,222,080**	**3,155,222,080**
Issuance of new shares through top-up transaction	**145,650,000**	**8,594,879,164**	**8,740,529,164**	–	–	–	–	–	–	–	–	–	**8,740,529,164**	–	**8,740,529,164**
Balance at December 31, 2015	**₱7,202,841,657**	**₱23,553,025,157**	**₱30,755,866,814**	**₱67,567,817,285**	**₱103,684,329,399**	**₱171,252,146,684**	**₱27,575,017,926**	**(₱702,845,286)**	**(₱4,984,560,896)**	**₱37,358,957**	**(₱542,454,606)**	**(₱6,192,501,831)**	**₱223,390,529,593**	**₱63,935,131,765**	**₱287,325,661,358**
Balance at January 1, 2014	₱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)	(3,752,970,864)	(5,164,409,195)
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

See accompanying Notes to Consolidated Financial Statements.

For the Years Ended December 31, 2015, 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 Liability** (Note 37)	**Total Other Comprehensive Income (Loss)**	**Treasury Shares** (Note 25)	**Total**	**NON-CONTROLLING INTERESTS** (Note 25)	**TOTAL EQUITY**
Balance at January 1, 2013	₱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)	(3,089,045,925)	(4,319,740,423)
Acquisition of non-controlling interest by a subsidiary (Note 25)	–	–	–	–	–	–	(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

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

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱37,164,385,163**	₱30,274,049,899	₱19,777,924,334
Adjustments for:			
Depreciation and amortization (Notes 15,16,18 and 46)	**14,439,766,645**	11,759,608,063	10,031,310,444
Equity in net earnings of associates and joint ventures (Note 14)	**(7,311,563,176)**	(7,247,680,555)	(2,283,133,632)
Interest expense (Note 35)	**6,682,291,317**	5,713,260,142	3,743,510,875
Unrealized foreign exchange losses	**4,136,883,267**	358,828,037	3,734,654,433
Interest income (Note 27)	**(1,367,392,486)**	(1,347,723,538)	(1,525,051,592)
Dividend income (Note 28)	**(2,848,193,719)**	(5,073,575,341)	(3,256,956,364)
Market valuation losses (gains) on:			
Derivative instruments (Note 8)	**2,353,076,578**	2,318,346,454	(237,930,143)
Financial assets at fair value through profit or loss (Note 9)	**336,987,727**	1,267,046,070	160,607,808
Provision for impairment losses (Note 34)	**273,862,988**	472,410,245	95,990,997
Inventory obsolescence and market decline (Note 34)	**104,202,866**	104,296,754	28,694,879
Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks (Note 17)	**56,958,991**	(257,939,646)	(67,315,863)
Loss on sale or retirement of property, plant and equipment and investment properties (Note 16)	**19,535,061**	9,818,199	338,271,157
Loss (gain) on sale of available-for-sale investments (Note 29)	**(898,183)**	(17,431)	4,780,656
Operating income before changes in working capital accounts	**54,039,903,039**	38,350,727,352	30,545,357,989
Changes in operating assets and liabilities:			
Decrease (increase) in the amounts of:			
Derivative assets	**(1,734,020,356)**	(461,446,820)	506,871,581
Financial assets at fair value through profit or loss	**756,867,119**	(869,167,368)	900,834,578
Receivables	**(9,251,528,725)**	(6,404,735,713)	(3,907,999,652)
Inventories	**3,905,514,640**	(12,461,010,274)	(521,179,413)
Biological assets	**96,258,718**	22,826,546	12,118,818
Other current assets	**(252,800,726)**	(2,474,583,582)	(1,362,910,812)
Increase (decrease) in the amounts of:			
Accounts payable and accrued expenses	**1,087,455,571**	2,722,368,665	19,722,838,935
Unearned revenue	**598,009,957**	1,034,827,504	(642,278,677)
Other current liabilities	**1,234,297,685**	775,830,092	(154,107,357)
Net cash generated from operations	**50,479,956,922**	20,235,636,402	45,099,545,990
Interest paid	**(6,502,237,413)**	(5,117,793,186)	(3,528,172,786)
Interest received	**1,289,340,637**	1,253,297,811	1,650,182,440
Income taxes paid	**(3,884,619,696)**	(2,721,618,132)	(2,471,596,142)
Net cash provided by operating activities	**41,382,440,450**	13,649,522,895	40,749,959,502

(Forward)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Available-for-sale investments (Note 10)	**(₱6,941,384,431)**	(₱3,117,499,789)	(₱6,740,125,967)
Property, plant and equipment (Notes 16 and 46)	**(25,776,311,061)**	(29,952,370,352)	(28,442,739,011)
Investment properties (Notes 15 and 46)	**(13,252,323,663)**	(8,026,565,946)	(7,853,826,921)
Investments in associates and joint ventures (Note 14)	**(129,000,000)**	(31,944,758,295)	(41,737,620,890)
Intangible assets (Note 18)	**(7,200,549,976)**	(2,200,000)	(7,021,507)
Held-to-maturity investments (Note 10)	**(980,692,134)**	(1,693,603,469)	(75,000,000)
Subsidiaries, net of cash acquired (Note 44)	**–**	(7,318,018,302)	–
Dividends received (Note 28)	**2,848,193,719**	5,073,575,341	3,256,956,364
Decrease (increase) in the amounts of other noncurrent assets (Note 20)	**(1,643,557,430)**	485,408,173	(1,590,073,828)
Dividends received on investments in associates and joint ventures (Note 14)	**4,803,897,297**	3,912,840,136	672,678,496
Return of investment from an associate (Note 14)	**5,000,000**	45,000,000	12,000,000
Proceeds from sale of:			
Available-for-sale investments	**6,695,561,770**	2,232,595,649	7,745,955,884
Property, plant and equipment (Note 16)	**1,082,315,799**	39,097,309	97,807,003
Investment properties	**–**	–	30,223,072
Net cash used in investing activities	**(40,488,850,110)**	(70,266,499,545)	(74,630,787,305)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of:			
Short-term debts	**67,004,746,707**	61,850,234,052	42,209,510,562
Long-term debts	**18,466,895,200**	75,131,100,310	48,057,315,000
Settlements of:			
Short-term debts	**(76,793,118,937)**	(52,903,152,436)	(25,490,299,244)
Long-term debts (Note 23)	**(12,197,009,305)**	(23,808,407,948)	(25,497,139,122)
Increase (decrease) in other noncurrent liabilities (Note 24)	**4,034,036,837**	(152,634,504)	(2,307,898,795)
Proceeds from issuance of new shares and reissuance of treasury shares through top-up placement transaction (Note 25)	**8,740,529,164**	–	8,651,454,625
Dividends paid to non-controlling interests (Note 25)	**(3,922,800,371)**	(3,752,970,864)	(3,089,045,925)
Cash received from non-controlling interest for issuance of shares by a subsidiary	**3,155,222,080**	–	24,500,000
Acquisition of non-controlling interests in subsidiaries (Note 25)	**–**	–	(197,597,873)
Net proceeds from partial disposal of interest in a subsidiary (Note 25)	**–**	506,652,001	11,884,012,917
Dividends paid on:			
Common shares (Note 25)	**(1,575,825,165)**	(1,403,438,331)	(1,223,494,498)
Preferred shares (Note 25)	**(8,800,000)**	(8,000,000)	(7,200,000)
Net cash provided by financing activities	**6,903,876,210**	55,459,382,280	53,014,117,647
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**7,797,466,550**	(1,157,594,370)	19,133,289,844
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**37,474,642,222**	38,632,236,592	19,498,946,748
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱45,272,108,772**	₱37,474,642,222	₱38,632,236,592

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, in the Association of Southeast Asian Nations region and New Zealand, 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 (₱), 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 Robin Corporation (URC) and Subsidiaries (URC Group) which are disclosed below, the functional currency of other consolidated foreign subsidiaries is US dollar (USD).

A summary of the functional currencies of certain foreign subsidiaries within the Group 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-	USD
Hong Kong China Foods Co. Ltd.	-do-	-do-
URC International 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-
URC Central Co. Ltd.	-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.	British Virgin Islands	USD
URC New Zealand Holding Company, Ltd.	New Zealand	New Zealand Dollar
URC New Zealand Finance Company, Ltd.	-do-	-do-
Griffin's Foods Limited	-do-	-do-
Nice & Natural 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
Food			
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	110 E. Rodriguez Avenue, Bagumbayan, Quezon City, Philippines	55.83
CFC Clubhouse Property, Inc. (CCPI).	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	55.83
CFC Corporation	-do-	-do-	55.83
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	55.83
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	28.47**
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
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	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
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	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
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	-do-	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
Real Estate and Hotels			
Robinsons Land Corporation (RLC) and Subsidiaries	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	60.97
Robinson's Inn, Inc.	-do-	-do-	60.97
Robinsons Realty and Management Corporation	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	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
Robinsons Properties Marketing and Management Corporation	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	60.97
Altus Angeles, Inc.	-do-	McArthur Highway, Balisage, Angeles City, Pampanga	31.09**
Altus San Nicolas Corporation	-do-	Bogy. 1 San Francisco, San Nicolas, I locos Norte	60.97
Go Hotels Davao, Inc.	-do-	Lanang, Davao City	31.09**
RLC Resources Ltd	British Virgin Islands	British Virgin Islands	60.97
Kingdom Pacific, Ltd	Hong Kong		60.97

(Forward)

Subsidiaries	Country of Incorporation	Principal place of business	Effective Percentage of Ownership
Land Century Holdings, Ltd.	Hong Kong		60.97
World Century Enterprise Ltd.	Hong Kong		60.97
Crown Harbor Holdings, Ltd.	Hong Kong		60.97
First Capital Development, Ltd	Hong Kong		60.97
Petrochemicals			
JG Summit Petrochemical Corporation (JGSPC)	Philippines	Ground Floor, Cybergate Tower 1, EDSA corner, Pioneer Street, Mandaluyong City	100.00
JG Summit Olefins Corporation (JGSOC)	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	100.00
Banking			
Robinsons Bank Corporation (RBC) and a Subsidiary	-do-	17th floor, Galleria Corporate Center EDSA corner Ortigas Avenue, Quezon City	60.00
Legazpi Savings Bank, Inc. (LSB)	-do-	Rizal Street, Barangay Sagpon, Albay, Legazpi City	60.00
Supplementary Businesses			
Express Holdings, Inc. (EHI) and a Subsidiary	-do-	29th Floor, Galleria Corporate Center, EDSA, Quezon City	100.00
Summit Forex Brokers Corporation	-do-	41st Floor, Robinsons-Equitable Tower, ADB Avenue, Corner Poveda Road, Pasig City	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
JG Summit Capital Markets Corporation (JGSMC)	-do-	-do-	100.00
Summit Point Services Ltd.	-do-	-do-	100.00
Summit Internet Investments, Inc.	-do-	-do-	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
JG Summit Philippines Ltd. (JGSPL) and Subsidiaries	-do-	-do-	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
Multinational Finance Group, Ltd.	-do-	-do-	100.00
Telegraph Development, Ltd.	-do-	-do-	100.00
Summit Top Investment, Ltd.	-do-	-do-	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
Batangas Agro-Industrial Development Corporation (BAID) and Subsidiaries	-do-	5th Floor Citibank Center, Makati	100.00
Fruits of the East, Inc.	-do-	Citibank Center, Paseo de Roxas, Makati	100.00
Hometel Integrated Management Corporation	-do-	-do-	100.00
King Leader Philippines, Inc.	-do-	5th Floor Citibank Center, Makati	100.00
Samar Commodities Trading and Industrial Corporation	-do-	-do-	100.00
Tropical Aqua Resources	-do-	-do-	100.00
United Philippines Oil Trading, Inc.	-do-	-do-	100.00

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

** *These are majority-owned subsidiaries of the Parent Company's directly-owned subsidiaries.*

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), Panatag One Aircraft Leasing Limited (POALL), Panatag Two Aircraft Leasing Limited (PTALL), Panatag Three Aircraft Leasing Limited (PTHALL), Summit A Aircraft Leasing Limited (SAALL), Summit B Aircraft Leasing Limited (SBALL), and Summit C Aircraft Leasing Limited (SCALL). SLL, CALL, ILL, BLL, SALL, VALL, POALL, PTALL, and PTHALL are SPEs in which the Group does not have equity interest. SLL, CALL, ILL, BLL, SALL, VALL, POALL, PTALL, PTHALL, SAALL, SBALL, and SCALL 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.

Alignment of accounting periods
Following are the fiscal yearend subsidiaries within the Group:

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

Management exercised judgment 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.

Accordingly, the above-mentioned subsidiaries are consolidated using coterminous financial statements (i.e., the subsidiary changed the end of its reporting period for purposes of the consolidated financial statements).

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

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

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

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

Goodwill

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

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

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

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

Changes in Accounting Policies and Disclosures

Unless otherwise indicated, the adoption of these amendments did not have any significant impact on the financial statements. Except for these standards and amended PFRS which were adopted as of January 1, 2015, the accounting policies adopted are consistent with those of the previous financial year.

New and Amended Standards and Interpretations

- Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions*

  PAS 19 required 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 attribute 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 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 did not have an impact to the Group.

- Annual Improvements to PFRSs 2010-2012 Cycle
  The Annual Improvements to PFRS (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and did not have material impact to the Group, unless otherwise stated. They include:

  - PFRS 2, *Share-based Payments - 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, include:

    a. A performance condition must contain a service condition;
    b. A performance target must be met while the counterparty is rendering service;
    c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
    d. A performance condition may be a market or non-market condition;
    e. 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 Segment - 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 segment 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 and Equipment, and PAS 38, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
    This 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*
    This 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 PFRS (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Group, unless otherwise stated. They include:

  - PFRS 3, Business Combinations - *Scope Exceptions for Joint Arrangements*
    This 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*
    This 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*
    This 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 a 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).

Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivatives classified as FVPL
The Parent Company and certain subsidiaries are counterparties to derivative contracts, such as interest rate swaps, currency forwards, cross currency swaps, currency options and commodity swaps and options. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such

derivative financial instruments (including bifurcated embedded derivatives) are initially recorded at fair value on the date at which the derivative contract is entered into or bifurcated and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly in profit or as 'Market valuation gain (loss) on derivative financial instruments.' Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

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

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

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

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

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

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

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

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

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

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as noncurrent (or separated into current and noncurrent portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cashflows 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 recognized in equity is amortized 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.

<u>Offsetting Financial Instruments</u>
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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business of default, and event of solvency or bankruptcy of the Group and all of the counterparties.

<u>Inventories</u>
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.

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 conditions are accounted for as follows:

Finished goods, work-in-process, raw materials and packaging materials

a. *Petrochemicals*
   In 2015, JGSPC and JGSOC changed its inventory costing method for its raw materials, work-in-process and finished goods from weighted average costing method to FIFO costing method. Under the FIFO costing method, items that are purchased first or are produced first are sold first and items remaining at the end of the period are those most recently purchased or produced. Cost of finished goods and work-in-process includes direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced. The effect of the change in the accounting policy is not significant.

b. *Branded consumer foods, agro-industrial and commodity food products*
   Cost is determined using the weighted average method. Under the weighted average costing method, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. Cost of 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.

Factory supplies and spare parts
Cost is determined using the weighted average method.

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

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

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

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

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

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

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

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

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

Investment Properties

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

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

Land improvements	10 years
Buildings and improvements	10 to 30 years

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

	EUL
Land and improvements	10 to 40 years
Buildings and improvements	10 to 50 years
Machinery and equipment	4 to 50 years
Leasehold improvements	15 years
Passenger aircraft	15 years
Other flight equipment	5 years
Transportation, furnishing and other equipment	3 to 5 years

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

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

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

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

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

ARO
The Group is legally required under various lease contracts to restore leased aircraft to their original conditions and to bear the cost of any dismantling and deinstallation at the end of the contract period. These costs are accrued based on an internal estimate made by the work of both third party and Group's engineers which includes estimates of certain redelivery costs at the end of the operating aircraft lease.

The event that gives rise to the obligation is the actual flying hours of the asset as used, as the usage determines the timing and nature of the entity completes the overhaul and restoration. Regular aircraft maintenance is accounted for as expense when incurred, while overhaul and restoration are accounted on an accrual basis.

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

The Group recognizes the present value of these costs as ARO asset and ARO liability.

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

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

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

Biological Assets

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

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

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

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

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when the 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.

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

Each unit or group of units to which the goodwill is allocated:

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

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

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

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

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

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

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

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

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

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

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

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

	Technology Licenses	Licenses	Product Formulation and Brands	Software Costs	Land Use Rights	Customer Relationship	Trademarks	
EUL	Finite (12 to 13.75 years)	Indefinite	Indefinite	Finite (5 years)	Finite (40 years for commercial and 70 years for residential)	Finite (35 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	Straight line amortization	Straight line amortization	Amortized on a straight-line basis over the EUL of the trademark	No amortization
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired	Acquired	Acquired	Acquired	Acquired

<u>Impairment of Nonfinancial Assets</u>

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

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

Impairment losses from continuing operations are recognized under 'Impairment losses and others' in profit or loss.

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

Property, plant and equipment, investment properties, intangible assets with definite useful lives and costs
For property, plant and equipment, investment properties, intangible assets with definite useful lives, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statement of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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

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

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

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

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

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

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

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duties. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

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

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

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

The related commission is recognized as outright expense upon the receipt of payment from customers, and is included under 'Cost of sales and services' in profit or loss in the consolidated statement of comprehensive income.

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

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

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

Revenue from hotel operations
Revenue from hotel operations is recognized when services are rendered. Revenue from banquets and other special events are recognized when the events take place. Rental income on leased areas of the hotel is recognized on a straight-line basis over the lease term. Revenue from food and beverage are recognized when these are served. Other income from transport, laundry, valet and other related hotel services are recognized when services are rendered.

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

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

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

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

Service fees and commission income
The Group earns fees and commission income from the diverse range of services it provides to its customers. Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, portfolio fees, credit-related fees and other service and management fees. Fees on deposit-related accounts are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collection.

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

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

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

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

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

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

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Pension Costs
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

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

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

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

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

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

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

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

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

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

Deferred tax
Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that 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 January 1, 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 January 1, 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 January 1, 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.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, Financial Instruments, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1. 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but sill 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 will quantify this effect to present a comprehensive picture of the impact of adoption on the financial position or performance of the Group.

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, IFRS 16, which replaces IAS 17, the current leases standard, and the related Interpretations.

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognized interest on the lease liabilities, in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted but only if IFRS 15 is applied at or before the date of initial application of
  IFRS 16. The Group is currently assessing the impact of IFRS 16.

Mandatory Date Yet to be Determined

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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*

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 determined using cost-to-cost method.

The related balances from real estate sales transactions follow:

	2015	2014	2013
Revenue	**₱6,378,365,315**	₱5,650,781,444	₱5,765,978,381
Cost and expenses	**3,250,836,782**	3,043,254,449	3,288,052,711

e. *Classification of leases*

Operating Lease

Operating lease commitments - Group as lessee

The Group has entered into leases on premises it uses for its operations. The Group has determined, based on evaluation of the terms and conditions of the lease agreements that the significant risk and rewards of ownership to these properties did not transfer to the Group. In determining this, the Group considers the following:

- the lease does not transfer the ownership of the asset to the lessee by the end of the lease term; and
- the related lease term do not approximate the EUL of the assets being leased.

Operating lease commitments - Group as lessor

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 to these properties. In determining this, the Group considers, 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 term do not approximate the EUL of the assets being leased.

Finance Lease

Group as lessor

The Group has determined based on evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments receivable amounts to at least substantially all of the fair value of leased asset, lease term if for the major part of the economic useful life of the asset, and lessor's losses associated with the cancellation are borned by the lessee) that it has transferred all significant risks and rewards of ownership of the peroperties it leases out on finance leases.

Group as lessee

The Group has determined based on evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments payable amounts to at least substantially all of the fair value of leased asset, lease term if for the major part of the economic useful life of the asset, and lessor's losses associated with the cancellation are borned by the lessee) that it has obtained all significant risks and rewards of ownership of the peroperties it leased on finance 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 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.

ii. *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.

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

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

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

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

The related balances from real estate transactions follow:

	2015	2014	2013
Revenue	**₱6,378,365,315**	₱5,650,781,444	₱5,765,978,381
Cost and expenses	**3,250,836,782**	3,043,254,449	3,288,052,711

- 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; (b) carriage is provided or (c) when the flight is uplifted.

  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 2015, 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.

   In 2015, 2014 and 2013, 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 contractually required under certain lease contracts to restore certain leased passenger aircraft to stipulated return condition and to bear the costs of restoration at the end of the contract period. These costs are accrued based on an internal estimate which includes

estimates of certain redelivery costs at the end of the operating aircraft lease. The contractual obligation includes regular aircraft maintenance, overhaul and restoration of the leased aircraft to its original condition. Regular aircraft maintenance is accounted for as expense when incurred, while overhaul and restoration are accounted on an accrual basis.

Assumptions used to compute ARO are reviewed and updated annually by the Group. The cost of restoration is computed based on the Group's average borrowing cost.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. The recognition of ARO would increase other noncurrent liabilities and repairs and maintenance expense.

The amortized ARO of the Group is disclosed in Note 24 to the consolidated financial statements.

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.

The carrying balances of the Group's depreciable assets are disclosed in notes 15, 16, 17 and 18 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 (included in 'Cost of sales and services' in profit or loss in the consolidated statements of comprehensive income) amounting to ₱57.0 million, ₱257.9 million and ₱69.9 million in 2015, 2014 and 2013 respectively (see Note 17).

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

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

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

As of December 31, 2015 and 2014, the balance of the Group's present value of defined benefit obligations and other employee benefits is shown in Note 37 to the consolidated financial statement.

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 2015, 2014 and 2013 is disclosed in Note 34 to the consolidated financial statements. The net realizable value of nonfinancial assets with impairment amounted to ₱12.9 million in 2015 and 2014.

As of December 31, 2015 and 2014, the balance of the Group's nonfinancial assets, net of accumulated depreciation, amortization and impairment loss follow:

	2015	2014
Property, plant and equipment (Note 16)	**₱159,836,100,377**	₱147,486,411,230
Investment properties (Note 15)	**67,258,434,671**	56,982,694,645
Investments in associates and joint ventures (Note 14)	**114,776,087,906**	112,109,686,154
Goodwill (Note 19)	**15,517,919,985**	15,517,919,985
Intangible assets (Note 18)	**19,491,179,361**	9,063,976,055

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's recognized deferred tax assets are shown in Note 38.

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

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.

<u>Risk Management Policies</u>
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:

	2015			
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**
Loans and receivables:				
Trade receivables	**₱97,000,000**	**₱97,863,514**	**₱97,000,000**	**₱–**
Finance receivables:				
Commercial	**2,271,354,509**	**5,255,889,462**	**2,070,859,508**	**200,495,001**
Real estate	**3,839,904,090**	**9,376,012,565**	**3,761,589,109**	**78,314,981**
Consumption	**1,152,388,712**	**2,571,248,000**	**1,119,781,029**	**32,607,683**
Other receivables	**64,869,319**	**132,430,461**	**44,694,008**	**20,175,311**
Total credit risk exposure	**₱7,425,516,630**	**₱17,433,444,002**	**₱7,093,923,654**	**₱331,592,976**

	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	₱598,000,000	₱600,123,797	₱598,000,000	₱–
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	185,154,560	–
Total credit risk exposure	₱7,604,162,609	₱10,280,300,969	₱6,827,438,950	₱776,723,659

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, 2015 and 2014, before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

	December 31, 2015					
	Philippines	**Asia (excluding Philippines)**	**United States**	**Europe**	**Others***	**Total**
Cash and cash equivalents**	**₱37,045,154,127**	**₱5,707,692,836**	**₱–**	**₱20,476,012**	**₱422,075,875**	**₱43,195,398,850**
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	**2,486,977,530**	**3,026,156,174**	**1,010,892,519**	**2,884,736,893**	**643,843,581**	**10,052,606,697**
Government	**978,541,742**	**657,811,461**	**–**	**–**	**–**	**1,636,353,203**
Derivatives	**–**	**–**	**–**	**–**	**580,568,726**	**580,568,726**
	3,465,519,272	**3,683,967,635**	**1,010,892,519**	**2,884,736,893**	**1,224,412,307**	**12,269,528,626**
Equity securities:						
Quoted	**394,576,663**	**824,029,552**	**396,964,921**	**908,383,850**	**76,807,183**	**2,600,762,169**
Unquoted	**–**	**3,530**	**–**	**–**	**–**	**3,530**
	394,576,663	**824,033,082**	**396,964,921**	**908,383,850**	**76,807,183**	**2,600,765,699**
	3,860,095,935	**4,508,000,717**	**1,407,857,440**	**3,793,120,743**	**1,301,219,490**	**14,870,294,325**
Derivative assets:						
Designated as accounting hedges	**–**	**–**	**37,358,957**	**–**	**–**	**37,358,957**
	–	**–**	**37,358,957**	**–**	**–**	**37,358,957**
AFS investments:						
Debt securities:						
Government	**7,503,850,020**	**613,087,660**	**–**	**–**	**–**	**8,116,937,680**
Private	**1,372,469,761**	**790,579,133**	**316,000,700**	**32,363,162**	**30,589,019**	**2,542,001,775**
	8,876,319,781	**1,403,666,793**	**316,000,700**	**32,363,162**	**30,589,019**	**10,658,939,455**
Equity securities:						
Quoted	**35,880,618,093**	**–**	**–**	**1,064,497,200**	**–**	**36,945,115,293**
Unquoted	**24,293,371**	**–**	**–**	**–**	**–**	**24,293,371**
	35,904,911,464	**–**	**–**	**1,064,497,200**	**–**	**36,969,408,664**
	44,781,231,245	**1,403,666,793**	**316,000,700**	**1,096,860,362**	**30,589,019**	**47,628,348,119**
Held-to-maturity investment	**2,749,295,603**	**–**	**–**	**–**	**–**	**2,749,295,603**
Receivables:						
Finance receivables	**26,818,867,137**	**–**	**–**	**–**	**–**	**26,818,867,137**
Trade receivables	**16,587,747,555**	**5,251,045,118**	**26,892,939**	**261,645,706**	**1,369,137,251**	**23,496,468,569**
Due from related parties	**1,222,026,008**	**27,179,536**	**–**	**–**	**–**	**1,249,205,544**
Interest receivable	**519,322,779**	**63,684,588**	**27,435,809**	**40,028,009**	**10,280,271**	**660,751,456**
Other receivables***	**816,047,296**	**91,299,929**	**–**	**–**	**36,354,219**	**943,701,444**
	45,964,010,775	**5,433,209,171**	**54,328,748**	**301,673,715**	**1,415,771,741**	**53,168,994,150**
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	**568,195,948**	**–**	**–**	**27,135,401**	**–**	**595,331,349**
Other Current Assets	**506,117,342**	**311,109,747**	**–**	**–**	**–**	**817,227,089**
	₱135,474,100,975	**₱17,363,679,264**	**₱1,815,545,845**	**₱5,239,266,233**	**₱3,169,656,125**	**₱163,062,248,442**

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

** *Excludes cash on hand amounting to ₱2,076,709,922*

*** *Other receivables includes TCCs of Petrochem amounting to ₱194,365,838*

	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	2,364,843,693	2,217,848,478	1,316,700,396	2,963,032,516	658,701,588	9,521,126,671
Government	2,240,559,821	606,783,696	–	–	5,128,516	2,852,472,033
	4,605,403,514	2,824,632,174	1,316,700,396	2,963,032,516	663,830,104	12,373,598,704
Equity securities:						
Quoted	430,882,250	866,345,430	395,149,942	1,138,706,750	69,282,921	2,900,367,293
Unquoted	–	3,354	–	–	–	3,354
	430,882,250	866,348,784	395,149,942	1,138,706,750	69,282,921	2,900,370,647
	5,036,285,764	3,690,980,958	1,711,850,338	4,101,739,266	733,113,025	15,273,969,351
Derivative assets:						
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	7,722,612,027	–	–	–	94,582,800	7,817,194,827
Private	1,262,900,322	904,288,316	171,478,849	175,552,832	160,385,758	2,674,606,077
	8,985,512,349	904,288,316	171,478,849	175,552,832	254,968,558	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
	59,473,477,354	904,288,316	171,478,849	1,245,478,832	254,968,558	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	12,988,427,237	4,892,885,609	16,191,922	244,903,488	12,862,013	18,155,270,269
Due from related parties	1,147,104,562	26,177,536	–	–	–	1,173,282,098
Interest receivable	433,851,064	62,777,001	20,684,972	42,324,813	23,061,757	582,699,607
Other receivables***	1,551,194,058	101,899,231	–	–	–	1,653,093,289
	38,128,317,353	5,083,739,377	36,876,894	287,228,301	35,923,770	43,572,085,695
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	502,101,404	–	–	123,486,187	–	625,587,591
Other Current Assets	538,177,952	342,952,131	–	–	–	881,130,083
	₱138,279,814,570	₱12,969,384,280	₱2,046,389,777	₱5,770,116,196	₱1,052,428,983	₱160,118,133,806

** Others include South American countries (i.e., Argentina and Mexico) and New Zealand*
*** Excludes cash on hand amounting to ₱1,682,183,840.*
**** Other receivables includes TCCs of Petrochem amounting to ₱194,365,838*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2015 and 2014, before taking into account any collateral held or other credit enhancements.

	2015								
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Financial Intermediaries	Transportation, Storage and Communication	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Others*	Total
Cash and cash equivalents**	₱–	₱–	₱–	₱33,908,657,858	₱–	₱–	₱–	9,286,740,992	₱43,195,398,850
Financial assets at FVPL:									
Held-for-trading:									
Debt securities:									
Private	70,285,051	67,990,876	–	5,439,922,258	251,509,535	–	1,040,523,807	3,182,375,170	10,052,606,697
Government	–	–	–	–	–	–	–	1,636,353,203	1,636,353,203
Derivatives	–	–	–	–	–	–	–	580,568,726	580,568,726
	70,285,051	67,990,876	–	5,439,922,258	251,509,535	–	1,040,523,807	5,399,297,099	12,269,528,626
Equity securities:									
Quoted	159,495,576	110,510,048	–	1,163,906,733	198,980,468	–	156,942,995	810,926,349	2,600,762,169
Unquoted	–	–	–	–	–	–	–	3,530	3,530
	159,495,576	110,510,048	–	1,163,906,733	198,980,468	–	156,942,995	810,929,879	2,600,765,699
	229,780,627	178,500,924	–	6,603,828,991	450,490,003		1,197,466,802	6,210,226,978	14,870,294,325
Derivative financial assets:									
Designated as accounting hedges	–	–	–	37,358,957	–	–	–	–	37,358,957
	–	–	–	37,358,957	–	–	–	–	37,358,957
AFS investments:									
Debt securities:									
Government	–	–	–	129,273,820	–	–	–	7,987,663,860	8,116,937,680
Private	124,893,768	514,130,501	–	685,616,160	329,807,050	–	214,217,585	673,336,711	2,542,001,775
	124,893,768	514,130,501	–	814,889,980	329,807,050	–	214,217,585	8,661,000,571	10,658,939,455
Equity securities:									
Quoted	11,789,500	–	–	148,085,818	35,633,083,520	–	–	1,152,156,455	36,945,115,293
Unquoted	–	–	–	7,500,000	–	–	–	16,793,371	24,293,371
	11,789,500	–	–	155,585,818	35,633,083,520	–	–	1,168,949,826	36,969,408,664
	136,683,268	514,130,501	–	970,475,798	35,962,890,570	–	214,217,585	9,829,950,397	47,628,348,119

(Forward)

	2015								
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Financial Intermediaries	Transportation, Storage and Communication	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Others*	Total
Held-to-maturity investment	₱596,663,277	₱1,175,000,000	₱–	₱350,000,000	₱12,259,994	₱–	₱500,000,000	115,372,332	₱2,749,295,603
Receivables:									
Finance receivables	2,621,318,748	6,845,627,000	5,659,342,197	3,771,234,014	1,574,588,756	414,632,980	1,845,511,776	4,086,611,666	26,818,867,137
Trade receivables	12,724,773,628	9,049,282,951	–	–	1,568,306,241	81,867,809	–	72,237,940	23,496,468,569
Due from related parties	337,136,434	37,286,281	49,037,998	518,345,282	125,557,660	–	–	181,841,889	1,249,205,544
Interest receivable	11,381,828	52,927,069	18,613,328	182,692,825	15,445,021	6,955,837	28,457,894	344,277,654	660,751,456
Other receivables***	311,956,412	164,668,856	–	–	71,736,247	–	–	395,339,929	943,701,444
	16,006,567,050	16,149,792,157	5,726,993,523	4,472,272,121	3,355,633,925	503,456,626	1,873,969,670	5,080,309,078	53,168,994,150
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	–	518,760,019	–	–	27,160,601	–	–	49,410,729	595,331,349
Other current assets	653,658,448	–	–	–	–	–	–	163,568,641	817,227,089
	₱17,623,352,670	₱18,536,183,601	₱5,726,993,523	₱46,342,593,725	₱39,808,435,093	₱503,456,626	₱3,785,654,057	₱30,735,579,147	₱163,062,248,442

** Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.*
*** Excludes cash on hand amounting to ₱2,076,709,922.*
**** Other receivables includes TCCs of Petrochem amounting to ₱194,365,838*

	2014								
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Financial Intermediaries	Transportation, Storage and Communication	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	67,651,388	64,036,580	–	5,404,451,143	260,977,736	–	988,774,921	2,735,234,903	9,521,126,671
Government	–	–	–	–	–	–	–	2,852,472,033	2,852,472,033
	67,651,388	64,036,580	–	5,404,451,143	260,977,736	–	988,774,921	5,587,706,936	12,373,598,704
Equity securities:									
Quoted	146,430,271	37,805,405		1,443,107,976	203,756,513		175,761,271	893,505,857	2,900,367,293
Unquoted	–	–	–	–	–	–	–	3,354	3,354
	146,430,271	37,805,405	–	1,443,107,976	203,756,513	–	175,761,271	893,509,211	2,900,370,647
	214,081,659	101,841,985	–	6,847,559,119	464,734,249	–	1,164,536,192	6,481,216,147	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	–	–	–	124,321,600		–		7,692,873,227	7,817,194,827
Private	–	–	–	1,828,123,405	85,862,400	–	203,744,982	556,875,290	2,674,606,077
	–	–	–	1,952,445,005	85,862,400	–	203,744,982	8,249,748,517	10,491,800,904
Equity securities:									
Quoted	–	–	–	157,138,272	50,266,468,162	–	–	1,109,991,200	51,533,597,634
Unquoted	–	–	–	23,605,700	–	–	–	687,671	24,293,371
	–	–	–	180,743,972	50,266,468,162	–	–	1,110,678,871	51,557,891,005
	–	–	–	2,133,188,977	50,352,330,562	–	203,744,982	9,360,427,388	62,049,691,909

(Forward)

	2014								
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Financial Intermediaries	Transportation, Storage and Communication	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	1,389,026,258	6,971,666,368	3,272,462,371	–	1,695,586,433	1,362,224,296	1,732,760,449	5,584,014,257	22,007,740,432
Trade receivables	8,917,544,802	7,256,434,580	–	–	1,463,848,055	456,237,358	–	61,205,474	18,155,270,269
Due from related parties	333,737,914	36,116,281	95,462,576	405,322,735	134,358,954	–	–	168,283,638	1,173,282,098
Interest receivable	77,262	1,210,503	1,343,104	177,146,697	5,189,703	1,233,964	9,892,408	386,605,966	582,699,607
Other receivables***	379,066,048	392,626,018	–	147,911	305,886,363	17,008,142	–	558,358,807	1,653,093,289
	11,019,452,284	14,658,053,750	3,369,268,051	582,617,343	3,604,869,508	1,836,703,760	1,742,652,857	6,758,468,142	43,572,085,695
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	–	465,405,002	–	36,696,402	123,486,187	–	–	–	625,587,591
Other Current Assets	794,698,925	–	–	–	–	5,983,177	–	80,447,981	881,130,083
	₱12,028,232,868	₱15,225,300,737	₱3,369,268,051	₱47,287,307,388	₱54,545,420,506	₱1,842,686,937	₱3,110,934,031	₱22,708,983,288	₱160,118,133,806

* *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.*
*** *Other receivables includes TCCs of Petrochem amounting to ₱194,365,838*

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:

	2015						
	Neither Past Due Nor Individually Impaired				Past Due		
	High Grade	Standard Grade	Substandard Grade	Unrated	or Individually Impaired	Individually Impaired	Total
Cash and cash equivalents*	₱38,599,185,651	₱4,596,213,199	₱–	₱–	₱–	₱–	₱43,195,398,850
Financial assets at FVPL:							
Held-for-trading:							
Debt securities:							
Private	10,052,606,697	–	–	–	–	–	10,052,606,697
Government	1,621,487,313	14,865,890	–	–	–	–	1,636,353,203
Derivatives	580,568,726	–	–	–	–	–	580,568,726
	12,254,662,736	14,865,890	–	–	–	–	12,269,528,626
Equity securities:							
Quoted	2,600,762,169	–	–	–	–	–	2,600,762,169
Unquoted	3,530	–	–	–	–	–	3,530
	2,600,765,699	–	–	–	–	–	2,600,765,699
	14,855,428,435	14,865,890	–	–	–	–	14,870,294,325
Derivative financial assets Designated as accounting hedges	37,358,957	–	–	–	–	–	37,358,957
	37,358,957	–	–	–	–	–	37,358,957
AFS investments:							
Debt securities:							
Government	1,320,524,777	6,796,412,903	–	–	–	–	8,116,937,680
Private	1,169,532,014	1,372,469,761	–	–	–	–	2,542,001,775
	2,490,056,791	8,168,882,664	–	–	–	–	10,658,939,455
Equity securities:							
Quoted	36,904,053,293	41,062,000	–	–	–	–	36,945,115,293
Unquoted	687,671	23,605,700	–	–	–	–	24,293,371
	36,904,740,964	64,667,700	–	–	–	–	36,969,408,664
	39,394,797,755	8,233,550,364	–	–	–	–	47,628,348,119
Held to maturity investments	–	2,749,295,603	–	–	–	–	2,749,295,603
Receivables:							
Finance receivables	8,782,409,513	14,364,952,634	1,084,858,269	1,577,862,161	736,954,006	1,111,107,383	27,658,143,966
Trade receivables	17,256,693,406	1,171,972,674	515,514,728	–	4,560,073,791	552,170,465	24,056,425,064
Due from related parties	1,249,205,544	–	–	–	–	–	1,249,205,544
Interest receivable	263,434,501	209,207,228	2,840,190	–	183,423,687	1,845,850	660,751,456
Other receivables**	415,161,658	171,832,621	59,237,100	–	279,633,068	206,534,551	1,132,398,998
	27,966,904,622	15,917,965,157	1,662,450,287	1,577,862,161	5,760,084,552	1,871,658,249	54,756,925,028
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	544,484,021	49,553,229	–	1,294,099	–	–	595,331,349
Other Current Assets	481,200,210	336,026,879	–	–	–	–	817,227,089
	₱121,879,359,651	₱31,897,470,321	₱1,662,450,287	₱1,579,156,260	₱5,760,084,552	₱1,871,658,249	₱164,650,179,320

* *Excludes cash on hand amounting to₱2,076,709,922.*

** *Other receivables includes TCCs of Petrochem amounting to ₱194,365,838*

	2014						
	Neither Past Due Nor Individually Impaired				Past Due		
	High Grade	Standard Grade	Substandard Grade	Unrated	or Individually Impaired	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 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	3,950,073,315	12,812,685,153	3,762,892,156	542,000,000	1,002,191,842	549,040,520	22,618,882,986
Trade receivables	13,653,065,137	935,871,101	181,145,389		3,385,188,642	543,010,181	18,698,280,450
Due from related parties	1,173,282,098	–	–	–	–	–	1,173,282,098
Interest receivable	354,260,832	131,195,616	79,341,383	7,000,000	7,628,596	3,273,180	582,699,607
Other receivables**	775,839,497	609,755,097	101,917,700		153,494,257	200,816,196	1,841,822,747
	19,906,520,879	14,489,506,967	4,125,296,628	549,000,000	4,548,503,337	1,296,140,077	44,914,967,888
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	588,891,189	36,696,402	–	–	–	–	625,587,591
Other Current Assets	363,411,360	517,718,723	–	–	–	–	881,130,083
	₱113,456,494,442	₱37,485,581,515	₱4,125,296,628	₱549,000,000	₱4,548,503,337	₱1,296,140,077	₱161,461,015,999

* *Excludes cash on hand amounting to ₱1,682,183,840.*
** *Other receivables includes TCCs of Petrochem amounting to ₱194,365,838*

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.

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.

(Forward)

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	Watch list	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, 2015 and 2014 follow:

	2015						
		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	**₱25,810,082,577**	**₱10,331,805**	**₱18,843,201**	**₱37,785,278**	**₱669,993,722**	**₱1,111,107,383**	**₱27,658,143,966**
Trade receivables	**18,944,180,808**	**913,868,122**	**496,234,508**	**132,157,485**	**3,017,813,676**	**552,170,465**	**24,056,425,064**
Due from related parties	**1,249,205,544**	**–**	**–**	**–**	**–**	**–**	**1,249,205,544**
Interest receivable	**475,481,919**	**540,717**	**2,261,626**	**3,302,164**	**177,319,180**	**1,845,850**	**660,751,456**
Others	**646,231,379**	**26,285,734**	**(17,884,815)**	**15,851,639**	**255,380,510**	**206,534,551**	**1,132,398,998**
	₱47,125,182,227	**₱951,026,378**	**₱499,454,520**	**₱189,096,566**	**₱4,120,507,088**	**₱1,871,658,249**	**₱54,756,925,028**

	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	₱21,067,650,624	₱469,904,203	₱238,728,066	₱47,778,160	₱245,781,413	₱ 549,040,520	₱22,618,882,986
Trade receivables	14,770,081,627	772,463,084	331,501,328	271,072,317	2,010,151,913	543,010,181	18,698,280,450
Due from related parties	1,173,282,098	–	–	–	–	–	1,173,282,098
Interest receivable	571,797,831	7,628,596	–	–	–	3,273,180	582,699,607
Others	1,487,512,294	58,337,340	14,262,222	466,139	80,428,556	200,816,196	1,841,822,747
	₱39,070,324,474	₱1,308,333,223	₱584,491,616	₱319,316,616	₱2,336,361,882	₱1,296,140,077	₱44,914,967,888

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, 2015 and 2014:

	2015					
	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	₱33,181,079,748	₱11,516,633,546	₱614,834,322	₱–	₱–	₱45,312,547,616
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	–	–	10,052,606,697	–	–	10,052,606,697
Government	–	14,865,890	1,621,487,313	–	–	1,636,353,203
Derivatives	–	–	–	580,568,726	–	580,568,726
	–	14,865,890	11,674,094,010	580,568,726	–	12,269,528,626
Equity securities:						
Quoted	394,576,663	–	2,206,185,506	–	–	2,600,762,169
Unquoted	–	–	3,530	–	–	3,530
	394,576,663	–	2,206,189,036	–	–	2,600,765,699
	394,576,663	14,865,890	13,880,283,046	580,568,726	–	14,289,725,599
Derivative financial assets designated as accounting hedges	–	–	–	37,358,957	–	37,358,957
AFS investments:						
Debt securities:						
Government	–	31,631,237	8,085,306,443	–	–	8,116,937,680
Private	–	128,949,103	2,413,052,672	–	–	2,542,001,775
	–	160,580,340	10,498,359,115	–	–	10,658,939,455
Equity securities:						
Quoted	40,880,000	41,062,000	1,234,490,673	35,628,682,620	–	36,945,115,293
Unquoted	–	23,605,700	687,671	–	–	24,293,371
	40,880,000	64,667,700	1,235,178,344	35,628,682,620	–	36,969,408,664
	40,880,000	225,248,040	11,733,537,459	35,628,682,620	–	47,628,348,119
Held to maturity investments	–	57,006,693	–	1,077,759,585	2,743,443,378	3,878,209,656
Receivables:						
Trade receivables	8,600,930,132	10,186,985,363	1,968,655,236	1,489,389,996	1,810,464,337	24,056,425,064
Finance receivables	648,028,853	6,105,462,562	3,553,042,371	9,835,045,477	15,421,302,199	35,562,881,462
Due from related parties	1,249,205,544	–	–	–	–	1,249,205,544
Interest receivable	118,818,602	285,782,952	256,149,902	–	–	660,751,456
Other receivables	480,387,175	551,126,576	100,885,247	–	–	1,132,398,998
	11,097,370,306	17,129,357,453	5,878,732,756	11,324,435,473	17,231,766,536	62,661,662,524
Refundable security deposits	5,484,127	14,025,444	3,173,133	287,736,690	285,563,450	595,982,844
Other Current Assets	274,892,605	387,565,925	154,768,559	–	–	817,227,089
	₱44,994,283,449	₱29,344,702,991	₱32,265,329,275	₱48,936,542,051	₱20,260,773,364	₱175,801,631,130

	2015					
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Financial Liabilities						
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')	₱14,053,657,183	₱13,182,961,986	₱8,151,046,331	₱1,447,221,372	₱1,103,510,196	₱37,938,397,068
Short-term debt	–	30,859,848,999	4,078,607,519	–	–	34,938,456,518
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)	31,668,994,253	5,349,040,957	2,428,793,502	4,817,729,266	3,908,763	44,268,466,741
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	283,572,118	–	–	–	–	283,572,118
Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	1,144,211,329	307,044,232	604,440,113	1,536,410,133	791,989,484	4,384,095,291
Long-term debt (including current portion)	–	12,852,664,217	18,486,447,790	109,886,221,413	66,971,174,770	208,196,508,190
Derivative liabilities	–	–	–	1,671,213,914	772,281,224	2,443,495,138
	₱47,152,134,883	₱62,551,560,391	₱33,749,335,255	₱119,358,796,098	₱69,642,864,437	₱332,454,691,064

	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	₱16,328,729,730	₱21,075,261,069	₱–	₱ 85,145,023	₱ 31,089,589	₱37,520,225,411
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
	430,882,250	1,305,791,077	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	–	–	139,855,825	166,139,827	2,086,833,904	2,392,829,556
Receivables:						
Trade receivables	6,209,327,677	7,439,501,451	1,914,955,086	3,134,496,236	–	18,698,280,450
Finance receivables	1,080,676,527	3,578,056,941	2,705,205,820	9,067,669,016	14,377,992,044	30,809,600,348
Due from related parties	1,173,282,098	–	–	–	–	1,173,282,098
Interest receivable	–	582,699,607	–	–	–	582,699,607
Other receivables	482,862,011	708,641,134	650,319,602	–	–	1,841,822,747
	8,946,148,313	12,308,899,133	5,270,480,508	12,202,165,252	14,377,992,044	53,105,685,250
Refundable security deposits	5,106,072	–	36,884,028	379,538,128	204,059,363	625,587,591
Other Current Assets	268,953,399	612,176,684	–	–	–	881,130,083
	₱26,001,539,764	₱35,477,431,958	₱30,604,951,767	₱63,219,828,088	₱16,699,974,900	₱172,003,726,477

	2014					
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Financial Liabilities						
Accounts payable and accrued expenses (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position but excluding 'Deposit liabilities' and 'Due to related parties')	₱10,657,071,468	₱11,950,767,187	₱5,130,088,495	₱2,469,104,481	₱286,634,626	₱30,493,666,257
Short-term debt	75,291,275	42,280,369,112	2,107,074,035	–	–	44,462,734,422
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)	31,985,000,000	5,863,000,000	1,449,000,000	2,123,000,000	1,000,000	41,421,000,000
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
Long-term debt (including current portion)	–	3,310,635,971	5,612,651,095	124,654,540,870	39,002,686,589	172,580,514,525
Customer deposits	905,228,408	241,405,031	491,633,999	1,616,003,824	53,153,359	3,307,424,621
Derivative liabilities	–	–	1,762,813,330	508,213,953	–	2,271,027,283
	₱44,172,439,538	₱63,646,177,301	₱16,553,260,954	₱132,990,803,354	₱39,343,474,574	₱296,706,155,721

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

	2015		2014	
	Undiscounted	**Discounted**	Undiscounted	Discounted
Receive (Asset)*	**₱263,472,770**	**₱259,632,248**	₱449,025,542	₱439,375,077
Pay (Liability)**	**(224,837,974)**	**(222,273,291)**	(318,056,093)	(313,191,381)
	₱38,634,796	**₱37,358,957**	₱130,969,449	₱126,183,696***

** Gross carrying amount before offsetting*
*** Gross amount offset in accordance with the offsetting criteria*
**** Net amount presented in the statement of financial position*

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

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

The following discussion covers the market risks of the Group except for its Banking Segment:

Foreign currency risk
Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. The Group makes use of derivative financial instruments, such as currency swaps, to hedge foreign currency exposure (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, 2015, 2014 and 2013, approximately 33.6%, 27.5% and 27.0%, respectively, of the Group's total sales are denominated in currencies other than the functional currency. In addition, approximately 50.1% and 47.6% of total debt are denominated in US Dollar as of December 31, 2015 and 2014, 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, 2015 and 2014:

	2015		
	US Dollar	**Other Currencies***	**Total**
Assets			
Cash and cash equivalents	**₱13,115,207,657**	**₱3,000,327,842**	**₱16,115,535,499**
Financial assets at FVPL	**13,880,283,045**	**–**	**13,880,283,045**
AFS investments	**3,554,553,991**	**–**	**3,554,553,991**
Receivables	**4,210,926,098**	**2,111,509,660**	**6,322,435,758**
Derivative assets	**126,183,696**	**–**	**126,183,696**
Other noncurrent assets	**27,200,276**	**–**	**27,200,276**
	34,914,354,763	**5,111,837,502**	**40,026,192,265**
Liabilities			
Accounts payable and accrued expenses	**5,968,985,704**	**389,216,001**	**6,358,201,705**
Short-term debt	**20,820,856,094**	**1,198,769,780**	**22,019,625,874**
Derivative liability	**2,443,495,138**	**–**	**2,443,495,138**
Long-term debt (including current portion)	**78,961,600,132**	**23,535,491,713**	**102,497,091,845**
Other noncurrent liabilities	**224,413,504**	**–**	**224,413,504**
	108,419,350,572	**25,123,477,494**	**133,542,828,066**
Net Foreign Currency-Denominated Liabilities	**(₱73,504,995,809)**	**(₱20,011,639,992)**	**(₱93,516,635,801)**

**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*

	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	5,695,637,480	5,302,394,100	10,998,031,580
Short-term debt	20,636,994,856	857,688,681	21,494,683,537
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	224,413,504	–	224,413,504
	103,332,006,380	31,615,523,680	134,947,530,060
Net Foreign Currency-Denominated Liabilities	(₱76,954,778,666)	(₱23,501,965,829)	(₱100,456,744,495)

**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*

The exchange rates used to convert the Group's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2015 and 2014 follow:

	2015	2014
US dollar-Philippine peso exchange rate	₱47.06 to US$1.00	₱44.72 to US$1.00

The following table sets forth the impact of the range of reasonably possible changes in the US dollar and NZ Dollar - Philippine peso exchange rate on the Group's income before income tax (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2015, 2014 and 2013:

	2015	
Reasonably Possible Changes in Foreign Currency-Philippine Peso Exchange Rates	**US Dollar**	**NZ Dollar**
4.3%	**(₱3,123,884,213)**	**(₱932,291,833)**
(4.3)	**3,123,884,213**	**932,291,833**

	2014	
Reasonably Possible Changes in Foreign Currency-Philippine Peso Exchange Rates	US Dollar	NZ Dollar
4.5%	(₱3,441,626,953)	(₱1,136,530,417)
(4.5)	3,441,626,953	1,136,530,417

	2013	
Reasonably Possible Changes in Foreign Currency-Philippine Peso Exchange Rates	US Dollar	NZ Dollar
11.3%	(₱6,454,602,449)	(₱–)
(11.3)	6,454,602,449	–

Other than the potential impact on the Group's pre-tax income, the Group does not expect any other material effect on equity.

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 2015, 2014 and 2013, 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 ₱14.1 million, ₱43.5 million and ₱3.1 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 ₱590.6 million, ₱773.0 million and ₱608.5 million as of December 31, 2015, 2014 and 2013, 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:

2015

	<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$48,779,407**	**US$49,398,533**	**US$300,097,378**	**US$50,353,368**	**US$49,746,867**	**US$194,353,299**	**US$692,728,852**	**₱32,599,819,758**	**₱106,129,789**	**₱32,493,689,969**	**₱32,809,022,370**
Interest rate (London Interbank Offered Rate (LIBOR) plus margin)											
New Zealand Dollar loans											
Interest rate (NZ BKBM+1.60%)	**NZ$322,319,095**	**NZ$–**	**NZ$–**	**NZ$420,000,000**	**NZ$–**	**NZ$–**	**NZ$742,319,095**	**23,870,085,537**	**334,593,824**	**23,535,491,713**	**20,085,055,088**
Local currencies:											
Floating rate											
Philippine Peso loans											
Interest rate (SDA+GRT)	**₱7,500,000,000**	–	–	–	–	–	–	**7,500,000,000**	**17,947,325**	**7,482,052,675**	**7,482,052,675**
								₱63,969,905,295	**₱458,670,938**	**₱63,511,234,357**	**₱60,376,130,133**

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$35,199,074	US$35,480,489	US$35,884,527	US$286,290,243	US$36,611,713	US$162,745,942	US$592,211,988	₱26,483,720,086	₱145,894,549	₱26,337,825,538	₱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	444,476,194	25,455,440,837	25,455,440,837
Local currencies:											
Floating rate											
Philippine Peso loans											
Interest rate (PDST-R1 +0.75%)	–	₱9,000,000,000	–	–	–	–	–	9,000,000,000	43,740,870	8,956,259,130	8,956,259,130
								₱61,383,637,117	₱634,111,613	₱60,749,525,505	₱61,080,243,547

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	
	2015	2014
+150 basis points (bps)	**(₱1,612,532,701)**	(₱2,810,657,380)
-150 bps	**1,612,532,701**	2,810,657,380

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.

		2015	
	Reasonably Possible Changes in Market Prices	**Change in Income Before Income Tax**	**Change in Equity**
FVPL	1.5%	**₱156,385,049**	**₱–**
	(1.5)	**(156,385,049)**	**–**
AFS	1.5	**–**	**28,063,412**
	(1.5)	**–**	**(28,063,412)**

		2014	
	Reasonably Possible Changes in Market Prices	Change in Income Before Income Tax	Change in Equity
FVPL	1.5%	₱168,380,260	₱–
	(1.5)	(168,380,260)	–
AFS	1.5	–	37,692,079
	(1.5)	–	(37,692,079)

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 ₱2.1 billion in 2015, ₱1.8 billion in 2014 and ₱1.4 billion in 2013, 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 back testing 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 back testing.

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

	2015			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	**₱42.38**	**₱104.57**	**₱0.17**	**₱0.17**
Instruments sensitive to foreign interest rates	**0.0029**	**0.0792**	**0.0047**	**–**

	2014			
	Average	High	Low	December 31
Instruments sensitive to local interest rates	₱60.01	₱91.14	₱32.63	₱55.22
Instruments sensitive to foreign interest rates	5.39	8.5	1.62	2.80

	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

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):

	2015			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	**₱67.97**	**₱113.36**	**₱31.62**	**₱36.22**
Instruments sensitive to foreign interest rates	**0.06**	**0.09**	**0.04**	**0.05**

	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

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.

2015

		Profit or loss	Other comprehensive income
+10% USD appreciation	USD	**₱19,234,808**	**₱50,842,165**
	Other Foreign Currencies*	**2,591,496**	
-10% USD depreciation	USD	**(19,234,808)**	**(50,842,165)**
	Other Foreign Currencies*	**(2,591,496)**	

**significant positions held in EUR and AUD*

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*

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 1.7% to 5.6% in 2015 and 1.7% to 4.0% in 2014.

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 2015 and 2014.

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows (interests and principal) using the applicable rates for similar types of loans. The discount rates used range from 2% to 6% in 2015 and 3.0% to 6.0% in 2014.

Fair Value Hierarchy Assets and Liabilities
Assets and liabilities carried at fair 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, 2015				
	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	₱10,052,606,697	₱10,052,606,697	₱–	₱–	₱10,052,606,697
Government	1,636,353,203	–	1,636,353,203	–	1,636,353,203
	11,688,959,900	10,052,606,697	1,636,353,203	–	11,688,959,900
Equity securities:					
Quoted	2,600,762,169	2,600,762,169	–	–	2,600,762,169
	14,289,722,069	12,653,368,866	1,636,353,203	–	14,289,722,069
Derivatives financial assets not designated as accounting hedges	580,568,726	–	580,568,726	–	580,568,726
Derivative financial assets designated as accounting hedges	37,358,957	–	37,358,957	–	37,358,957
	617,927,683	–	617,927,683	–	617,927,683
AFS investments:					
Debt securities:					
Government	8,116,937,680	–	8,116,937,680	–	8,116,937,680
Private	2,542,001,775	2,542,001,775	–	–	2,542,001,775
	₱10,658,939,455	₱2,542,001,775	₱8,116,937,680	₱–	₱10,658,939,455
Equity securities:					
Quoted	36,945,115,293	36,945,115,293	–	–	36,945,115,293
	47,604,054,748	39,487,117,068	8,116,937,680	–	47,604,054,748
Held-to-maturity investment	2,749,295,603	2,801,700,071	–	–	2,801,700,071
Biological assets	1,557,794,946	–	1,557,794,946	–	1,557,794,946
Assets for which fair values are disclosed					
Receivables:					
Trade receivables	23,496,468,569	–	–	23,229,065,816	23,229,065,816
Finance receivables	26,818,867,137	–	–	28,861,041,171	28,861,041,171
Other receivables	1,138,067,282	–	–	1,138,067,282	1,138,067,282
Refundable deposits	595,331,349	–	–	594,672,001	594,672,001
Investment properties	67,258,434,671	–	–	174,844,220,446	174,844,220,446
	₱186,125,964,057	₱54,942,186,005	₱11,929,013,512	₱228,667,066,716	₱295,538,266,233
Deposit liabilities	39,919,049,820	–	–	43,169,181,584	43,169,181,584
Derivative liabilities	2,443,495,138	–	2,443,495,138		2,443,495,138
Customer's deposits	4,384,095,291	–	–	4,135,372,297	4,135,372,297
Long-term debt	166,482,186,844	–	–	175,070,394,309	175,070,394,309
	₱213,228,827,093	₱–	₱2,443,495,138	₱222,374,948,190	₱224,818,443,328

	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 Investment					
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
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	1,268,657,311	–	–	1,268,657,311
Biological assets	1,711,012,655	–	1,711,012,655	–	1,711,012,655
Assets for which fair values are disclosed					
Receivables:					
Trade receivables	18,155,270,269	–	–	17,931,423,506	17,931,423,506
Finance receivables	22,007,740,432	–	–	25,231,390,266	25,231,390,266
Other receivables	1,847,459,127	–	–	1,920,611,674	1,920,611,674
Refundable deposits	625,587,591	–	–	623,410,601	623,410,601
Investment properties	56,982,694,645	–	–	163,170,906,061	163,170,906,061
	₱180,552,340,049	₱67,898,354,986	₱12,535,286,841	₱208,877,742,108	₱289,311,383,935
Deposit liabilities	37,241,808,391	–	–	37,296,986,285	37,296,986,285
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	₱200,761,625,715	₱203,032,652,998

In 2015 and 2014, 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 levels 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.

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. 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 Excom is the Group's chief operating decision maker.

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, 2015, 2014 and 2013. 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, 2015								
	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	₱112,004,706,553	₱56,501,654,516	₱20,298,039,549	₱19,456,007,187	₱7,324,289,388	₱2,968,940,306	₱558,258,619	₱–	₱219,111,896,118
Intersegment revenue	–	–	–	964,757,683	–	–	–	(964,757,683)	–
	112,004,706,553	56,501,654,516	20,298,039,549	20,420,764,870	7,324,289,388	2,968,940,306	558,258,619	(964,757,683)	219,111,896,118
Dividend income (Note 28)	22,806,476	–	–	–	–	249,758	2,826,279,780	(1,142,295)	2,848,193,719
Equity in net earnings of associates and joint ventures (Note 14)	(248,426,814)	35,418,498	2,507,485,422	–	–	–	5,015,199,674	1,886,396	7,311,563,176
Total revenue	111,779,086,215	56,537,073,014	22,805,524,971	20,420,764,870	7,324,289,388	2,969,190,064	8,399,738,073	(964,013,582)	229,271,653,013
Cost of sales and services (Note 30)	75,285,872,510	33,251,909,025	9,374,307,866	18,753,187,053	4,685,838,553	615,766,210	–	(1,103,234,875)	140,863,646,342
Gross income	₱36,493,213,705	₱23,285,163,989	₱13,431,217,105	₱1,667,577,817	₱2,638,450,835	₱2,353,423,854	₱8,399,738,073	₱139,221,293	₱88,408,006,671
General and administrative expenses (Note 31)									38,677,396,939
Impairment losses and others (Note 34)									378,065,854
Operating income									49,352,543,878
Financing cost and other charges (Note 35)									(6,879,818,419)
Finance income (Note 27)									1,367,392,486
Other operating income (Note 29)									151,214,790
Core earnings									43,991,332,735
Market valuation gain on financial assets									(2,690,064,305)
Foreign exchange gains									(4,136,883,267)
Income before income tax									37,164,385,163
Provision for income tax (Note 38)									4,488,982,473
Net income									₱32,675,402,690
Net income attributable to equity holders of the Parent Company	₱7,738,310,512	₱2,949,733,870	₱6,137,260,108	₱897,255,990	₱2,258,446,492	₱64,002,113	₱2,663,457,053	(₱98,449,832)	₱22,610,016,306
EBIT	₱17,745,135,079	₱9,735,639,303	₱7,923,848,911	₱624,901,873	₱2,566,985,936	₱239,896,904	₱10,516,135,872	₱–	₱49,352,543,878
Depreciation and amortization (Notes 15, 16, 18 and 33)	4,846,359,146	5,111,543,725	3,203,353,347	378,925,736	637,667,269	219,954,653	41,962,769	–	14,439,766,645
EBITDA	₱22,591,494,225	₱14,847,183,028	₱11,127,202,258	₱1,003,827,609	₱3,204,653,205	₱459,851,557	₱10,558,098,641	₱–	₱63,792,310,523
Other information									
Non-cash expenses other than depreciation and amortization (Note 34):									
Impairment losses on receivables (Note 11)	₱5,300,692	₱–	₱1,629,711	₱–	₱–	₱244,696,803	₱7,786,052	₱–	₱259,413,258
Inventory obsolescence and market decline (Note 12)	104,202,866	–	–	–	–	–	–	–	104,202,866
Impairment losses on other assets	–	–	–	–	–	32,108,633	(17,658,903)	–	14,449,730
	₱109,503,558	₱–	₱1,629,711	₱	₱	₱276,805,436	(₱9,872,851)	₱	₱378,065,854

	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	₱2,161,557,835	₱1,064,620,825	₱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	2,736,366,875	1,064,620,825	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	2,736,366,875	1,064,620,825	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	2,704,009,446	1,368,416,874	559,820,713	–	(710,233,142)	115,006,614,900
Gross income	₱30,410,307,578	₱15,547,932,609	₱11,565,912,415	₱32,357,429	(₱303,796,049)	₱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)									1,219,853,247
Core earnings									34,218,270,460
Market valuation gain on financial assets									(3,585,392,524)
Foreign exchange gains									(358,828,037)
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 (loss) 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	₱15,004,073,172	₱4,253,663,081	₱6,378,368,489	₱ (361,616,695)	₱ (338,992,375)	₱229,722,452	₱12,309,825,442	₱–	₱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	177,057,762	122,581,051	168,412,070	38,600,632	–	11,759,608,063
EBITDA	₱19,115,300,131	₱8,535,188,099	₱9,238,573,060	₱(184,558,933)	₱(216,411,324)	₱398,134,522	₱12,348,426,074	₱–	₱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 / Goodwill	5,212,591	–	–	–	–	–	–	–	5,212,591
Impairment losses on other assets	–	–	–	–	–	151,961,639	–	–	151,961,639
	₱122,693,137	₱16,316,779	₱–	₱–	₱–	₱437,697,083	₱–	₱–	₱576,706,999

	December 31, 2013							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱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	₱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
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 (loss) 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

Other information on the Group's operating segments follow:

December 31, 2015

	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)	**₱377,551,375**	**₱525,623,987**	**₱39,823,358,743**	**₱–**	**₱–**	**₱–**	**₱74,049,553,801**	**₱–**	**₱114,776,087,906**
Segment assets	**₱117,636,749,631**	**₱85,312,423,204**	**₱111,711,513,673**	**₱17,484,473,236**	**₱43,028,808,168**	**₱57,917,156,532**	**228,114,024,290**	**(₱64,873,169,746)**	**₱596,331,978,988**
Short-term debt (Note 23)	**₱5,277,377,299**	**₱–**	**₱9,264,330,600**	**₱1,800,000,000**	**₱9,644,378,840**	**₱–**	**₱8,897,869,735**	**₱–**	**₱34,883,956,474**
Long-term debt (Note 23)	**₱23,535,491,713**	**₱36,588,985,492**	**₱21,840,457,665**	**₱–**	**₱–**	**₱–**	**₱84,517,251,974**	**₱–**	**₱166,482,186,844**
Segment liabilities	**₱48,817,735,721**	**₱60,289,945,007**	**₱53,266,770,642**	**₱7,148,084,468**	**₱10,301,841,367**	**₱45,939,887,788**	**₱124,465,736,317**	**(₱41,223,683,680)**	**₱309,006,317,630**
Capital expenditures (Notes 15 and 16)	**₱7,251,505,242**	**₱13,047,934,091**	**₱14,003,122,388**	**₱1,697,212,164**	**₱2,705,437,997**	**₱312,837,720**	**₱10,585,122**	**₱–**	**₱39,028,634,724**

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	₱107,431,696,843	₱76,534,793,845	₱88,421,498,821	₱15,232,478,999	₱40,038,099,698	₱49,487,848,012	₱265,626,167,163	(₱83,467,907,348)	₱559,304,676,033
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	₱–	₱–	₱–	₱88,322,962,276	₱–	₱157,554,735,558
Segment liabilities	₱47,683,734,944	₱54,939,817,674	₱34,464,784,066	₱5,753,738,342	₱7,745,011,441	₱43,712,025,871	₱149,387,289,349	(₱45,992,180,260)	₱297,694,221,427
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

	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	₱–	₱–	₱–	₱49,869,466,133	₱–	₱89,275,931,805
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

Reconciliation of Income Before Income Tax to EBITDA and Core Earnings

	2015	2014	2013
Income before income tax	**₱37,164,385,163**	₱30,274,049,899	₱19,777,924,334
Finance income	**(1,367,392,486)**	(1,347,723,538)	(1,525,051,592)
Financing cost and other charges	**6,879,818,419**	5,824,349,891	3,864,479,498
Other operating income	**(151,214,790)**	(1,219,853,247)	(369,766,526)
Market valuation losses on financial assets at FVPL and derivative financial instruments	**2,690,064,305**	3,585,392,524	(77,322,335)
Foreign exchange losses	**4,136,883,267**	358,828,037	3,734,654,433
EBIT	**49,352,543,878**	37,475,043,566	25,404,917,812
Depreciation and amortization	**14,439,766,645**	11,759,608,063	10,031,310,444
EBITDA	**₱63,792,310,523**	₱49,234,651,629	₱35,436,228,256
Income before income tax	**₱37,164,385,163**	₱30,274,049,899	₱19,777,924,334
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**2,690,064,305**	3,585,392,524	(77,322,335)
Foreign exchange losses	**4,136,883,267**	358,828,037	3,734,654,433
Core earnings	**₱43,991,332,735**	₱34,218,270,460	₱23,435,256,432

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 2015, 2014 and 2013, 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:

	2015	2014	2013
Domestic	**₱152,281,564,567**	₱134,050,181,455	₱109,682,847,290
Foreign	**76,990,088,446**	50,762,148,790	40,665,024,626
	₱229,271,653,013	₱184,812,330,245	₱150,347,871,916

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:

	2015	2014
Domestic	**₱300,212,987,024**	₱269,874,539,566
Foreign	**79,491,293,403**	73,978,960,171
	₱379,704,280,427	₱343,853,499,737

7. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand	**₱2,076,709,922**	₱1,682,183,840
Cash in banks	**18,456,304,537**	17,013,261,667
Cash equivalents	**24,739,094,313**	18,779,196,715
	₱45,272,108,772	₱37,474,642,222

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents represent money market placements made for varying periods depending on the immediate cash requirements of the Group, and earn annual interest ranging from 0.1% to 3.0% from 0.5% to 4.63%, and from 0.1% to 4.3% in 2015, 2014 and 2013, respectively.

8. **Derivative Financial Instruments**

The tables below show the fair value of the Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as of December 31, 2015 and 2014. The notional amount is the basis upon which changes in the value of derivatives are measured.

	December 31, 2015			
	Notional Amounts (in Millions)			
	US Dollar	**New Zealand Dollar**	**Derivative Assets**	**Derivative Liabilities**
Derivatives Not Designated as Accounting Hedges				
Freestanding:				
Foreign currency forwards (Note 9)		**NZD 322.3**	**₱580,568,726**	**₱–**
Commodity swaps*			**–**	**2,443,495,138**
			₱580,568,726	**₱2,443,495,138**
Derivatives Designated as Accounting Hedges				
Interest rate swaps	**USD 250.0**		**₱37,358,957**	
			₱37,358,957	
Presented in the consolidated statements of financial position as:				
Current			**₱580,568,726**	**₱2,443,495,138**
Noncurrent			**37,358,957**	**–**

**Notional quantity amounted to 2,220,000 US barrels as of December 31, 2015*

	December 31, 2014			
	Notional Amounts (in Millions)			
	US Dollar	New Zealand Dollar	Derivative Assets	Derivative Liabilities
Derivatives Not Designated as Accounting Hedges				
Freestanding:				
Commodity options*				₱10,467,387
Commodity swaps**				2,260,559,896
				₱2,271,027,283
Derivatives Designated as Accounting Hedges				
Currency option		NZD 4.2	₱28,423,630	
Interest rate swaps	USD 250.0		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

**Notional quantity amounted to 4,225 mT as of December 31, 2014*
***Notional quantity amounted to 1,620,000 US barrels as of December 31, 2014*

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
  CAI enters 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 or credit to profit or loss. As of December 31, 2015 and 2014, CAI 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 value of derivatives are measured. The swaps can be exercised at various calculation dates with specified quantities on each calculation date. The swaps have various maturity dates through December 31, 2017.

  As of December 31, 2015 and 2014, the CAI recognized net changes in fair value of fuel derivatives amounting to ₱2,931.2 million and ₱2,314.2 million loss, 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, URC has outstanding sugar hedging transactions with notional quantity of 4,225 mT as part of the net assets acquired from the acquisition of NZSFHL. As of December 31, 2014, the negative fair values of the commodity options amounted to NZD 0.3 million (liability) or ₱10.5 million. In 2015, the Group recognized gain amounting to ₱5.99 million upon settlement of the commodity option in 2015.

- Foreign currency forwards
  URC 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. In 2014, URC pre-terminated all foreign currency derivative contracts, and recognized a realized gain of ₱109.8 million.

  In 2015, the Group entered into a foreign currency forwards arrangement with notional amount of NZ$322.3 million and recognized change in fair value of the instrument amounting to ₱578.1 million during the year.

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 JGSPL 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, JGSPL 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. The quarterly interest payments are guaranteed by the Parent Company.

- Currency options
  The Group entered into currency options and have a total notional amount of NZD 4.2 million in December 31, 2014. The positive fair value amounted to +NZD 0.16 million as of December 31, 2014.

Hedge Effectiveness Results
As of December 31, 2015 and 2014, the positive fair value of the interest rate swap amounted to ₱37.4million and ₱126.2 million, respectively, with an outstanding notional amount of US$250 million. The hedge is assessed to be effective as the critical terms of the hedging instrument match the terms of the hedged item.

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:

	2015	2014
Beginning balance	**₱154,607,326**	₱171,850,204
Fair value of derivatives from an acquired subsidiary	**–**	25,339,113
Net changes shown in other comprehensive income (Note 36):		
Net losses on the changes in fair value of derivatives taken to other comprehensive income	**(91,909,256)**	(42,581,991)
Fair value of settled instruments	**(25,339,113)**	–
	(117,248,369)	(17,242,878)
	₱37,358,957	₱154,607,326

Net changes in fair value of derivatives taken to other comprehensive income are recorded under 'Net gains (losses) from cash flow hedges' in the consolidated statement of comprehensive income.

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:

	2015	2014
Balance at beginning of year:		
Derivative assets	**₱–**	₱166,456,897
Derivative liabilities	**(2,271,027,283)**	–
	(2,271,027,283)	166,456,897
Fair value of derivatives from an acquired subsidiary at acquisition date		(6,362,917)
	(2,271,027,283)	160,093,980
Net losses from changes in fair value of derivatives taken to profit or loss	**(2,353,076,578)**	(2,318,346,454)
Fair value of settled instruments	**2,761,177,449**	(112,774,809)
	₱1,862,926,412	(₱2,271,027,283)
Balance at end of year:		
Derivative assets	**580,568,726**	–
Derivative liabilities	**₱2,443,495,138**	₱2,271,027,283

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

	2015	2014
Debt securities:		
Private	**₱10,052,606,697**	₱9,521,126,671
Government	**1,636,353,203**	2,852,472,033
	11,688,959,900	12,373,598,704
Equity securities:		
Quoted	**2,600,762,169**	2,900,367,293
Unquoted	**3,530**	3,354
	2,600,765,699	2,900,370,647
Derivatives (Note 8)	**580,568,726**	–
	₱14,870,294,325	₱15,273,969,351

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 2015, 2014 and 2013, the Group recognized net market valuation losses on financial assets at FVPL amounting to ₱0.3 billion, ₱1.3 billion and ₱0.2 billion, respectively.

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

	2015	2014	2013
Debt securities:			
Private	**₱583,323,027**	₱617,684,404	₱571,180,142
Government	**142,739,992**	150,577,258	184,800,034
	₱726,063,019	₱768,261,662	₱755,980,176

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.

As of December 31, 2015 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.

After reclassification, the reclassified financial assets contributed the following amounts to consolidated income before income taxes for the year ended December 31, 2013:

	2013
Increase (reduction) in:	
Interest income	₱11,263,031
Foreign exchange losses	5,255,824

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:

	2015	2014
Debt securities:		
Government	**₱8,116,937,680**	₱7,817,194,827
Private	**2,542,001,775**	2,674,606,077
	10,658,939,455	10,491,800,904
Equity securities:		
Quoted	**36,945,115,293**	51,533,597,634
Unquoted	**24,293,371**	24,293,371
	36,969,408,664	51,557,891,005
	₱47,628,348,119	₱62,049,691,909

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

	2015	2014
Current portion	**₱11,999,665,499**	₱11,789,035,747
Noncurrent portion	**35,628,682,620**	50,260,656,162
	₱47,628,348,119	₱62,049,691,909

The Group has classified its remaining 17.2 million PLDT shares representing 8.0% ownership interest as AFS investments which have a carrying value of ₱35.6 billion and ₱50.3 billion as of December 31, 2015 and 2014, respectively.

In 2015, 2014 and 2013, the Group did not recognize any impairment in value on its AFS investments.

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

	2015	2014	2013
Debt securities:			
Government	**₱330,565,210**	₱256,314,160	₱314,157,896
Private	**169,913,035**	233,158,043	307,591,412
	₱500,478,245	₱489,472,203	₱621,749,308

The movements in net unrealized gains on AFS investments follow:

	2015		
	Parent Company	**Non-controlling Interests**	**Total**
Balance at beginning of year	**₱9,855,437,008**	**₱89,716,046**	**₱9,945,153,054**
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	**(14,839,165,443)**	**(93,858,078)**	**(14,933,023,521)**
Realized gain on sale of AFS investments (Note 29)	**898,183**	**–**	**898,183**
	(4,982,830,252)	**(4,142,032)**	**(4,986,972,284)**
Net changes in fair value of AFS investments of an associate (Notes 14 and 36)	**(1,730,644)**	**–**	**(1,730,594)**
Balance at end of year	**(₱4,984,560,896)**	**(₱4,142,032)**	**(₱4,988,702,878)**

	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 loss 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	₱3,918,603,440	₱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 loss 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

<u>Held-to-Maturity Investment</u>
As of December 31, 2015 and 2014, the HTM investment of the Group consists of investment in private debt security with interest range of 2.88% - 6.15% and 2.62% - 8.64%, respectively, which will mature on various dates from February 25, 2017 to April 2, 2024.

11. **Receivables**

This account consists of:

	2015	2014
Finance receivables	**₱27,658,143,966**	₱22,618,882,986
Trade receivables	**24,056,425,064**	18,698,280,450
Due from related parties (Note 40)	**1,249,205,544**	1,173,282,098
Interest receivable	**660,751,456**	582,699,607
Other receivables	**1,356,566,997**	2,065,990,746
	54,981,093,027	45,139,135,887
Less allowance for impairment losses	**1,617,733,039**	1,372,684,354
	₱53,363,359,988	₱43,766,451,533

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

	2015	2014
Current portion	**₱32,171,956,696**	₱24,765,869,045
Noncurrent portion	**21,191,403,292**	19,000,582,488
	₱53,363,359,988	₱43,766,451,533

Noncurrent receivables consist of:

	2015	2014
Trade receivables	**₱3,299,854,333**	₱3,134,496,236
Finance receivables	**17,891,548,959**	15,866,086,252
	₱21,191,403,292	₱19,000,582,488

Finance Receivables

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

	2015	2014
Receivables from customers:		
Commercial	**₱19,545,752,654**	₱14,961,544,312
Consumption	**3,627,590,391**	3,537,861,514
Real estate	**3,880,334,171**	3,286,319,552
Domestic bills purchased	**606,548,470**	841,772,714
Customer liabilities under acceptances	**6,544,461**	–
	27,666,770,147	22,627,498,092
Less unearned interest and discounts	**8,626,181**	8,615,106
	₱27,658,143,966	₱22,618,882,986

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

	2015	2014	2013
Receivables from customers:			
Commercial	**₱933,286,107**	₱826,332,493	₱646,821,887
Consumption	**716,822,261**	765,778,798	371,328,374
Real estate	**376,084,516**	239,803,462	471,751,970
Domestic bills purchased	**25,068,740**	478,965	822,235
Sales contract receivable	**7,628,865**	8,074,849	5,846,594
Unquoted debt securities	**–**	14,987,550	36,476,080
Finance lease receivables	**–**	–	1,048,367
	₱2,058,890,489	₱1,855,456,117	₱1,534,095,507

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, 2015 and 2014 amounted to ₱233.0 million and ₱264.8 million, respectively.

Trade Receivables

Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱8.1 billion and ₱6.1 billion as of December 31, 2015 and 2014. 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 ₱541.0 million, ₱499.0 million and ₱462.6 million in 2015, 2014 and 2013, respectively.

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

Others

Other receivables include claims receivables and other non-trade receivables. As of December 31, 2015 and 2014, claims receivables amounted to ₱339.6 million and ₱470.8 million, respectively.

Allowance for Impairment Losses on Receivables

Changes in the allowance for impairment losses on receivables follow:

	December 31, 2015					
	Individual Assessment			**Collective Assessment**		
	Trade Receivables	**Finance Receivables**	**Other Receivables**	**Trade Receivables**	**Finance Receivables**	**Total**
Balance at beginning of year	**₱510,448,890**	**₱337,648,405**	**₱218,531,619**	**₱32,561,291**	**₱273,494,149**	**₱1,372,684,354**
Provision for impairment losses (Note 34)	**9,836,250**	**200,651,378**	**4,880,205**	**–**	**44,045,425**	**259,413,258**
Accounts written-off	**(2,468,457)**	**(3,763,535)**	**(4,912,109)**	**–**	**(114,871,185)**	**(126,015,286)**
Unrealized foreign exchange gains	**9,578,521**	**–**	**–**	**–**	**–**	**9,578,521**
Reclassification	**–**	**13,269,385**	**–**	**–**	**88,802,807**	**102,072,192**
Balance at end of year	**₱527,395,204**	**₱547,805,633**	**₱218,499,715**	**₱32,561,291**	**₱291,471,196**	**₱1,617,733,039**

	December 31, 2014					
	Individual Assessment			Collective Assessment		
	Trade Receivables	Finance Receivables	Other Receivables	Trade Receivables	Finance Receivables	Total
Balance at beginning of year	₱457,610,167	₱93,018,444	₱218,531,619	₱32,561,291	₱246,171,860	₱1,047,893,381
Provision for impairment losses (Note 34)	29,500,572	234,303,063	–	–	51,432,380	315,236,015
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
Reclassification	–	14,090,433	–	–	90,761,094	104,851,527
Balance at end of year	₱510,448,890	₱337,648,405	₱218,531,619	₱32,561,291	₱273,494,149	₱1,372,684,354

Provision for impairment losses on receivables for the year ended December 31, 2015, 2014 and 2013 amounted to ₱259.4 million, ₱315.2 million and ₱96.0 million, respectively.

12. **Inventories**

This account consists of inventories held as follows:

	2015	2014
At cost:		
Raw materials	**₱4,996,991,960**	₱7,000,654,646
Finished goods	**5,661,803,409**	7,341,431,318
Total	**10,658,795,369**	14,342,085,964
At NRV:		
Subdivision land, condominium and residential units for sale	**15,540,978,903**	15,624,283,409
Spare parts, packaging materials and other supplies	**5,825,352,442**	5,008,323,003
Work-in-process	**913,860,273**	2,005,442,329
By-products	**4,519,029**	16,188,993
	22,284,710,647	22,654,237,734
Materials in-transit	**3,246,408,185**	3,136,443,524
	₱36,189,914,201	₱40,132,767,222

Summary of the movements in real estate inventory follows:

	2015	2014
Balance at beginning of year	**₱15,624,283,409**	₱12,199,789,056
Construction and development costs incurred	**3,804,263,363**	4,733,828,279
Transfers from (to) investment properties and property and equipment (Notes 15 and 16)	**(636,731,087)**	1,733,920,523
Costs of real estate sales (Note 30)	**(3,250,836,782)**	(3,043,254,449)
Balance at end of year	**₱15,540,978,903**	₱15,624,283,409

Borrowing cost capitalized amounted to ₱66.0 million in 2015. This amount was included in the construction and development costs incurred.

Under the terms of agreements covering liabilities under trust receipts amounting to ₱4.1 billion and ₱4.3 billion as of December 31, 2015 and 2014, 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 ₱598.3 million, ₱400.9 million and ₱655.4 million in 2015, 2014 and 2013, respectively.

The Group recognized inventory obsolescence and market decline included under ‘Impairment losses and others’ amounting to ₱104.2 million, ₱104.3 million and ₱28.7 million in 2015, 2014 and 2013, respectively (see Note 34).

As of December 31, 2015 and 2014, the Group does not have inventories that were pledged as collaterals.

13. Other Current Assets

This account consists of:

	2015	2014
Input value-added tax (VAT)	**₱5,195,225,539**	₱5,180,805,476
Advances to suppliers	**3,632,188,592**	3,595,834,167
Prepaid expenses	**1,129,348,503**	928,442,471
Deposit to counterparties	**1,124,551,325**	841,439,022
Advances to lot owners and joint operations	**567,811,119**	1,033,643,180
Restricted cash	**129,602,038**	217,835,586
Utility deposits	**5,484,127**	5,293,698
Others	**766,437,095**	494,554,012
	₱12,550,648,338	₱12,297,847,612

Input VAT

As of December 31, 2015 and 2014, the gross amount of output VAT deducted from input VAT amounted to ₱11.6 billion and ₱15.1 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:

	2015	2014
Rent	**₱440,772,920**	₱341,305,221
Insurance	**226,134,810**	154,289,038
Office supplies	**110,498,524**	93,831,632
Advertising	**20,743,954**	24,220,397
Taxes	**16,619,494**	24,338,971
Others	**314,578,801**	290,457,212
	₱1,129,348,503	₱928,442,471

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

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 expenses" in the consolidated statements 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 ₱3.17 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.

Others
Included under 'Others' account are creditable withholding taxes amounting to ₱606.0 million and ₱465.3 million as of December 31, 2015 and 2014, respectively.

14. Investments in Associates and Joint Ventures

Details of this account follow:

	2015	2014
Acquisition cost:		
Balance at beginning of year	**₱93,853,195,466**	₱92,854,141,070
Additional investments	**638,970,156**	1,049,699,994
Return of investment from an associate	**(5,000,000)**	(45,000,000)
Disposal of investment	**–**	(5,645,598)
Balance at end of year	**94,487,165,622**	93,853,195,466
Accumulated equity in net earnings:		
Balance at beginning of year	**18,455,083,182**	15,666,846,413
Equity in net earnings	**7,311,563,176**	7,247,680,555
Accumulated equity in net earnings of disposed investment	**–**	(4,653,656)
Dividends received	**(5,313,867,453)**	(4,454,790,130)
Balance at end of year	**20,452,778,905**	18,455,083,182

(Forward)

	2015	2014
Share in net unrealized gain on AFS investments of an associate:		
Balance at beginning of year	**₱3,221,888**	₱4,548,240
Share in net changes in fair value of AFS investments of an associate (Notes 10 and 36)	**(1,730,644)**	(1,326,352)
Balance at end of year	**1,491,244**	3,221,888
Share in remeasurements of the net defined benefit liability of an associate	**624,084**	1,432,693
Share in cumulative translation adjustment of associates	**131,478,448**	94,203,322
	115,073,538,303	112,407,136,551
Less allowance for impairment losses	**297,450,397**	297,450,397
	₱114,776,087,906	₱112,109,686,154

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

	Effective Ownership		Carrying Value	
	2015	2014	**2015**	2014
			(In Million Pesos)	
Associates				
Foreign:				
United Industrial Corp., Limited (UICL)	**37.00**	36.99	**₱39,823.4**	₱37,315.9
Domestic:				
Manila Electric Company (Meralco)	**27.10**	27.10	**73,323.6**	73,025.8
OPMC	**19.40**	19.40	**650.6**	575.9
Cebu Light Industrial Park, Inc. (CLIPI)	**20.00**	20.00	**71.6**	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	**–**	–
			113,869.2	111,000.6
Joint Ventures				
Domestic:				
SIA Engineering (Philippines) Corp. (SIAEP)	**23.53**	23.53	**181.1**	245.7
Aviation Partnership (Philippines) Corp. (APPC)	**32.95**	32.95	**207.3**	191.9
Hunt-Universal Robina Corporation (HURC)	**27.91**	27.91	**93.0**	95.2
Philippine Academy for Aviation Training (PAAT)	**33.62**	33.62	**137.1**	153.8
MPIC-JGS Airport Holdings, Inc.	**41.25**	41.25	**3.8**	3.8
Foreign:				
Calbee - URC, Inc. (CURCI)	**27.91**	27.91	**280.2**	325.5
Danone Universal Robina Beverages, Inc. (DURBI)	**27.91**	27.91	**4.4**	93.2
			906.9	1109.1
			₱114,776.1	₱112,109.7

<u>Investment in Meralco</u>

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 paid ₱40.4 billion to the Sellers in 2013 and the balance amounting to ₱31.4 billion was fully paid on of March 25, 2014. The shares acquired represented 27.1% of Meralco's total outstanding common shares.

In 2013, the purchase price allocation relating to the Group's 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 2015 and 2014, the Group elected to receive 4,711,042 and 4,828,816 ordinary shares, respectively, under the UIC Scrip Dividend Scheme in lieu of cash dividend at the issue price of S$3.28 per share and S$3.17 per share, respectively.

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, 2015 and 2014, the Group's investments in the following listed investee companies have fair values of:

	Exchange Listed	**2015**	2014
UICL	Singapore Exchange Limited	**₱49,684,672,893**	₱58,193,241,383
OPMC	Philippine Stock Exchange	**388,082,017**	534,304,293
Meralco	Philippine Stock Exchange	**97,820,607,040**	78,256,485,632

As of December 31, 2015 and 2014, the breakdown of the total fair market value of the Group's investment in OPMC follows:

	2015	2014
Class A Common Stock	**₱90,105,315**	₱117,136,910
Class B Common Stock	**297,976,702**	417,167,383
	₱388,082,017	₱534,304,293

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

Investment in CLIPI

The Group accounts for its investments in CLIPI as an associate as it owns 20.0% of the issued share capital of CLIPI. In 2015 and 2014, CLIPI returned EHI's deposit for future stock subscription amounting to ₱5.0 million and ₱45.0 million, respectively. As of December 31, 2015 and 2014, the Group has deposit for future stock subscription in CLIPI amounting to ₱10.0 million and ₱15.0 million, respectively. These represents 20.0% of CLIPI's proposed increase in authorize capital stock.

Investment in Jobstreet.com Philippines, Inc. (JSP)

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 2014 consolidated 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, 2015 and 2014.

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

- Summarized statements of financial position of the Group's significant associates as of December 31, 2015 and 2014:

	2015			2014		
	Meralco	**UICL**	**OPMC**	Meralco	UICL	OPMC
Current assets	**₱95,295,000,000**	**₱43,901,679,875**	**₱2,554,944,925**	₱112,612,000,000	₱41,459,891,524	₱2,385,163,516
Noncurrent assets	**186,944,000,000**	**239,489,134,914**	**1,545,877,420**	156,441,000,000	244,835,219,753	1,343,766,951
Current liabilities	**93,215,000,000**	**28,733,019,384**	**31,963,027**	83,528,000,000	29,100,342,576	26,705,934
Noncurrent liabilities	**108,163,000,000**	**29,596,256,248**	**77,886,767**	106,051,000,000	38,044,275,073	96,439,932
Equity	**₱80,861,000,000**	**₱225,061,539,157**	**₱3,990,972,551**	₱79,474,000,000	₱219,150,493,628	₱3,605,784,601
Group's carrying amount of the investment	**₱73,323,616,739**	**₱39,823,358,743**	**₱650,620,940**	₱73,025,822,044	₱37,315,873,321	₱575,894,484

As of December 31, 2015 and 2014, the Group's share in Meralco's net assets amounted to ₱21.9 billion and ₱21.5 billion, respectively, while its carrying value is ₱73.3 billion and ₱73.0 billion as of December 31, 2015 and 2014, respectively. The excess of the carrying value over the Group's share in Meralco's net assets is attributable to the notional goodwill of ₱45.4 billion and the difference between the fair value and carrying value of Meralco's net assets amounting to ₱6.0 billion.

As of December 31, 2015 and 2014, the Group's share in UICL's net assets amounted to ₱83.3 billion and ₱81.1 billion, respectively, while its carrying value is ₱39.8 billion and ₱37.3 billion as of December 31, 2015 and 2014, respectively. The excess of the Group's share in the carrying value of UICL's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of UICL's net assets.

As of December 31, 2015 and 2014, the Group's share in OPMC's net assets amounted to ₱758.3 million and ₱685.1 billion, respectively, while its carrying value is ₱650.6 billion and ₱575.9 billion as of December 31, 2015 and 2014, respectively. The excess of the Group's share in the carrying value of OPMC's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of OPMC's net assets.

- Summarized statements of comprehensive income of the Group's significant associates for the period ended December 31, 2015, 2014 and 2013:

	2015			2014		
	Meralco	**UICL**	**OPMC**	Meralco	UICL	OPMC
Revenue	**₱261,110,000,000**	**₱27,842,938,298**	**₱676,701,906**	₱268,149,000,000	₱25,262,486,374	₱1,001,498,860
Expenses	**235,018,000,000**	**18,301,964,391**	**348,246,035**	240,242,000,000	15,765,760,859	817,734,049
Finance costs	**1,216,000,000**	**416,876,275**	**–**	1,439,000,000	273,962,540	–
Profit before tax	**24,876,000,000**	**9,124,097,632**	**328,455,871**	26,468,000,000	9,222,762,975	183,764,811
Income tax expense	**5,687,000,000**	**1,300,987,718**	**1,199,154**	8,337,000,000	1,414,672,882	–
Profit for the year (continuing operations)	**₱19,189,000,000**	**₱7,823,109,914**	**₱327,256,717**	₱18,131,000,000	₱7,808,090,093	₱183,764,811
Total comprehensive income for the year (continuing operations)	**₱18,393,000,000**	**₱197,944,737**	**₱327,256,717**	₱17,940,000,000	₱201,138,822	₱183,764,811
Group's share of profit for the year	**₱4,959,558,000**	**₱2,507,485,422**	**₱39,363,870**	₱4,676,363,000	₱2,501,304,200	₱23,463,645

	2013		
	Meralco	UICL	OPMC
Revenue	₱300,575,000,000	₱20,267,282,928	₱730,170,748
Expenses	274,769,000,000	13,309,955,288	453,090,403
Finance costs	1,479,000,000	95,682,743	–
Profit before tax	24,327,000,000	6,861,644,897	277,080,345
Income tax expense	7,054,000,000	1,183,246,021	–
Profit for the year (continuing operations)	₱17,273,000,000	₱5,678,398,876	₱277,080,345
Total comprehensive income for the year (continuing operations)	₱18,801,000,000	₱551,644,811	₱–
Group's share of profit for the year	₱255,571,562	₱1,714,503,857	₱72,458,714

Investment in Joint Ventures

APPC and SIAEP

APPC and SIAEP area 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.

APPC 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, respectively.

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, 2015 and 2014, CAI's investment in PAAT amounted to ₱137.1 million and ₱153.8 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. URC contributed cash to CURCI upon its incorporation in 2014 amounting to ₱327.0 million representing its 50% interest in the joint venture.

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. URC contributed cash to DURBI upon its incorporation in 2014 amounting to ₱180.8 million representing its 50% interest in the joint venture. In 2015, URC contributed an additional ₱129.0 million cash to DURBI and maintained its 50% ownership.

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.

- Summarized statements of financial position of material joint ventures as of December 31, 2015 and 2014:

	2015					
	APPC	**HURC**	**SIAEP**	**PAAT**	**CURCI**	**DURBI**
Current assets	**₱650,452,860**	**₱392,198,725**	**₱483,125,816**	**₱266,000,656**	**₱637,997,706**	**₱159,520,497**
Noncurrent assets	**261,601,217**	**645,733**	**1,569,590,695**	**757,860,538**	**181,014,610**	**13,571,208**
Current liabilities	**388,851,643**	**206,586,359**	**604,693,999**	**30,994,557**	**258,649,076**	**164,398,327**
Noncurrent liabilities	**100,040,852**	**–**	**930,473,644**	**718,601,220**	**–**	–
Equity	**₱423,161,582**	**₱186,258,099**	**₱517,548,868**	**₱274,265,417**	**₱560,363,240**	**₱8,693,378**
Group's carrying amount of the investment	**₱207,349,175**	**₱93,023,066**	**₱181,142,104**	**₱137,132,708**	**₱280,181,620**	**₱4,346,689**

	2014					
	APPC	HURC	SIAEP	PAAT	CURCI	DURBI
Current assets	₱628,879,988	₱435,170,951	₱653,378,218	₱253,137,483	₱650,702,887	₱66,546,385
Noncurrent assets	124,389,267	929,519	1,328,695,779	779,873,393	1,581,638	–
Current liabilities	361,731,757	339,922,544	626,863,000	39,454,946	661,131	3,022,635
Noncurrent liabilities	–	–	653,180,060	686,005,363	–	–
Equity	₱391,537,498	₱96,177,926	₱702,030,937	₱307,550,567	₱651,623,394	₱63,523,750
Group's carrying amount of the investment	₱191,853,374	₱95,233,954	₱245,710,828	₱153,775,284	₱325,560,649	₱93,183,581

- Summarized statements of comprehensive income of material joint ventures as of December 31, 2015, 2014 and 2013:

	2015					
	APPC	HURC	SIAEP	PAAT	CURCI	DURBI
Revenue	**₱905,813,968**	**₱675,900,267**	**₱387,432,455**	**₱157,878,689**	**₱224,284,468**	**₱247,464,071**
Expenses	**(603,475,105)**	**(646,322,054)**	**(562,632,105)**	**(149,404,852)**	**(315,042,526)**	**(683,137,854)**
Other income (expenses)	**8,283,751**	**–**	**(9,236,769)**	**(40,522,812)**	**–**	**–**
Profit before tax	**310,622,613**	**29,578,213**	**(184,436,419)**	**(32,048,975)**	**(90,758,058)**	**(435,673,783)**
Income tax expense	**72,602,620**	**–**	**45,652**	**1,236,173**	**–**	**–**
Profit for the year (continuing operations)	**₱238,019,994**	**₱29,578,213**	**(₱184,482,071)**	**(₱33,285,148)**	**(₱90,758,058)**	**(₱435,673,783)**
Total comprehensive income for the year (continuing operations)	**₱238,019,994**	**₱29,578,213**	**(₱184,482,071)**	**(₱33,285,148)**	**(₱90,758,058)**	**(₱435,673,783)**
Group's share of profit for the year	**₱116,629,797**	**₱14,789,107**	**(₱64,568,725)**	**(₱16,642,574)**	**(₱45,379,029)**	**(₱217,836,892)**

	2014					
	APPC	HURC	SIAEP	PAAT	CURCI	DURBI
Revenue	₱831,652,059	₱688,873,834	₱749,982,173	₱227,958,105	₱4,149,588	₱–
Expenses	(537,954,937)	(661,092,127)	(847,033,722)	(164,004,339)	(7,028,290)	175,132,837
Other income (expenses)	22,550,458		(79,043)	(16,239,773)	–	–
Profit before tax	316,247,580	27,781,707	(97,130,592)	47,713,993	(2,878,702)	175,132,837
Income tax expense	94,657,252		2,142,521	2,729,153	–	–
Profit for the year (continuing operations)	₱221,590,328	₱27,781,707	(₱99,273,113)	₱44,984,840	(₱2,878,702)	₱175,132,837
Total comprehensive income for the year (continuing operations)	₱221,590,328	₱27,781,707	(₱99,273,113)	₱44,984,840	(₱2,878,702)	₱175,132,837
Group's share of profit for the year	₱108,579,261	₱13,890,854	(₱34,745,590)	₱22,492,420	(₱1,439,351)	(₱87,566,419)

	2013		
	APPC	SIAEP	PAAT
Revenue	₱709,880,406	₱717,485,690	₱186,914,210
Expenses	(463,510,962)	(643,887,307)	(169,924,076)
Finance cost	16,635,747	(2,841,053)	319,542
Profit before tax	263,005,191	70,757,330	17,309,676
Income tax expense	78,681,263	7,997,288	3,158,219
Profit for the year (continuing operations)	₱184,323,928	₱62,760,042	₱14,151,457
Total comprehensive income for the year (continuing operations)	₱184,323,928	₱62,760,042	₱14,151,457
Group's share of profit for the year	₱90,318,725	₱21,966,015	₱7,075,729

As of December 31, 2015 and 2014, the Group has no unrecognized share of losses, share on commitments and contingencies of its associates and joint ventures.

Investment in Subsidiaries

As of December 31, 2015 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, 2015**	December 31, 2014
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

Financial information of subsidiaries that have material non-controlling interest is provided below:

- Portion of equity interest held by non-controlling interest

Name of Subsidiary	Country of Incorporation and Operation	**December 31, 2015**	December 31, 2014
Universal Robina Corporation (URC)	Philippines	**44.17**	44.17
Robinsons Land Corporation (RLC)	Philippines	**39.03**	39.03
CP Air Holdings, Inc. (CPAIR)	Philippines	**32.77**	32.77
JG Summit Capital Services Corp (JGSCSC)	Philippines	**40.00**	40.00

- Accumulated balances of material non-controlling interest:

Name of Subsidiary	**2015**	2014
URC	**₱30,031,472,075**	₱26,048,267,691
RLC	**22,894,940,314**	21,148,034,405
CPAIR	**8,176,598,156**	7,057,213,761
JGSCSC	**4,655,839,921**	1,564,320,104

- Profit allocated to material non-controlling interest:

Name of Subsidiary	**2015**	2014
URC	**₱6,262,072,222**	₱5,378,627,571
RLC	**2,323,166,528**	1,862,612,763
CPAIR	**1,437,479,559**	276,649,664
JGSCSC	**42,668,075**	58,764,822

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

- Summarized statement of financial position as at December 31, 2015:

	URC	**RLC**	**CPAIR**	**JGCSC**
Current assets	**₱52,288,892,897**	**₱26,720,299,724**	**₱10,109,554,138**	**₱38,411,189,325**
Noncurrent assets	**65,347,856,734**	**84,991,213,949**	**75,202,869,065**	**20,562,607,241**
Current liabilities	**22,425,451,917**	**23,445,654,722**	**26,970,882,758**	**41,321,317,063**
Noncurrent liabilities	**26,392,283,804**	**29,821,115,920**	**41,495,660,404**	**9,592,853,670**

- Summarized statement of financial position as at December 31, 2014:

	URC	RLC	CPAIR	JGCSC
Current assets	₱44,189,028,321	₱25,143,348,913	₱8,871,811,526	₱37,111,420,653
Noncurrent assets	63,237,614,831	63,278,149,908	67,662,982,319	18,373,066,646
Current liabilities	19,200,481,117	18,035,846,334	23,929,185,861	43,489,730,716
Noncurrent liabilities	28,483,253,827	16,417,296,929	38,067,845,574	3,682,771,052

- Summarized statements of income for 2015:

	URC	RLC	CPAIR	JGSCSC
Revenue	**₱111,779,086,215**	**₱22,805,524,971**	**₱54,414,821,819**	**₱3,259,453,923**
Profit for the year from continuing operations	**14,005,436,425**	**5,952,941,214**	**4,387,213,429**	**(50,126,756)**
Total comprehensive income	**15,749,452,489**	**5,950,166,519**	**4,325,308,518**	**(50,126,756)**
Dividends paid to non-controlling interests	**3,049,810,705**	**575,177,717**	**297,811,949**	**–**

- Summarized statements of income for 2014:

	URC	RLC	CPAIR	JGSCSC
Revenue	₱96,578,299,716	₱19,934,109,494	₱52,048,803,041	₱6,353,588,532
Profit for the year from continuing operations	12,046,848,848	5,102,090,807	853,488,558	1,869,779,943
Total comprehensive income	12,042,917,351	5,107,102,236	1,063,170,544	1,869,779,943
Dividends paid to non-controlling interests	2,979,251,848	575,177,717	198,541,299	–

- Summarized statements of income for 2013:

	URC	RLC	CPAIR	JGSCSC
Revenue	₱83,650,545,084	₱18,259,109,925	₱39,280,068,268	₱3,040,598,981
Profit for the year from continuing operations	12,046,848,848	4,773,873,762	511,931,554	556,357,428
Total comprehensive income	12,042,917,351	4,789,126,301	256,327,065	556,357,428
Dividends paid to non-controlling interests	2,116,785,609	575,177,717	397,082,599	–

15. Investment Properties

Movements in this account follow:

	2015			
	Land and Land Improvements	**Buildings and Improvements**	**Construction In-Progress**	**Total**
Cost				
Balance at beginning of year	**₱22,502,834,694**	**₱48,955,300,245**	**₱5,280,983,095**	**₱76,739,118,034**
Additions	**5,200,269,085**	**845,380,358**	**7,206,674,220**	**13,252,323,663**
Transfers/other adjustments	**1,197,388,401**	**5,813,427,338**	**(7,295,867,244)**	**(285,051,505)**
Balance at end of year	**28,900,492,180**	**55,614,107,941**	**5,191,790,071**	**89,706,390,192**
Accumulated Depreciation and Amortization				
Balance at beginning of year	**123,884,915**	**19,629,847,555**	**–**	**19,753,732,470**
Depreciation and amortization	**19,632,112**	**2,665,960,316**	**–**	**2,685,592,428**
Transfers/other adjustments	**74,736,549**	**(68,796,845)**	**–**	**5,939,704**
Balance at end of year	**218,253,576**	**22,227,011,026**	**–**	**22,445,264,602**
Allowance for Impairment Losses				
Balance at beginning and end of year	**2,690,919**	**–**	**–**	**2,690,919**
Net Book Value at End of Year	**₱28,679,547,685**	**₱33,387,096,915**	**₱5,191,790,071**	**₱67,258,434,671**

	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

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.

Borrowing Costs

Borrowing costs capitalized amounted to ₱0.9 billion and ₱1.0 billion in 2015 and 2014, 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 2015 and 2014 were 4.54% and 5.85%, 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 ₱9.6 billion, ₱8.2 billion and ₱7.6 billion in 2015, 2014 and 2013, respectively.

Direct Operating Expenses

Direct operating expenses pertaining to rental operations (included under 'Cost of sales and services' and 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱3.5 billion, ₱3.2 billion and ₱2.8 billion in 2015, 2014 and 2013, respectively.

Depreciation and Amortization

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

	2015	2014	2013
Depreciation and amortization expense included under:			
Cost of services (Note 30)	**₱2,668,560,740**	₱2,419,249,565	₱2,112,818,277
General and administrative expenses (Note 31)	**17,031,688**	20,218,948	26,178,003
	₱2,685,592,428	₱2,439,468,513	₱2,138,996,280

Collaterals

As of December 31, 2015 and 2014, 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, 2015							
	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	₱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
Additions	98,547,960	1,214,088,020	5,834,280,413	866,484,613	9,366,255,774	8,399,929,559	478,758,646	26,258,344,985
Transfers, disposals and other adjustments	66,990,309	(31,565,257,630)	36,747,098,494	859,989,288	(1,459,265,448)	(6,161,469,942)	(673,017,220)	(2,184,932,149)
Balance at end of year	5,882,980,325	23,398,924,976	99,289,012,170	8,645,193,765	83,830,528,666	21,849,803,705	1,353,469,831	244,249,913,438
Accumulated Depreciation and Amortization								
Balance at beginning of year	575,058,515	8,292,208,164	39,616,665,004	4,082,729,873	20,105,711,343	–	–	72,672,372,899
Depreciation and amortization	150,255,252	1,223,941,045	4,580,011,542	743,608,123	4,980,211,585	–	–	11,678,027,547
Disposals and other adjustments	(45,004,174)	258,341,260	1,324,306,981	516,269,892	(2,008,217,817)	–	–	45,696,142
Balance at end of year	680,309,593	9,774,490,469	45,520,983,527	5,342,607,888	23,077,705,111	–	–	84,396,096,588
Allowance for impairment losses								
Balance at beginning and end of year	–	–	17,716,473	–	–	–	–	17,716,473
Net Book Value at End of Year	₱5,202,670,732	₱13,624,434,507	₱53,750,312,170	₱3,302,585,877	₱60,752,823,555	₱21,849,803,705	₱1,353,469,831	₱159,836,100,377

	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	₱4,548,338,232	₱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	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	(194,850,035)	(1,060,874,430)	1,364,199,403	(476,806,120)	(101,769,344)	–	–	(470,100,526)
Balance at end of year	575,058,515	8,292,208,164	39,616,665,004	4,082,729,873	20,105,711,343	–	–	72,672,372,899
Allowance for impairment losses								
Balance at beginning and end of year	–	–	17,716,473	–	–	–	–	17,716,473
Net Book Value at End of Year	₱5,142,383,541	₱45,457,886,422	₱17,073,251,786	₱2,835,989,991	₱55,817,826,997	₱19,611,344,088	₱1,547,728,405	₱147,486,411,230

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, 2015 and 2014, the Group's capitalized pre-delivery payments as construction in-progress amounted to ₱10.4 billion and ₱8.6 billion, respectively.

JGSOC

Construction in-progress amounting to ₱6.8 billion and ₱24.0 billion as of December 31, 2015 and 2014, respectively, represents the construction costs of the Naphtha Cracker Plant. The plant is intended for the production primarily of polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.

JGSPC

Construction in progress amounting to ₱0.8 billion and ₱5.6 billion as of December 31, 2015 and 2014, respectively, represents the expansion and rehabilitation of PE and PP plant.

Compensation and benefits in relation to the expansion of the PE and PP plants amounting to nil and ₱0.96 million in 2015 and 2014, respectively, were capitalized under construction in progress (see Note 32).

RLC

Construction in progress amounting to ₱5.2 billion and ₱5.3 billion as of December 31, 2015 and 2014, 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 2015 and 2014.

Depreciation and Amortization

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

	2015	2014	2013
General and administrative expenses (Note 31)	**₱5,667,790,503**	₱5,011,421,009	₱3,863,214,526
Cost of sales (Note 30)	**5,475,444,437**	3,866,114,378	3,620,535,118
Cost of services (Note 30)	**534,792,607**	440,955,006	405,876,496
	₱11,678,027,547	₱9,318,490,393	₱7,889,626,140

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, 2015, the Group has eight (8) Airbus A319 aircraft, seven (7) Avion de Transport Regional (ATR) 72-500 turboprop aircraft, and ten (10) Airbus A320 aircraft under ECA loans, and sixteen (16) Airbus A320 aircraft and five (5) engine under commercial loans.

Under the terms of the ECA loan and commercial loan facilities (Note 18), upon the event of default, the outstanding amount of 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 SBALL or by the guarantors which are CPAHI and JGSHI. CPAHI and JGSHI 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, 2015 and 2014, the carrying amounts of the securing assets (included under the 'Property and equipment' account) amounted to ₱53.0 billion and ₱49.7 billion, respectively.

Forward Sale Agreement
On February 23, 2015, CAI signed a forward sale agreement with a subsidiary of Allegiant Travel Company (collectively known as "Allegiant") covering CAI's sale of six (6) Airbus A319 aircraft. The aircrafts are scheduled for delivery on various dates in 2015 until 2016.

In September and October 2015, CAI delivered the first two out of six Airbus A319 aircraft to Allegiant and recognized ₱80.3 million loss on sale recorded under 'Other expenses' in the consolidated statement of comprehensive income (see Note 29).

Operating Fleet
As of December 31, 2015 and 2014, the Group's operating fleet follows:

	2015	2014
Owned (Note 23):		
Airbus A319	**8**	10
Airbus A320	**26**	22
ATR 72-500	**8**	8
Under operating lease (Note 42):		
Airbus A320	**7**	7
Airbus A330	**6**	5
	55	52

Gain (loss) on sale or retirement of property, plant and equipment amounted to (₱19.5 million), (₱9.8 million) and ₱21.1 million in 2015, 2014 and 2013, respectively.

As of December 31, 2015 and 2014, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to ₱2.1.billion and ₱1.9 billion, respectively.

17. **Biological Assets**

The composition and movements in this account follow:

	December 31, 2015						
	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	**₱511,623,339**	**₱1,189,654,668**	**₱1,701,278,007**	**₱112,527,896**	**₱44,920,195**	**₱157,448,091**	**₱1,858,726,098**
Additions	**182,786,712**	**2,724,478,558**	**2,907,265,270**	**88,449,488**	**34,548,433**	**122,997,921**	**3,030,263,191**
Disposal	**(188,127,833)**	**(2,805,327,356)**	**(2,993,455,189)**	**(97,222,945)**	**(50,686,311)**	**(147,909,256)**	**(3,141,364,445)**
Balance at end of year	**506,282,218**	**1,108,805,870**	**1,615,088,088**	**103,754,439**	**28,782,317**	**132,536,756**	**1,747,624,844**
Accumulated Depreciation							
Balance at beginning of year	**85,588,787**	**–**	**85,588,787**	**62,124,656**	**–**	**62,124,656**	**147,713,443**
Depreciation	**39,405,527**	**–**	**39,405,527**	**67,898,889**	**–**	**67,898,889**	**107,304,416**
Disposal	**(43,770,212)**	**–**	**(43,770,212)**	**(78,376,740)**	**–**	**(78,376,740)**	**(122,146,952)**
Balance at end of year	**81,224,102**	**–**	**81,224,102**	**51,646,805**	**–**	**51,646,805**	**132,870,907**
Loss arising from changes in fair value less estimated costs to sell	**(15,853,013)**	**(41,105,978)**	**(56,958,991)**	**–**	**–**	**–**	**(56,958,991)**
Net Book Value at End of Year	**₱409,205,103**	**₱1,067,699,892**	**₱1,476,904,995**	**₱52,107,634**	**₱28,782,317**	**₱80,889,951**	**₱1,557,794,946**

	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	₱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	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

As of December 31, 2015 and 2014, the Group has about 249,666 and 251,930 heads of swine, respectively, and about 427,679 and 429,228 heads of poultry, respectively.

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

	2015	2014
Current portion	**₱1,096,482,209**	₱1,234,574,863
Noncurrent portion	**461,312,737**	476,437,792
	₱1,557,794,946	₱1,711,012,655

18. **Intangible Assets**

The composition and movements in this account follow:

	2015							
	Technology Licenses	**Bank licenses and others**	**Software Costs**	**Trademarks and Brands**	**Product Formulation**	**Customer Relationship**	**Land Use Rights**	**Total**
Cost								
Balance at beginning of year	**₱552,331,752**	**₱1,717,744,748**	**₱113,111,561**	**₱5,198,501,291**	**₱425,000,000**	**₱1,885,972,092**	**₱–**	**₱9,892,661,444**
Additions	**–**	**1,000,000**	**43,928,168**	**–**	**–**	**–**	**10,458,421,808**	**10,503,349,976**
Balance at end of year	**552,331,752**	**1,718,744,748**	**157,039,729**	**5,198,501,291**	**425,000,000**	**1,885,972,092**	**10,458,421,808**	**20,396,011,420**
Accumulated Amortization and Impairment Losses								
Balance at beginning of year	**552,331,752**	**–**	**74,829,056**	**201,524,581**	**–**	**–**	**–**	**828,685,389**
Amortization	**–**	**–**	**21,228,871**	**–**	**–**	**54,917,799**	**–**	**76,146,670**
Balance at end of year	**552,331,752**	**–**	**96,057,927**	**201,524,581**	**–**	**54,917,799**	**–**	**904,832,059**
Net Book Value at End of Year	**₱–**	**₱1,718,744,748**	**₱60,981,802**	**₱4,996,976,710**	**₱425,000,000**	**₱1,831,054,293**	**₱10,458,421,808**	**₱19,491,179,361**

	2014 (As Restated - Note 44)						
	Technology Licenses	Bank licenses and others	Software Costs	Trademarks and Brands	Product Formulation	Customer Relationship	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 (Note 44)	–	852,151,869	33,033,725	4,946,976,710	–	1,885,972,092	7,718,134,396
Balance at end of year	552,331,752	1,717,744,748	113,111,561	5,198,501,291	425,000,000	1,885,972,092	9,892,661,444
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	₱1,885,972,092	₱9,063,976,055

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.

Land Use Rights

On October 27, 2015, RLC won the bidding for the acquisition of land use right to a property located in Chengdu Province, China. The land use right was acquired by entering into a Contract for Assignment of the Right to the Use of State-owned Land (the Contract) with the Land and Resource Bureau of Chengdu Province (Chinese Government). This acquisition is in line with the normal course of the Group's real estate business and its plan to explore opportunities internationally.

The amount recognized as 'Land Use Rights' of ₱10.5 billion represents the total of the contract price and transaction costs. The unpaid balance of the contract price payable on April 20, 2016 is recorded under 'Accounts payable and accrued expenses' (see Note 21).

Bank Licenses and Others

Bank licenses pertain to RBC's bank licenses amounting to ₱866.6 million and ₱865.6 million in 2015 and 2014, respectively.

Bank licenses have been allocated to the cash-generating units (CGU)/branches 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 bank-wide plan, with varying growth of 5.0% to 20.0% depending on product type. Cash on hand is based on 3.0% of total deposits derived from historical average. Loan levels are based on historical growth, assuming a linear trend function. Past due receivables and/or real and other properties required are a function of loan levels, while other assets are a function of fund source levels. Reserve requirements include 18.0% of peso deposits.

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

- Net present value computation
  Terminal value is the growth rate based on the bank-wide 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 Cebgo amounting ₱852.2 million (see Note 44).

<u>Trademarks, Product Formulation, Brands and Customer Relationships</u>
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. Intangible assets acquired from NZSFHL in 2014 consist of brands of ₱4.9 billion, customer relationships of ₱1.9 billion and software costs of ₱0.03 billion (see Note 44).

Brands acquired from NZSFHL pertain to the Griffin's, Huntley and Palmers, Eta and Nice & Natural brands. Customer relationships acquired from NZSFHL pertain to NZFHL's identified customers with a history and pattern of conducting relationships with NZSFHL through recorded invoices and/or formalized term contracts.

URC performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2015. The recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations using cash flows projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow is at 9.00%. The following assumptions were also used in computing the 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 industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

19. Goodwill

Movements in the Group's goodwill account follow:

	2015	2014 (As Restated - Note 44)
Cost		
Balance at beginning of year	**₱15,771,272,280**	₱1,291,094,486
Additions due to business combination (Note 44)	**–**	14,480,177,794
Balance at end of year	**15,771,272,280**	15,771,272,280
Accumulated Impairment Losses		
Balance at beginning of year	**253,352,295**	248,139,704
Impairment loss	**–**	5,212,591
Balance at end of year	**253,352,295**	253,352,295
Net Book Value at End of Year	**₱15,517,919,985**	₱15,517,919,985

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 Cebgo, Inc. (formerly Tiger Airways Philippines (TAP)) and NZSFHL in 2014.

Goodwill is not amortized and is non-deductible for tax purposes.

Goodwill arising from the acquisition of Cebgo is attributable to the following:

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

Defensive Strategy
Acquiring a competitor enables CAI 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:

	2015	2014
Deferred tax assets (Note 38)	**₱2,330,888,155**	₱677,726,896
Security and miscellaneous deposits	**746,173,273**	671,278,080
Utility deposits	**511,864,493**	460,111,304
Advances to suppliers – net of current portion	**455,658,690**	489,142,999
Advances to lot owners – net of current portion	**190,078,577**	190,078,577
Others	**998,470,251**	1,026,056,809
	₱5,233,133,439	₱3,514,394,665

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.

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:

	2015	2014
Deposit liabilities	**₱35,645,024,911**	₱35,767,538,975
Accrued expenses	**14,946,192,270**	13,201,058,806
Trade payables	**13,211,425,184**	13,959,305,076
Airport and other related fees payable	**1,709,712,693**	1,211,266,625
Output VAT	**408,939,139**	399,486,473
Due to related parties (Note 40)	**283,572,118**	548,148,387
Withholding taxes payable	**214,581,731**	188,372,227
Dividends payable	**14,149,049**	12,888,535
Other payables	**5,506,186,304**	2,109,147,217
	₱71,939,783,399	₱67,397,212,321

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, 2015 and 2014, 42.82% and

61.61% 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.

As of December 31, 2015 an 2014, the liquidity and statutory reserves of RBC and LSB amounted to ₱9.9 billion in 2015 and ₱9.5 billion in 2014.

As of December 31, 2015 and 2014, RBC and LSB are 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):

	2015	2014	2013
Savings	**₱287,391,613**	₱254,029,523	₱306,021,071
Time	**274,848,318**	258,935,202	247,514,827
Demand	**1,787,282**	2,393,628	4,572,333
	₱564,027,213	₱515,358,353	₱558,108,231

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:

	2015	2014
Advertising and promotions	**₱4,085,931,821**	₱3,385,230,366
Landing and take-off, navigational charges, and other aircraft-related expenses	**2,536,253,197**	2,389,265,736
Accrued interest payable	**1,941,249,479**	1,761,195,575
Compensation and benefits	**1,832,283,449**	1,681,743,751
Import bills payable	**1,192,742,648**	1,087,267,884
Taxes and licenses	**922,815,110**	794,087,716

(Forward)

	2015	2014
Contracted services	**₱691,326,791**	₱424,300,870
Rental expense	**614,077,148**	509,512,181
Freight and handling costs	**475,093,791**	376,725,317
Utilities	**282,919,951**	291,215,568
Insurance	**107,148,715**	167,424,200
Royalties	**10,004,658**	12,641,343
Other accrued expenses	**254,345,512**	320,448,299
	₱14,946,192,270	₱13,201,058,806

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
As of December 31, 2015 and 2014, 'Other payables' consist of, management bonus and non-trade payables. As of December 31, 2015, 'Other payables' also include the unpaid portion of the total purchase price of the land use right amounting to ₱3.3 billion (RMB 458 million) (see Note 18).

22. **Other Current Liabilities**

This account consists of:

	2015	2014
Unearned transportation revenue	**₱6,971,754,697**	₱6,373,744,740
Deposit from lessees (Notes 24 and 42)	**2,055,695,674**	1,638,267,438
Deposits from real estate buyers (Note 24)	**1,641,009,277**	868,006,293
Advances from agents and others	**594,568,902**	554,620,109
Customer's deposits	**144,854,921**	140,937,249
Redeemable preference shares	**1,700,000**	1,700,000
	₱11,409,583,471	₱9,577,275,829

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:

	2015	2014
Parent Company:		
Philippine Peso - with interest rates of 1.6% to 2.8% in 2014	₱–	₱14,349,800,000
	–	14,349,800,000
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 0.72% to 2.25% in 2015 and 0.4% to 4.8% in 2014	**22,019,625,874**	21,494,683,537
Philippine Peso - with interest rates of 0.96% to 2.7% in 2015 and 2.0% to 2.7% in 2014	**12,864,330,600**	8,442,250,000
	34,883,956,474	29,936,933,537
	₱34,883,956,474	₱44,286,733,537

As of December 31, 2015 and 2014, short-term debt of certain subsidiaries denominated in foreign currency and peso include trust receipts payable amounting to ₱11.9 billion and ₱12.7 billion, respectively. The trust receipts payable are secured by the trusteed inventories for the same amount (see Note 12).

In 2015, 2014 and 2013, the Group has incurred interest expense on short-term notes amounting to ₱268.5 million, ₱633.0 million and ₱120.4 million, respectively (see Note 35).

Long-term Debts

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

	Maturities	Interest Rates	2015	2014	Condition
Parent Company:					
Fixed Rate Retail Bonds:					
₱30.0 billion Fixed Rate Retail Bonds					
₱24.5 billion bonds	2019	5.23%	**₱24,359,343,438**	₱24,316,681,409	Unsecured
₱5.3 billion bonds	2021	5.24%	**5,274,975,424**	5,268,727,511	Unsecured
₱0.2 billion bonds	2024	5.30%	**174,940,362**	174,807,259	Unsecured
Term Loans					
₱9.0 billion Term Loan	2019	4.50%	**4,853,325,434**	8,941,748,987	Unsecured
₱7.5 billion Term Loan	2016	PDST-R1+0.75%	**7,482,052,675**	7,463,549,432	Unsecured
₱1.5 billion Term Loan	2016	PDST-R1+0.75%	–	1,492,709,698	Unsecured
			42,144,637,333	47,658,224,296	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US$750.0 million guaranteed notes	2023	4.375%	**30,713,744,430**	29,630,632,528	Guaranteed
US$250.0 million guaranteed notes	2018	US$ LIBOR plus 2.2% margin	**11,658,870,211**	11,034,105,451	Guaranteed
CAI					
ECA loans (Note 16)	2024	Libor + 3bps	**15,151,924,788**	17,626,804,510	Secured
Commercial loan from foreign banks	2023	Libor + 1.15% to 1.25%	**21,437,060,704**	16,222,858,155	- do -
URC					
US$420.0 million term loan	2019	NZ BKBM+1.60%	**13,316,480,667**	14,402,491,565	
US$322.3 million term loan	2019	NZ BKBM+1.60%	**10,219,011,046**	11,052,949,335	
			102,497,091,846	99,969,841,544	

(Forward)

	Maturities	Interest Rates	2015	2014	Condition
Philippine Peso:					
RLC					
₱10.6 billion loan facility	2022	4.80%	**₱10,546,768,904**	₱–	- do -
₱1.4 billion loan facility	2025	4.93%	**1,353,502,066**	–	- do -
₱9.0 billion loan facility	2019	5.04%	**8,945,009,381**	8,932,698,169	Unsecured
₱1.0 billion loan facility	2019	5.04%	**995,177,314**	993,971,549	Unsecured
			21,840,457,665	9,926,669,718	
			166,482,186,844	157,554,735,558	
Less current portion			**22,915,756,938**	4,475,008,046	
			₱143,566,429,906	₱153,079,727,512	

The foreign exchange rate used to revalue the foreign currency borrowings was ₱47.06 to US$1.00 and ₱44.72 to US$1.00 as of December 31, 2015 and 2014, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱606.8 million (US$16.2 million) and ₱765.6 million (US$19.9 million) as of December 31, 2015 and 2014, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱414.9 million and ₱415.1 million as of December 31, 2015 and 2014, respectively.

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

	2015	2014
Due in:		
2015	**₱–**	₱4,712,465,291
2016	**23,288,223,561**	13,788,025,093
2017	**6,108,110,296**	5,407,822,742
Thereafter	**138,107,567,972**	134,827,146,632
	₱167,503,901,829	₱158,735,459,758

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 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.

In 2015, 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 SBALL for the first two A320 aircraft and SCALL for the additional two A320 aircraft, a special purpose company, which purchased the aircraft from the supplier and leases such as aircraft to CAI pursuant to ten-year finance lease arrangement for the aircraft. The quarterly rental payments of CAI correspond to the principal and interest payments made by SBALL and SCALL 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 2015, CAI exercised the option to purchase two of the ten Airbus A319 aircraft which were subsequently sold to a third party as part of a forward sale arrangement (see Note 16). The purchase required the prepayment of the balance of the loan facility attributed to the two Airbus A319 aircraft. The total amount of loans paid amounted to ₱534.5 million in 2015.

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 CAI to BLL corresponds to the principal and interest payments made by BLL to the ECA-backed lenders. The semi-annual lease rentals to BLL are guaranteed by the Parent Company. CAI has the option to purchase the aircraft for a nominal amount at the end of such leases.

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

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

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

In 2012, CAI entered into ECA-backed loan facilities to partially finance the purchase of three Airbus A320 aircraft. The security trustee of the ECA loans established POALL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to twelve-year finance lease agreements. The quarterly rental payments made by CAI to POALL corresponds to the principal and interest payments made by POALL to the ECA-backed lenders. The quarterly lease rentals to POALL are guaranteed by the Parent Company. CAI has the option to purchase the aircraft for a nominal amount at the end of such leases.

The terms of the ECA-backed facilities, which are the same for each of the ten Airbus A319 aircraft, seven ATR 72-500 turboprop aircraft and ten Airbus A320 aircraft, follow:

- Term of 12 years starting from the delivery date of each Airbus A319 aircraft and Airbus A320, and ten years for each ATR 72-500 turboprop aircraft.
- Annuity style principal repayments for the first four Airbus A319 aircraft, eight ATR 72-500 turboprop aircraft and seven Airbus A320 aircraft, and equal principal repayments for the last six Airbus A319 aircraft and last three Airbus A320 aircraft. Principal repayments shall be made on a semi-annual basis for ATR 72-500 turboprop aircraft. Principal repayments shall be made on a quarterly basis for Airbus A319 and A320 aircraft.
- Interest on loans from the ECA lenders related to CALL, BLL and SALL is at fixed rates, which range from 3.8% to 5.8%. Interest on loans from ECA lenders related to SLL is fixed at 3.4% for one aircraft and US dollar LIBOR 6 months plus margin for the other aircraft. Interest on loans from the ECA lenders related to VALL is fixed at 2.6% for one Airbus A320 aircraft and US dollar LIBOR 3 months plus margin for two Airbus A320 aircraft. Interest on loans from ECA lenders related to POALL for the three A320 aircraft is US dollar LIBOR 3 months plus margin.
- As provided under the ECA-backed facility, CALL, BLL, SLL, SALL, VALL and POALL cannot create or allow to exist any security interest, other than what is permitted by the transaction documents or the ECA administrative parties. CALL, BLL, SLL, SALL, VALL and POALL must not allow impairment of first priority nature of the lenders' security interests.
- The ECA-backed facilities also provide for the following events of default: (a) nonpayment of the loan principal or interest or any other amount payable on the due date; (b) breach of negative pledge, covenant on preservation of transaction documents; (c) misrepresentation; (d) commencement of insolvency proceedings against CALL or BLL or SLL or SALL or VALL or POALL becomes insolvent; (e) failure to discharge any attachment or sequestration order against CALL's, BLL's, SLL's, SALL's, VALL's and POALL's assets; (f) entering into an undervalued transaction, obtaining preference or giving preference to any person, contrary to the laws of the Cayman Islands; (g) sale of any aircraft under ECA financing prior to discharge date; (h) cessation of business; (i) revocation or repudiation by CALL or BLL or SLL or SALL or VALL or POALL, CAI, the Parent Company or CPAHI of any transaction document or security interest; and (j) occurrence of an event of default under the lease agreement with CAI.
- Upon default, the outstanding amount of the loan will be payable, including interest accrued. The ECA lenders will foreclose on the secured assets, namely the aircraft.
- An event of default under any ECA loan agreement will occur if an event of default as enumerated above occurs under any other ECA loan agreement.

The Group is not in breach of any terms on the ECA and commercial loans.

The total future minimum lease payments of the operating aircraft leases guaranteed by the Parent Company amounted to ₱34.5 billion and ₱35.7 billion in 2015 and 2014, respectively.

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 (₱13.5 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 market rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

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 five (5) years, amounting to NZD322M (₱10.4 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZ Snack Foods Holdings Limited. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

For the URC NZ Finco and URC Oceania loans, the Group is required to maintain consolidated debt to equity ratio of not greater than 2.5 to 1.0.

<u>Philippine Peso Loans</u>
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 is 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.

On June 10, 2015, the Parent Company prepaid the ₱1.5 billion loan facility. The interest rate basis for the ₱7.5 billion loan was also changed to the current SDA rates. The Parent Company deemed the change as not a substantial modification of the previous loan terms.

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.

On December 14, 2015, the Parent Company partially prepaid the ₱4.1 billion term loan facility. Per Term Loan Facility Agreement between the Parent Company and BDO Unibank, Inc., the borrower may, subject to the penalty of one percent, prepay the loan in part or full together with accrued interest thereof to prepayment date.

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 a Term 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 ₱10.6 Billion Term Loan due in February 2022
On February 23, 2015, RLC issued ₱10.6 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.8000% per annum.

RLC ₱1.4 Billion Term Loan due in February 2025
On February 23, 2015, RLC issued ₱1.4 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.9344% per annum.

In 2015, 2014 and 2013, total interest expense on long-term debt amounted to ₱6.1 billion, ₱4.9 billion and ₱3.5 billion, respectively (see Note 35).

In 2015, 2014 and 2013, the Group recognized amortization of bond issue costs amounting to ₱147.2 million, ₱125.6 million and ₱90.6 million, respectively (see Note 35).

<u>Debt Covenants</u>
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 and ₱5.0 Billion Retail Bonds due in August 2014, 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 RLC's ₱10.6 Billion Retail Bonds due in February 2022, ₱1.4 Billion Retail Bonds due in February 2025, and ₱10.0 Billion Term Loan due in July 2019, RLC is required to maintain a debt to equity ratio not exceeding 2:1 as referenced from its consolidated financial statement as of its fiscal yearend September 30 and consolidated interim financial statements as of March 31. 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 covenants, such as but not limited to, written notice of default and lapse of the relevant grace period.

For JGSPL's US$750.0 million Senior Unsecured Notes due in 2023, the guarantor shall procure:

- Consolidated Current Assets to Consolidated Current Liabilities is not at any time less than 0.5:1.0; and
- Consolidated Total Borrowings to Consolidated Stockholders' Equity does not at any time exceed 2:1.

For JGSPL's US$250.0 million loans due in 2017, the guarantor shall procure that the ratio of Consolidated Total Borrowings to Consolidated Shareholders' Equity does not at any time exceed 2:1.

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, 2015 and 2014.

24. **Other Noncurrent Liabilities**

This account consists of:

	2015	2014
Deposit liabilities - net of current portion	**₱4,274,024,909**	₱1,474,269,416
Deposit from lessees - net of current portion (Note 42)	**2,328,399,617**	1,669,157,183
Accrued rent expense	**1,445,148,519**	1,312,553,101
ARO	**1,344,571,000**	586,069,196
Pension liabilities (Note 37)	**1,248,213,455**	1,001,110,689
Retention payable	**628,405,572**	227,299,257
Deposits from real estate buyers - net of current portion	**594,206,310**	749,851,160
Accrued maintenance cost	**224,413,504**	224,413,504
Due to related parties (Note 40)	**–**	1,619,940,226
Others	**436,377,382**	314,096,021
	₱12,523,760,268	₱9,178,759,753

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 the 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 ₱63.9 million, ₱78.3 million and ₱58.5 million in 2015, 2014 and 2013, respectively (see Note 30). The deposits from lessees were discounted using PDST-F rate plus 2.0% spread.

The unearned rental income (included under 'Deposit from lessees') amounted to ₱249.0 million and ₱218.0 million as of December 31, 2015 and 2014, respectively. The rental income on amortization of unearned rental income amounted to ₱63.0 million, ₱77.0 million and ₱54.0 million in 2015, 2014 and 2013, 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 estimates made by CAI's engineers, which include estimates of certain redelivery costs at the end of the operating aircraft lease (see Note 3).

The rollforward analysis of the Group's ARO follows:

	2015	2014
Balance at beginning of year	**₱586,069,196**	₱1,637,345,608
Provision for return cost	**863,960,835**	476,017,529
Payment of restorations during the year	**(105,459,031)**	(1,527,293,941)
Balance at end of year	**₱1,344,571,000**	₱586,069,196

In 2015, 2014 and 2013, ARO expenses included as part of repairs and maintenance under 'Cost of Sales' amounted to ₱864.0 million, ₱476.0 million and ₱590.6 million, respectively. In 2014, the Group returned four (4) aircraft under its operating lease agreements.

Retention Payable
Retention payable represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work.

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

Deposits from real estate buyers also include cash collections in excess of the installment contract receivables recognized under the percentage-of-completion method.

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, 2015 and 2014 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

The paid-up capital of the Group consists of the following:

	2015	2014
Capital stock:		
Common shares - ₱1 par value	₱7,162,841,657	₱7,017,191,657
Preferred voting shares - ₱0.01 par value	40,000,000	40,000,000
	7,202,841,657	7,057,191,657
Additional paid-in capital	23,553,025,157	14,958,145,993
Total paid-up capital	₱30,755,866,814	₱22,015,337,650

The movements in the total number of common shares issued and outstanding shares as of December 31, 2015 and 2014 follows:

	2015		2014	
	Shares	**Amount**	Shares	Amount
Issued shares:				
Balance at beginning of year	**7,017,191,657**	**₱7,017,191,657**	7,017,191,657	₱7,017,191,657
Issuance of shares	**145,650,000**	**145,650,000**	–	–
Total issued and outstanding	**7,162,841,657**	**₱7,162,841,657**	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.

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 net of transaction cost of ₱144.1 million. The proceeds from the placement were 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.

Record of Registration of Securities with the SEC

Summarized below is the Parent Company's track record of registration of securities under the Securities Regulation Code.

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
June 30, 1993	Registration of authorized capital stock	−	₱1.00	₱−	12,850,800,000 common shares and 2,000,000,000 preferred non-voting shares	−
June 30, 1993	Initial public offering (IPO)	1,428,175,000 common shares	1.00	4.40	−	1,428,175,000 common shares
June 30, 1994	Conversion of convertible bonds into common shares	428,175,000 common shares	1.00	13.75	−	3,725,457 common shares
July 3, 1998	Stock rights offering (1:2)	2,060,921,728 common shares	1.00	2.00	−	2,060,921,728 common shares

The table below provides information regarding the number of stockholders of the Parent Company as of December 31, 2015, 2014 and 2013:

	2015	2014	2013
Common shares	**1,054**	1,089	1,082
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:

	2015	2014
(a) Gross debt		
Short-term debt (Note 23)	**₱34,883,956,474**	₱44,286,733,537
Current portion of long-term debt (Note 23)	**22,915,756,938**	4,475,008,046
Long-term debt, net of current portion (Note 23)	**143,566,429,906**	153,079,727,512
Derivative liabilities (Note 8)	**2,443,495,138**	2,271,027,283
Redeemable preferred shares (Note 22)	**1,700,000**	1,700,000
	₱203,811,338,456	₱204,114,196,378
(b) Capital	**₱287,325,661,358**	₱261,610,454,606
(c) Debt-to-capital ratio (a/b)	**0.71:1**	0.78:1

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.

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.

On October 29, 2014, the Bangko Sentral ng Pilipinas (BSP) issued amendments to Circular No. 854, *Minimum Capitalization of Banks*. Based on the amendments, RBC as a commercial bank with more than 100 branches, is required to increase its capitalization to ₱15.00 billion.

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.

The CAR of RBC as reported to the BSP as of December 31, 2015 and 2014 follows:

	2015	2014
Common Equity Tier 1 Capital	**₱5,024**	(₱736)
Additional Tier 1 Capital	**5,663**	5,202
Tier 1 capital	**10,687**	4,466
Tier 2 capital	**242**	192
Gross qualifying capital	**10,929**	4,658
Less required deductions	**–**	–
Total qualifying capital	**₱10,929**	₱4,658
Credit RWA	**₱28,044**	₱23,227
Market RWA	**104**	1,499
Operational RWA	**3,632**	3,093
Total RWA	**₱31,780**	27,819
Common Equity Tier 1 Ratio 1	**15.81%**	(2.65%)
Additional Tier 1 Ratio	**17.82%**	18.70%
Tier 1 capital ratio	**33.63%**	16.05%
Tier 2 capital ratio	**0.76%**	0.69%
Risk-based capital adequacy ratio	**34.39%**	16.74%

As of December 31, 2015 and 2014, the Group was in compliance with the required capital adequacy ratio (CAR).

In 2014, common equity tier 1 ratio of RBC is (2.65%). In order to meet the requirement of BSP Circular No. 781, RBC planned to convert its preferred to common shares to increase its tier 1 ratio. The request of RBC for the conversion of its preferred to common shares was subject to approval by the BSP. The request pertained to the "Endorsement/Certificate of Authority to Convert 157,883,715 Series "A" Preferred Shares and 209,604,710 Series "B" Preferred Shares into Common Shares and To File an Amendment to RBC's Articles of Incorporation to Reflect the Conversion" under RBC's Letters to BSP dated March 21, 2013, May 17, 2013, November 20, 2013 and December 9, 2013, which will result in the increase of RBC's Common Shares from 43,683,500 Common Shares to 411,171,925 Common shares. RBC had complied with all externally imposed capital requirements other than as mentioned above.

The foregoing plan will also result in the reduction of the Bank's Preferred "A" Shares from 356,316,500 shares to 198,432,785 shares, while the Preferred "B" Shares will go down from 210,000,000 shares to 395,290 shares.

Similarly, in 2014, RBC had a pending request with the BSP for "Certificate of Authority to classify and register with the Securities and Exchange Commission (SEC) the Series "A" Preferred Shares into non-cumulative, perpetual and convertible to common shares while the Series "B" Preferred Shares into non-cumulative, perpetual, non-redeemable and convertible to common shares" (presumably the remaining shares after the aforementioned conversion) under the Bank's Letter dated December 9, 2013 in order for such preferred shares to qualify as Additional Tier 1 Capital under BSP Circular No. 781, series of 2013.

Once approved, CET1 Ratio will be 10.565 upon conversion of the aforementioned number of Preferred "A" and "B" shares to Common Shares.

On January 28, 2015 and February 25, 2015, in relation to BSP Circular No. 854, the BOD of RBC and the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, respectively, approved the issuance of the remaining 46,070,226 unissued preferred shares (A and B) of RBC at ₱10.00 par value in favor of the JGSCSC and Robinsons Retail Holdings, Inc. (RRHI) as follows:

Stockholder	**Types of Shares**	**No. of Shares Subscribed**	**Par Value**	**Amount**
JGSCSC	Preferred A	27,404,962	₱10	₱274,049,620
	Preferred B	237,174	10	2,371,740
RRHI	Preferred A	18,269,974	10	182,699,740
	Preferred B	158,116	10	1,581,160
Total		**46,070,226**		**₱460,702,260**

Furthermore, the BOD and stockholders of RBC also approved the following resolutions:

- Conversion of all preferred shares of RBC, whether issued or unissued, particularly the 356,316,500 preferred shares A and the 210,000,000 preferred shares B, into common shares, and removal of all the other class of shares of RBC, except common shares.
- Increase in RBC’s authorized capital stock from ₱6.10 billion to ₱15.00 billion divided into 1.50 billion common shares with a par value of ₱10.00 each.

On March 15, 2015, JGSCSC acquired additional 27,404,962 preferred shares A and 237,174 preferred shares B amounting to ₱274.05 million and ₱2.37 million, respectively.

On July 8, 2015, JGSCSC subscribed to an additional 292,905,882 common shares at ₱10.00 per share. JGSCSC paid the whole additional subscription amounting to ₱2.93 billion on the same date.

On October 26, 2015, the BSP approved the amendments to RBC's Articles of Incorporation reflecting the resolutions of RBC's BOD and stockholders.

On November 15, 2015, the BSP also approved RBC's capital build-up program as follows:

1. Capital infusion from unissued shares up to the existing authorized capital stock of ₱6.10 billion.
2. Capital infusion from the increase in authorized capital stock from ₱6.10 billion to ₱15.00 billion of which ₱12.00 billion is paid up.
3. Internally generated capital based on RBC financial projections for the period 2015 to 2019.

On December 15, 2015, RBC filed its application for the increase in its authorized shares as approved by the BOD and the BSP with the SEC.

As of December 31, 2015, JGSCSC's deposit for the additional subscription amounting to ₱2.93 billion in RBC's common shares is presented under 'Investments in subsidiaries' in the consolidated statement of financial position.

On January 29, 2016, the SEC approved RBC's application for the increase in its authorized capital stock and amendment in its Articles of Incorporation.

Retained Earnings

As of December 31, 2015 and 2014, the Group has a total retained earnings of ₱171.3 billion and ₱150.2 billion, respectively. Out of this, ₱103.7 billion and ₱98.1 billion were restricted as of December 31, 2015 and 2014, respectively.

Details of the Group's restricted retained earnings follow:

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.

On December 18, 2015, the BOD approved the reversal of the retained earnings it has appropriated in 2014, 2010 and 2009 amounting to ₱41.4 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the payment of outstanding obligations and capital expenditures of the Group.

On December 18, 2015, the BOD approved the appropriation of retained earnings amounting to ₱47.0 billion.

As of December 31, 2015, the Parent Company's total restricted and unrestricted retained earnings amounted to ₱86.6 billion and ₱8.7 billion, respectively. As of December 31, 2014, the Parent Company's total restricted and unrestricted retained earnings amounted to ₱81.0 billion and ₱6.3 billion, respectively.

As of December 31, 2015, the ₱86.6 billion restricted retained earnings of the Parent Company is 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 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
Retail Bonds	Parent Company	₱30.0 billion	Maturing in 2019, 2021 and 2024
Term Loans	Parent Company	₱12.4 billion	Maturing in 2016 and 2019

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 portion of the Parent Company's retained earnings is restricted to maintain these financial ratios.

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

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

URC's expansion plans include investments and capital expenditures for existing and on-going projects. Out of the ₱5.0 billion, around ₱4.3 billion was allocated to branded consumer foods group for Polyethylene terephthalate bottle projects and snack food facilities in the Philippines; expansion of chocolates, biscuits and wafer lines in Thailand and Malaysia; and expansion of beverage, biscuits, cake and candy lines in Vietnam, which were completed in the first half of fiscal year 2013. The rest of the appropriation were used for farm expansion, handling facilities of the feeds division and maintenance capital expenditures of the commodity group 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 URC's plant expansion. On September 18, 2013, the BOD approved the reversal of the previously appropriated retained earnings amounting to ₱6.0 billion.

On September 18, 2015, as approved by the BOD, URC has appropriated retained earnings amounting to ₱2.0 billion for the URC's capital expenditure commitments to expand capacities in the snack foods and beverage businesses across branded food operations which is expected to be completed within the next two years.

RLC
On September 10, 2015, the BOD approved the reversal of the retained earnings it has appropriated in 2014 amounting to ₱17.0 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 RLC 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 RLC for various projects approved by the Executive Committee during meetings held in September 2015. These projects and acquisitions are expected to be completed in various dates in FY 2016 to FY 2018.

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 RLC 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 RLC 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.

CAI
On December 3, 2015, November 27, 2014 and March 8, 2013, the CAI's BOD appropriated ₱1.0 billion, ₱3.0 billion and ₱2.5 billion, respectively, from its unrestricted retained earnings as of December 31, 2015 for purposes of the CAI's re-fleeting program. The appropriated amount was used for the settlement of pre delivery payments and aircraft lease commitments. Planned re-fleeting program is estimated at ₱90.0 billion which will be spent over the next five years. As of December 31, 2015, CAI has appropriated retained earnings totaling ₱7.9 billion.

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

₱58.8 billion, ₱56.3 billion and ₱51.8 billion as of December 31, 2015, 2014 and 2013, 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:

	2015	2014	2013
Date of declaration	**June 10, 2015**	June 16, 2014	June 27, 2013
Dividend per share	**₱0.22**	₱0.20	₱0.18
Total dividends	**₱1.6 billion**	₱1.4 billion	₱1.2 billion
Date of record	**June 25, 2015**	July 17, 2014	July 17, 2013
Date of payment	**July 21, 2015**	August 12, 2014	August 12, 2013

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

	2015	2014	2013
Date of declaration	**June 10, 2015**	June 16, 2014	June 27, 2013
Dividend per share	**₱0.0022**	₱0.0020	₱0.0018
Total dividends	**₱8.8 million**	₱8.0 million	₱7.2 million
Date of record	**June 25, 2015**	July 17, 2014	July 17, 2013
Date of payment	**July 21, 2015**	August 12, 2014	August 12, 2013

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

URC

Details of URC's dividend declarations follow:

	2015	2014	2013
Date of declaration	**February 6, 2015**	February 4, 2014	April 18, 2013
Dividend per share	**₱3.00**	₱3.00	₱2.40
Total dividends	**₱6.5 billion**	₱6.5 billion	₱5.2 billion
Date of record	**February 26, 2015**	February 26, 2014	May 10, 2013
Date of payment	**March 24, 2015**	March 24, 2014	June 6, 2013

RLC

Details of RLC's dividend declarations follow:

	2015	2014	2013
Date of declaration	**April 29, 2015**	May 12, 2014	April 18, 2013
Dividend per share	**₱0.36**	₱0.36	₱0.36
Total dividends	**₱1.5 billion**	₱1.5 billion	₱1.5 billion
Date of record	**May 14, 2015**	May 29, 2014	May 10, 2013
Date of payment	**June 9, 2015**	June 25, 2014	June 6, 2013

CAI
Details of CAI's dividend declarations follow:

	2015	2014	2013
Date of declaration	**June 24, 2015**	June 26, 2014	June 27, 2013
Dividend per share - regular	**₱1.00**	₱1.00	₱1.00
Total dividends - regular	**₱606.0 million**	₱606.0 million	₱606.0 million
Dividend per share - special	**₱0.50**	₱–	₱1.00
Total dividends - special	**₱303.0 million**	₱–	₱1.00
Date of record	**July 16, 2015**	July 16, 2014	July 17, 2013
Date of payment	**August 11, 2015**	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. 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.

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 statements 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.

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

	2015	2014	2013
Beginning balance	**₱53,994,117,270**	₱49,690,842,347	₱44,837,831,627
Total comprehensive income:			
Net income attributable to non-controlling interests	**10,065,386,384**	7,579,654,820	5,858,148,687
Effect of the adoption of uniform accounting period	–	–	444,116,113
Other comprehensive income attributable to non-controlling interests:			

(Forward)

	2015	2014	2013
Net gain (loss) on AFS investments (Note 10)	**(₱93,858,078)**	₱142,564,930	(₱283,934,849)
Cumulative translation adjustments	**766,066,829**	18,667,690	235,850,400
Remeasurements due to defined benefit liability (Note 37)	**(27,639,789)**	47,132,715	(172,069,735)
Gain (loss) on cashflow hedge	**(1,362,560)**	1,362,560	
	10,708,592,786	7,789,382,715	6,082,110,616
Cash dividends paid to non-controlling interests	**(3,922,800,371)**	(3,752,970,864)	(3,089,045,925)
Deposit for future subscription of shares by non-controlling interest in a subsidiary	**3,155,222,080**	–	–
Sale of shares of subsidiary	–	266,863,072	1,982,987,430
Additional non-controlling interests in subsidiaries		–	(147,541,401)
Incorporation of a subsidiary	–	–	24,500,000
	₱63,935,131,765	₱53,994,117,270	₱49,690,842,347

Deposit for future subscription of shares by non-controlling interest in a subsidiary amounting to ₱3.2 million pertain to the additional investment by Robinsons Retails Holding, Inc. in RBC.

26. Banking Revenue

This account consists of:

	2015	2014	2013
Interest income (Note 27)	**₱2,705,799,538**	₱2,434,157,658	₱2,070,885,114
Service fees and commission income	**176,209,592**	154,140,838	257,277,686
Trading and securities gains	**86,931,176**	128,897,110	421,735,512
	₱2,968,940,306	₱2,717,195,606	₱2,749,898,312

27. Interest Income

This account consists of:

	2015	2014	2013
Interest income from:			
Cash and cash equivalents	**₱677,762,510**	₱562,010,223	₱680,486,145
Finance receivables, unquoted debt securities and sales contract receivable (Note 11)	**2,058,890,489**	1,855,456,117	1,534,095,507
Financial assets at FVPL (Note 9)	**726,063,019**	768,261,662	755,980,176
AFS debt securities (Note 10)	**500,478,245**	489,472,203	621,749,308
HTM investments	**109,230,854**	103,971,784	570,332
Others	**766,907**	2,709,207	3,055,238
	₱4,073,192,024	₱3,781,881,196	₱3,595,936,706

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

	2015	2014	2013
Banking revenue (Note 26)	**₱2,705,799,538**	₱2,434,157,658	₱2,070,885,114
Finance income	**1,367,392,486**	1,347,723,538	1,525,051,592
	₱4,073,192,024	₱3,781,881,196	₱3,595,936,706

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.

This account includes dividends received from PLDT amounting to ₱2.6 billion, ₱3.2 billion and ₱3.0 billion in 2015, 2014 and 2013, respectively, and from Jobstreet Corporation Berhad amounting to ₱1.7 billion in 2014. Investment in PLDT is presented under AFS investments in the consolidated statement of financial position.

29. Other Operating Income (Expenses)

This account consists of:

	2015	2014	2013
Realized gain (loss) on sale of AFS investments (Note 10)	**₱898,183**	₱17,431	(₱4,780,656)
Others	**150,316,607**	1,219,835,816	374,547,182
	₱151,214,790	₱1,219,853,247	₱369,766,526

In 2014, others include gain on exchange of investment in an associate amounting to ₱1.6 billion (see Note 14) and loss on escrow settlement amounting to ₱400.0 million (see Note 13). Others also include rent income and gain (loss) on sale of PPE.

30. Cost of Sales and Services

This account consists of:

	2015	2014	2013
Raw materials used	**₱70,372,022,949**	₱55,273,900,245	₱44,272,247,594
Direct labor	**4,430,994,387**	2,584,738,663	2,139,578,216
Overhead cost	**20,439,793,971**	16,914,550,399	13,221,503,056
Total manufacturing cost	**95,242,811,307**	74,773,189,307	59,633,328,866
Work-in-process	**1,091,582,056**	(362,986,500)	47,976,798
Cost of goods manufactured	**96,334,393,363**	74,410,202,807	59,681,305,664
Finished goods	**1,287,269,878**	(4,880,017,491)	398,823,182
Cost of sales	**97,621,663,241**	69,530,185,316	60,080,128,846
Cost of services	**43,241,983,101**	45,476,429,584	38,746,780,572
Cost of sales and services	**₱140,863,646,342**	₱115,006,614,900	₱98,826,909,418

Overhead costs consist of:

	2015	2014	2013
Utilities and fuel	**₱8,433,616,204**	₱8,022,086,207	₱5,572,546,178
Depreciation and amortization (Note 33)	**5,475,444,437**	3,866,114,378	3,620,535,118
Repairs and maintenance	**2,778,894,150**	2,202,248,930	1,767,280,286
Personnel (Note 32)	**2,150,514,551**	1,609,642,121	1,514,759,094
Rental	**900,526,771**	806,764,061	411,255,517
Handling and delivery charges	**148,713,483**	77,970,588	59,923,451
Research and development	**68,809,570**	77,191,082	78,924,211
Others	**483,274,805**	252,533,032	196,279,201
	₱20,439,793,971	₱16,914,550,399	₱13,221,503,056

Cost of services is composed of:

	2015	2014	2013
Air transportation	**₱33,251,909,025**	₱36,548,411,792	₱30,075,334,423
Real estate	**8,053,837,238**	7,185,985,589	6,924,190,002
Hotel operations	**1,320,470,628**	1,182,211,490	1,148,014,221
Banking	**615,766,210**	559,820,713	599,241,926
	₱43,241,983,101	₱45,476,429,584	₱38,746,780,572

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

	2015	2014	2013
Fuel and oil	**₱17,659,066,442**	₱23,210,305,406	₱19,522,716,332
Maintenance costs	**4,550,586,937**	3,856,318,673	3,441,318,765
Personnel (Note 32)	**4,192,828,456**	3,605,293,170	2,800,861,421
Cost of real estate sales (Note 12)	**3,250,836,782**	3,043,254,449	3,288,052,711
Depreciation and amortization (Note 33)	**3,203,353,347**	2,860,204,571	2,518,694,773
Landing and take-off	**2,832,246,339**	2,339,991,606	1,595,979,594
Ground handling charges	**1,887,062,871**	1,518,884,645	1,163,621,461
Reservation costs	**1,266,652,869**	1,149,515,280	922,992,793
Film rentals expense - amusement services	**746,273,093**	602,625,787	485,961,545
Property operations and maintenance costs	**665,699,155**	661,647,417	586,211,490
Interest expense (Note 21)	**564,027,213**	515,358,353	558,108,231
Passenger liability insurance	**320,065,462**	320,144,303	282,388,621
Cost of food and beverage - hotel operations	**239,910,716**	186,558,215	177,514,231
Passenger food and supplies	**204,018,446**	32,473,008	19,981,169
Customs, immigration and duties	**147,512,446**	145,281,800	138,359,476
Contracted services	**144,634,858**	248,138,199	204,064,878
Interrupted/delayed trips expense	**121,345,627**	77,917,257	54,504,557
Travel and transportation	**80,970,363**	65,179,291	41,478,273
Service charges and commission expense	**51,738,997**	44,462,360	41,133,695
Pilot and crew meals	**44,490,913**	47,451,084	49,036,933
Others	**1,068,661,769**	945,424,710	853,799,623
	₱43,241,983,101	₱45,476,429,584	₱38,746,780,572

31. General and Administrative Expenses

This account consists of:

	2015	2014	2013
Advertising and promotions	**₱7,942,500,312**	₱6,928,900,886	₱5,927,621,105
Outside services	**7,816,265,383**	5,804,491,300	4,959,902,687
Depreciation and amortization (Note 33)	**5,760,968,861**	5,033,289,114	3,892,080,553
Personnel (Note 32)	**5,502,889,794**	4,267,493,609	3,732,130,130
Aircraft and engine lease	**4,024,599,732**	3,503,484,521	2,314,859,021
Rental	**1,536,638,847**	899,467,861	708,601,759
Travel and transportation	**1,028,625,335**	987,851,912	795,494,149
Sales commission	**951,090,219**	668,273,801	513,647,848
Taxes, licenses and fees	**854,093,884**	896,468,667	892,201,809
Insurance	**588,958,297**	589,551,456	432,571,984
Utilities and supplies	**586,457,081**	497,505,507	432,284,076
Repairs and maintenance	**467,983,749**	431,152,302	455,389,722
Communication	**240,500,923**	190,154,952	161,857,324
Entertainment, amusement and recreation (Note 38)	**129,884,589**	141,406,495	101,509,843
Others	**1,245,939,933**	914,472,397	671,206,800
	₱38,677,396,939	₱31,753,964,780	₱25,991,358,810

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

32. Personnel Expenses

This account consists of:

	2015	2014	2013
Salaries and wages	**₱9,678,699,199**	₱7,665,497,840	₱6,674,594,977
Other employee benefits	**1,833,467,599**	1,612,382,762	1,188,902,425
Pension expense	**334,066,003**	300,883,221	250,071,057
	₱11,846,232,801	₱9,578,763,823	₱8,113,568,459

The breakdown of personnel expenses follows:

	2015	2014	2013
Cost of sales and services (Note 30)	**₱6,343,343,007**	₱5,214,935,291	₱4,315,620,515
General and administrative expenses (Note 31)	**5,502,889,794**	4,267,493,609	3,732,130,130
Construction in progress (Note 16)	**–**	96,334,923	65,817,814
	₱11,846,232,801	₱9,578,763,823	₱8,113,568,459

33. Depreciation and Amortization

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

	2015	2014	2013
Cost of sales and services (Notes 15, 16 and 30)	**₱8,678,797,784**	₱6,726,318,949	₱6,139,229,891
General and administrative expenses (Notes 15, 16, and 18)	**5,760,968,861**	5,033,289,114	3,892,080,553
	₱14,439,766,645	₱11,759,608,063	₱10,031,310,444

34. Impairment Losses and Others

This account consists of:

	2015	2014	2013
Provision for impairment losses on:			
Receivables (Note 11)	**₱259,413,258**	₱315,236,015	₱95,990,997
Other noncurrent assets	**14,449,730**	151,961,639	–
Goodwill (Note 19)	**–**	5,212,591	–
Inventory obsolescence and market decline (Note 12)	**104,202,866**	104,296,754	28,694,879
	₱378,065,854	₱576,706,999	₱124,685,876

35. Financing Costs and Other Charges

This account consists of:

	2015	2014	2013
Interest expense	**₱6,682,291,317**	₱5,713,260,142	₱3,743,510,875
Bank charges and others	**197,527,102**	111,089,749	120,968,623
	₱6,879,818,419	₱5,824,349,891	₱3,864,479,498

Details of interest expense follow:

	2015	2014	2013
Long-term debt (Note 23)	**₱6,130,913,522**	₱4,877,081,685	₱3,463,717,567
Short-term debt (Note 23)	**268,472,042**	633,044,995	120,363,432
Advances from affiliates	**32,054,925**	29,451,784	32,150,176
Others	**103,652,014**	48,055,728	36,671,561
	6,535,092,503	5,587,634,192	3,652,902,736
Amortization of debt issuance costs (Note 23)	**147,198,814**	125,625,950	90,608,139
	₱6,682,291,317	₱5,713,260,142	₱3,743,510,875

36. **Components of Other Comprehensive Income**

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

	2015		
	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	**(₱14,839,165,443)**	**(₱93,858,078)**	**(₱14,933,023,521)**
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	**898,183**	**–**	**898,183**
	(14,838,267,260)	**(93,858,078)**	**(14,932,125,338)**
Net changes in fair value of AFS investments of an associate	**(1,730,644)**	**–**	**(1,730,644)**
	(14,839,997,904)	**(93,858,078)**	**(14,933,855,982)**
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	**(90,546,696)**	**(1,362,560)**	**(91,909,256)**
	(14,930,544,600)	**(95,220,638)**	**(15,025,765,238)**
Cumulative translation adjustments	**1,005,444,798**	**766,066,829**	**1,771,511,627**
Remeasurements due to defined benefit liability, net of tax (Note 37)	**(95,398,077)**	**(27,639,789)**	**(123,037,866)**
	(₱14,020,497,879)	**₱643,206,402**	**(₱13,377,291,477)**

	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 derivatives 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 (Note 37)	145,943,946	47,132,715	193,076,661
	₱4,366,632,394	₱209,727,895	₱4,576,360,289

	2013		
	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 derivatives 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

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

	2015		
	Before tax	**Tax benefit**	**Net of tax**
Net gains on AFS investments of Parent Company and its subsidiaries	**(₱14,932,125,338)**	**₱–**	**(₱14,932,125,338)**
Cumulative translation adjustments	**1,771,511,627**	**–**	**1,771,511,627**
Net movement in cash flow hedge	**(91,909,256)**	**–**	**(91,909,256)**
Remeasurements due to defined benefit liability	**(175,768,380)**	**52,730,514**	**(123,037,866)**
Net changes in fair value of AFS investments of an associate (Note 10)	**(1,730,644)**	**–**	**(1,730,644)**
	(₱13,430,021,991)	**₱52,730,514**	**(₱13,377,291,477)**

	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)
Remeasurements 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)	–	(1,326,352)
	₱4,659,107,429	(₱82,747,140)	₱4,576,360,289

	2013		
	Before tax	Tax benefit	Net of tax
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
Remeasurements 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

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:

	2015	2014
Present value of defined benefit obligation	**₱3,821,647,448**	₱3,549,968,716
Fair value of plan assets	**2,573,433,993**	2,548,858,027
Pension liabilities	**₱1,248,213,455**	₱1,248,213,455

Changes in net defined benefit liability of funded funds in 2015 and 2014 follows:

	2015		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability/(asset)**
Balance at beginning of year	**₱3,549,968,716**	**₱2,548,858,027**	**₱1,001,110,689**
Net benefit cost in consolidated statement of income:			
Current service cost	**293,691,856**	–	**293,691,856**
Net interest cost	**170,531,705**	**124,189,605**	**46,342,100**
Subtotal	**464,223,561**	**124,189,605**	**340,033,956**
Benefits paid	**(240,885,600)**	**(184,477,518)**	**(56,408,082)**
Remeasurements in other comprehensive income:			
Return on plan assets	–	**(87,942,196)**	**87,942,196**
Actuarial changes arising from experience adjustments	**34,082,027**	–	**51,858,647**
Actuarial changes arising from changes in financial/demographic assumptions	**14,258,744**	–	**(3,517,876)**
Subtotal	**48,340,771**	**(87,942,196)**	**136,282,967**
Contributions paid	–	**172,806,075**	**(172,806,075)**
Balance at end of year	**₱3,821,647,448**	**₱2,573,433,993**	**₱1,248,213,455**

	2014		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Balance at beginning of year	₱3,500,322,397	₱2,020,071,563	₱1,480,250,834
Net benefit cost in consolidated statement of income:			
Current service cost	300,883,221	–	300,883,221
Net interest cost	162,523,986	93,800,924	68,723,062
Subtotal	463,407,207	93,800,924	369,606,283
Benefits paid	(161,906,268)	(119,276,749)	(42,629,519)
Remeasurements in other comprehensive income:			
Return on plan assets	–	(43,363,269)	43,363,269
Actuarial changes arising from experience adjustments	(238,170,211)	–	(238,170,211)
Actuarial changes arising from changes in financial/ demographic assumptions	(13,684,409)	–	(13,684,409)
Subtotal	(251,854,620)	(43,363,269)	(208,491,351)
Contributions paid	–	597,625,558	(597,625,558)
Balance at end of year	₱3,549,968,716	₱2,548,858,027	₱1,001,110,689

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

	2015	2014
ASSETS		
Cash and cash equivalents	**₱536,062,204**	₱531,900,287
Debt instruments	**1,902,911,056**	1,997,216,739
Available-for-sale investments	**69,243,386**	–
Accrued interest receivable receivables	**4,260,996**	4,123,013
Land	**91,448,525**	91,448,525
	2,603,926,617	2,624,688,564
LIABILITY		
Current liabilities	**30,492,625**	70,906
Due to related parties	–	75,759,631
	₱2,573,433,993	₱2,548,858,027

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, 2015 is 19.13 years.

The Group expects to contribute ₱246.0 million into the pension fund for the year ending 2016.

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

	2015			
	Retirement Age	**Average Remaining Working Life (in years)**	**Salary Rate Increase**	**Discount Rate**
Parent Company	**60**	**15**	**5.5%**	**4.97%**
URC	**60**	**15**	**5.7%**	**4.68% to 4.91%**
RLC	**60**	**15**	**5.0%**	**4.65%**
CAI	**60**	**12**	**5.7%**	**5.00%**
RBC	**60**	**11**	**5.7%**	**4.99%**
JGSPC	**60**	**20**	**5.7%**	**4.82%**
Unicon	**60**	**18**	**5.7%**	**5.04%**

	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%

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, 2015 and 2014, assuming if all other assumptions were held constant:

	2015						
	Parent Company	**URC**	**RLC**	**CAI**	**RBC**	**JGSPC**	**Unicon**
Discount rates							
+1.00%	**₱25,626,082**	**(₱147,811,641)**	**(₱29,238,214)**	**(₱636,565,188)**	**₱108,265,697**	**(₱12,640,396)**	**₱8,336,375**
(-1.00%)	**32,717,299**	**171,527,023**	**33,636,983**	**833,003,746**	**135,616,094**	**15,032,054**	**9,926,521**
Future salary increases							
+1.00%	**32,361,096**	**161,737,838**	**32,053,384**	**827,032,128**	**136,142,511**	**14,285,044**	**9,971,527**
(-1.00%)	**25,455,829**	**(142,534,297)**	**(28,504,312)**	**(568,368,766)**	**107,595,704**	**(12,285,579)**	**8,281,306**

	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

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

	2015	2014
Less than 1 year	**₱689,467,003**	₱658,185,486
More than 1 years to 5 years	**1,157,480,253**	786,932,230
More than 5 years to 10 years	**1,964,689,244**	1,629,168,752
More than 10 years to 15 years	**3,188,896,196**	2,643,849,407
More than 15 years to 20 years	**2,661,281,008**	2,976,947,464
More than 20 years	**6,962,674,883**	7,937,006,955

38. Income Taxes

Provision for income tax from continuing operations consists of:

	2015	2014	2013
Corporate	**₱5,631,658,297**	₱3,627,997,751	₱3,283,532,351
Final	**143,694,114**	20,975,761	54,169,774
Deferred	**(1,286,369,938)**	800,271,777	(296,176,809)
	₱4,488,982,473	₱4,449,245,289	₱3,041,525,316

The Group recognized benefit (provision) for income tax in 'Other comprehensive income' for 'Other comprehensive income items' amounting to ₱52.7 million, (₱82.7 million) and ₱200.9 million in 2015, 2014 and 2013, respectively (see Note 36).

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.

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 ₱129.9 million, ₱141.4 million and ₱101.5 million in 2015, 2014 and 2013, respectively (see Note 31).

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

	2015	2014
Deferred tax assets on:		
Unfunded pension liabilities of Foreign subsidiaries	**₱289,635,426**	₱134,895,538
Unrealized forex loss	**1,071,895,759**	215,017,613
Allowance for impairment losses of receivables and property and equipment	**256,190,548**	121,976,275
MCIT carryforward	**225,186,903**	356,106
Net operating loss carry-over	**1,768,050,781**	–
Others	**1,593,937,660**	416,047,372
Total	**5,204,897,077**	888,292,904
Deferred tax liabilities on:		
Unrealized profit on excess of market value over cost of hog markets	**(144,242,195)**	(161,329,892)
Double depreciation	**(2,512,429,449)**	–
Others	**(217,337,278)**	(49,236,116)
	(2,874,008,922)	(210,566,008)
Net deferred tax asset	**₱2,330,888,155**	₱677,726,896

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

	2015	2014
Deferred tax assets on:		
Unfunded pension benefits	**₱102,248,365**	₱206,080,466
Allowance for impairment losses on receivables and property, plant and equipment	**14,113,908**	85,296,089
Unrealized foreign exchange loss	**11,295,346**	9,426,580
MCIT carryforward	**1,111,424**	137,233,316
Net operating loss carry-over	–	1,086,084,710
Others	**680,941,803**	1,156,846,664
Total	**809,710,846**	2,680,967,825
Deferred tax liabilities on:		
Intangibles	**(1,794,893,453)**	(1,917,599,845)
Unamortized capitalized interest	**(1,419,649,598)**	(1,226,444,486)
Accelerated depreciation	**(331,421,689)**	(404,492,301)
Borrowing cost	**(71,832,394)**	(71,832,394)
Double depreciation	–	(1,910,904,546)
Others	**(2,317,063,748)**	(2,270,502,114)
	(5,934,860,882)	(7,801,775,686)
Net deferred tax liability	**(₱5,125,150,036)**	(₱5,120,807,861)

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

	2015	2014
NOLCO	**₱6,218,650,888**	₱6,241,184,337
Allowance for impairment losses	**3,756,674,974**	2,817,527,461
Unrealized foreign exchange losses	**182,395,730**	1,173,911,259
Net pension liability	**112,664,073**	52,279,751
Difference between cost and NRV of inventories	**64,488,572**	–
Unamortized contribution of past service costs	**37,192,794**	42,506,048
MCIT	**36,421,286**	7,704,553
Depreciation of investment properties and repossessed chattels	**18,417,284**	20,156,952
Unearned income	**9,044,108**	–
Accrued rent	**919,372**	–
Accrued pension costs	–	64,488,572
	₱10,436,869,081	₱10,419,758,933

Under Section 11 of R. A. No. 7151 (CAI's Congressional Franchise) and under Section 15 of R. A. No. 9517 (Cebgo, Inc.'s Congressional Franchise) known as the "ipso facto clause" and the "equality clause", respectively, the CAI and Cebgo, Inc. are allowed to benefit from the tax privileges being enjoyed by competing airlines. CAI's and Cebgo, Inc.'s major competitor, by virtue of PD No. 1590, is enjoying tax exemptions which are likewise being claimed by the CAI and Cebgo, Inc., 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
2015	955,474,545	–	955,474,545	**2020**
	₱4,575,756,914	₱–	₱4,575,756,914	

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
2015	117,297,005	–	117,297,005	2018
	₱254,216,688	₱30,081,311	₱224,135,377	

Included in the Group's NOLCO and MCIT is Cebgo, Inc.'s NOLCO and MCIT as follows:

NOLCO

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

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Year
2015	₱8,632,361	₱–	₱8,632,361	2018

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, 2015 and 2014, 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 Cebgo, Inc.'s deferred tax assets and liabilities follow:

	2015	2014
Deferred tax assets on:		
NOLCO	**₱1,372,727,074**	₱1,086,084,710
Unrealized loss on net derivative liability	**733,048,541**	330,710,768
Unrealized foreign exchange loss - net	**597,768,972**	7,647,215
ARO – liability	**420,073,060**	225,926,038
MCIT	**224,135,377**	136,919,683
Accrued retirement costs	**151,876,449**	108,968,551
Allowance for credit losses	**74,742,533**	71,132,763
	3,574,372,006	1,967,389,728
Deferred tax liabilities on:		
Double depreciation	**2,512,429,449**	1,910,904,546
Business combination (Note 44)	**185,645,561**	185,645,561
	2,698,075,010	2,096,550,107
Net deferred tax assets (liabilities)	**₱876,296,996**	(₱129,160,379)

Movement in accrued retirement cost amounting ₱21.1 million and ₱91.9 million in 2015 and 2014, respectively, is presented under other comprehensive income.

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

As of Decemer 31, 2015 and 2014, CAI has the following gross deductible temporary differences, NOLCO and MCIT, for which no deferred tax assets have been recognized.

	2015	2014
Deductible temporary difference:		
NOLCO	**₱159,636,593**	₱159,636,593
Allowance for credit losses	**67,268,308**	–
Retirement benefit obligation	**12,593,829**	7,482,530
MCIT	**8,632,361**	–
Unrealized loss on derivative asset	**–**	1,158,190,670
	₱248,131,091	₱1,325,309,793

The related deferred tax asset on the deductible temporary differences is ₱80.5 million and ₱397.6 million.

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

	2015	2014	2013
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Dividend income	**(2.30)**	(5.03)	(4.94)
Equity in net earnings of affiliates	**(5.90)**	(7.18)	(3.46)
Nontaxable income	**(1.55)**	(3.38)	(1.20)
Changes in unrecognized deferred tax assets	**0.12**	(0.45)	(1.01)
Income subjected to lower tax rates	**(1.41)**	(0.51)	(1.10)
Board of Investments (BOI) tax credits and others	**(5.45)**	(0.67)	(2.56)
Nondeductible interest expense	**0.18**	0.19	0.42
Others	**(1.61)**	1.73	(0.76)
Effective income tax rate	**12.08%**	14.70%	15.39%

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

	2015	2014	2013
Income attributable to equity holders of the Parent Company	**₱22,610,016,306**	₱18,245,149,790	₱10,434,134,218
Less: Dividends on preferred shares (Note 25)	**8,800,000**	8,000,000	7,200,000
Income attributable to holders of common shares of the Parent Company	**₱22,601,216,306**	₱18,237,149,790	₱10,426,934,218
Weighted average number of common shares	**7,162,841,657**	7,017,191,657	6,815,524,990
Basic/diluted earnings per share	**₱3.16**	₱2.60	₱1.53

There were no potential dilutive common shares in 2015, 2014 and 2013.

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 and are generally settled in cash. 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:

2015						
			Outstanding Balance			
Related Party	**Category/Transaction**	**Amount/Volume**	**Statement of Financial Position**	**Statement of Comprehensive Income**	**Terms**	**Conditions**
Subsidiaries:						
Due from related parties	Settlement of advances	**(₱28,416,245)**	**₱1,195,363,224**	**₱–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	**(18,857,267)**	**23,474,286**			
	Rent income	**159,195,209**	**–**	**159,195,209**		
	Other income	**23,474,286**	**–**	**23,474,286**		
	Rent expense	**32,563,971**	**–**	**32,563,971**		
Due to related parties	Settlement of advances	**(4,307,976,057)**	**13,783,573,273**	**–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	**108,000,000**	**–**	**108,000,000**		
	Interest expense	**28,234,761**	**–**	**28,234,761**	Interest bearing	
Cash in bank	Deposits	**19,848**	**34,686**	**–**	On demand	Unsecured
Cash equivalents	Money market placements	**–**	**–**	**–**	2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%	Unsecured
	Interest income	**–**	**–**	**–**	2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%	
Dividends	Dividend receivable	**(2,006,918,210)**	**155,397,965**	**–**	On demand	Unsecured
	Dividend income	**5,244,375,593**	**–**	**5,244,375,593**		
Associate:						
Due from related parties	Settlement of advances	**(877,248)**	**307,720**	**–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Dividend income	**4,661,763,305**	**–**	**4,661,763,305**		
	Rent income	**507,732**	**–**	**507,732**		
	Utilities expense	**7,232,952**	**–**	**7,232,952**		

(Forward)

2015						
			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	**₱78,355,034**	**₱426,000,076**	**₱–**	On demand; Non-interest bearing	
	Management fees					
	Rent income	**35,171,374**	**–**	**35,171,374**		
Due to related parties	Settlement of advances	**(1,687,715,748)**	**1,348,350**	**–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Interest expense	**426,697**	**–**	**426,697**		
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	**7,745,000**	**–**	**7,745,000**		

			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)

		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	Settlement of advances	(1,929)	359,417	–	On demand; Non-interest bearing	Unsecured; Not impaired

(Forward)

		2013				
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
Other Related Parties:						
Due from related parties	Advances	₱–	₱272,798,845	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	27,290,079	–	27,290,079		
	Rent income	27,921,603	–	27,921,603		
Due to related parties	Advances	–	200,944,539	–	On demand; Non-interest bearing / Interest bearing	Unsecured
	Interest expense	41,242,422	–	41,242,422	Interest rate ranging from 1.5% to 3.8%	
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	4,795,000	–	4,795,000		

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 2015 and 2014. Interest expense incurred amounted to ₱32.1 million in 2015, ₱29.5 million in 2014 and ₱41.2 million in 2013.

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 Parent Company's employees amounted to ₱9.5 billion and ₱9.2 billion as of December 31, 2015 and 2014, respectively. 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.

2015

			Outstanding Balance			
	Category / Transaction	**Amount / Volume**	**Statement of Financial Position**	**Statement of Comprehensive Income**	**Terms**	**Conditions**
Due to retirement plan	**Advances**	**(₱1,661,322,453)**	**₱-**	**₱28,203,089**	1 to 32 days; Interest bearing with interest rates ranging from 0.4% to 3.75%	Unsecured

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	₱25,923,915	1 to 32 days; Interest bearing with interest rates ranging from 0.4% to 3.75%	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:

	2015	2014	2013
Short-term employee benefits	**₱1,373,236,381**	₱1,214,321,181	₱1,070,334,562
Post-employment benefits	**119,520,583**	110,107,632	112,067,015
	₱1,492,756,964	₱1,324,428,813	₱1,182,401,577

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. URC's rentals incurred on these leases (included under 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱179.0 million, ₱161.1 million and ₱117.3 million in 2015, 2014 and 2013, respectively.

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

	2015	2014	2013
Within one year	**₱75,583,986**	₱71,984,748	₱68,556,903
After one year but not more than five years	**302,335,942**	287,938,993	274,227,612
	₱377,919,928	₱359,923,741	₱342,784,515

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 ₱50.6 million, ₱57.2 million and ₱57.9 million in 2015, 2014 and 2013, 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 2015, 2014 and 2013.

Future minimum lease receivables under noncancellable operating leases of the URC Group that are due within one year amounted to ₱51.4 million, ₱56.8 million and ₱61.6 million in 2015, 2014 and 2013, 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 ₱22.5 million, ₱23.3 million and ₱11.8 million in 2015, 2014 and 2013, 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 ₱203.9 million, ₱153.0 million and ₱104.6 million in 2015, 2014 and 2013, respectively.

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

	2015	2014	2013
Within one year	**₱75,875,322**	₱60,225,464	₱143,352,457
After one year but not more than five years	**382,304,085**	274,917,570	716,762,285
Over five years	**6,472,894,986**	5,477,062,851	4,114,089,434
	₱6,931,074,393	₱5,812,205,885	₱4,974,204,176

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 ₱9.6 billion, ₱8.2 billion and ₱7.6 billion in 2015, 2014 and 2013, respectively. Total percentage rent recognized as income amounted to ₱2.5 billion, ₱2.2 billion and ₱2.0 billion in 2015, 2014 and 2013, respectively.

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

	2015	2014	2013
Within one year	**₱5,308,666,374**	₱4,252,470,638	₱2,137,034,461
After one year but not more than five years	**10,472,321,498**	5,915,813,342	2,016,336,718
Over five years	**1,024,342,237**	437,292,732	351,280,338
	₱16,805,330,109	₱10,605,576,712	₱4,504,651,517

Finance Lease Commitments - Group as a Lessor

In 2015, RLC has significantly entered into residential property leases on its residential condominium unit's portfolio. These leases have lease period of five (5) to ten (10) years and the lessee is given the right to purchase the property anytime within the lease period that the lessee any arrears in rental payment, condominium dues and other charges.

Future minimum lease payments under finance lease with the present value of future minimum lease payment as of December 31, 2015 follow:

	2015	
	Minimum Lease Payments	**Present Value of Minimum Lease Payments**
Within one year	**₱115,488,617**	**₱112,620,511**
After one year but not more than five years	**350,912,310**	**325,025,776**
Over five years	**379,131,036**	**311,618,076**
Total minimum lease payments	**845,531,963**	**749,264,363**
Less finance charges	**96,267,600**	**–**
Present value of minimum lease payments	**₱749,264,363**	**₱5,812,205,885**

JGSPC

Operating Lease Commitments – Company 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 with lease term of three years and one year, respectively. 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 ₱28.5 million, ₱29.5 million and ₱20.0 million in 2015, 2014 and 2013, respectively.

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

	2015	2014	2013
Within one year	**₱11,090,677**	₱9,386,226	₱12,148,926
After one year but not more than five years	**29,388,722**	12,633,062	28,390,642
	₱40,479,399	₱22,019,288	₱40,539,568

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 noncancellable operating lease of JGSPC follow:

	2015	2014
Within one year	**₱107,729**	₱103,090
After one year but not more than five years	**220,013**	327,743
	₱327,742	₱430,833

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 CAI's Airbus A320 aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
April 2007	Inishcrean Leasing Limited (Inishcrean)	1	October 2019
March 2008	GY Aviation Lease 0905 Co. Limited	2	January 2019
March 2008	APTREE Aviation Trading 2 Co. Ltd	1	October 2019
	Wells Fargo Bank Northwest National Assoc.	1	October 2019
July 2011	SMBC Aviation Capital Limited	2	February 2018

Note: The lease agreements were amended, when applicable, to effect the novation of lease rights by the original lessors to new lessors as allowed under the lease agreements.

In 2007, CAI entered into operating lease agreement with Inishcrean for the lease of one Airbus A320, which was delivered in 2007, and with CIT Aerospace International for the lease of four Airbus A320 aircraft, which were delivered in 2008. In 2015, CAI extended the lease agreement with Inishcrean for another three years.

In March 2008, CAI entered into operating lease agreements for the lease of two Airbus A320 aircraft, which were delivered in 2009, and two Airbus A320 aircraft which were received in 2012. In November 2010, CAI signed an amendment to the operating lease agreements, advancing the delivery of the two Airbus A320 aircraft to 2011 from 2012. The leases with GY Aviation Lease 0905 Co. Limited maturity date reflects an intended extension for another two years pursuant to a letter of intent (LOI) signed in the first quarter of 2016.

In July 2011, CAI entered into an operating lease agreement with RBS Aerospace Ltd. (RBS) for the lease of two Airbus A320 aircraft, which were delivered in March 2012. The lease agreement with RBS was amended to effect the novation of lease rights by the original lessors to new lessors as allowed under the existing lease agreements.

Airbus A330 aircraft
The following table summarizes the specific lease agreements on CAI's Airbus A330 aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
February 2012	CIT Aerospace International	4	12 years with pre-termination option
July 2013	Intrepid Aviation	2	12 years with pre-termination option

On February 21, 2012, CAI entered into a lease agreement with CIT Aerospace International for four Airbus A330-300 aircraft. The lease term of the aircraft is 12 years with an early pre-termination option.

On July 19, 2013, the Group entered into an aircraft operating lease agreements with Intrepid Aviation for the lease of two Airbus A330-300 aircraft, which were delivered in September 2014 and March 2015.

As of December 31, 2015, CAI has six (6) Airbus A330 aircraft under operating lease (see Note 16), wherein one Airbus was delivered in 2015.

The first two A330 aircraft were delivered in June 2013 and September 2013. Three A330 aircraft were delivered in February 2014, May 2014 and September 2014. One A330 aircraft was delivered in March 2015.

Future minimum lease payments under the above-indicated operating aircraft leases follow:

	2015		2014		2013	
	US dollar	**Philippine peso equivalent**	US dollar	Philippine peso equivalent	US dollar	Philippine peso equivalent
Within one year	**US$90,260,208**	**₱4,247,645,406**	US$88,551,265	₱3,960,012,577	US$73,094,439	₱3,245,027,618
After one year but not more than five years	**309,193,470**	**14,550,644,708**	314,017,649	14,042,869,274	307,184,942	13,637,475,503
Over five years	**332,977,141**	**15,669,904,258**	395,380,828	17,681,430,645	463,829,248	20,591,699,480
	US$732,430,819	**₱34,468,194,372**	US$797,949,742	₱35,684,312,496	US$844,108,629	₱37,474,202,601

Lease expenses relating to aircraft leases (included in 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱4.0 billion, ₱3.5 billion and₱2.3 billion in 2015, 2014 and 2013, 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:

	2015	2014	2013
Within one year	**₱135,299,739**	₱127,970,825	₱114,110,716
After one year but not more than five years	**564,977,120**	539,700,300	665,809,830
Over five years	**2,433,712,858**	2,065,948,495	799,242,568
	₱3,133,989,717	₱2,733,619,620	₱1,579,163,114

Lease expenses relating to both cancellable and non-cancellable non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱488.6 million, ₱337.1 million and ₱304.8 million in 2015, 2014 and 2013, 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 ₱228.31 million, ₱187.6 million and ₱125.6 million in 2015, 2014 and 2013, respectively.

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

	2015	2014	2013
Within one year	**₱212,898,691**	₱155,319,477	₱111,685,416
After one year but not more than five years	**476,759,239**	406,835,950	285,684,755
Over five years	**34,966,519**	45,394,754	32,009,632
	₱724,624,449	₱607,550,181	₱429,379,803

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.

On May 8, 2014, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from Banco de Oro Unibank, Inc. in the aggregate principal amount of ₱4.0 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 ₱8.2 million, ₱11.6 million and ₱11.2 million as of December 31, 2015, 2014 and 2013, respectively. Moreover, RLC has contractual obligations amounting to ₱1.3 million and ₱1.2 million as of December 31, 2015 and 2014, 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 ₱90.0 billion and ₱70.1 billion as of December 31, 2015 and 2014, respectively, which are payable over the following periods:

	December 31, 2015		December 31, 2014	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent
Within one year	**US$294,434,836**	**₱13,856,103,384**	US$260,795,946	₱11,662,794,707
After one year but not more than five years	**1,698,714,532**	**79,941,505,899**	1,458,101,728	65,206,309,259
	US$1,993,149,368	**₱93,797,609,283**	US$1,718,897,674	₱76,869,103,966

Aircraft and Spare Engine Purchase Commitments
In 2007, CAI entered into a purchase agreement with Airbus S.A.S covering the purchase of ten A320 aircraft and the right to purchase five option aircraft.

In 2009, CAI exercised its option to purchase the five additional aircraft. Further, an amendment to the purchase agreement was executed, which provided CAI the right to purchase up to five additional option aircraft.

In 2010, CAI exercised its option to purchase five additional option Airbus A320 aircraft and entered into a new commitment to purchase two Airbus A320 aircraft to be delivered between 2011 and 2014. Six of these aircraft were delivered between September 2011 and December 2013.

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.

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.

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 options 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.

On October 20, 2015 CAI entered into a Sale and Purchase Contract with Avions Transport Regional G.I.E. to purchase 16 firm ATR 72-600 aircraft and up to 10 additional option ATR 72-600 aircraft. These aircraft are scheduled to be delivered from 2016 to 2020.

As of December 31, 2015, CAI will take delivery of 5 more Airbus A320, 1 Airbus A330, 30 Airbus A321 NEO aircraft and 16 ATR 72-600.

The above-indicated commitments relate to the Group's re-fleeting and expansion programs. These agreements remained in effect as of December 31, 2015.

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 Total Care service support for the Trent 700 engines on up to eight A330 aircraft. Contract term shall be from delivery of the first A330 until the redeliveey of the last A330.

On July 12, 2012, the Company 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, 2015.

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:

	2015	2014
Trust and investment group accounts	**₱12,469,302,106**	₱9,462,183,960
Spot exchange - foreign currency	**1,695,757,500**	2,287,921,501
Committed credit lines	**11,801,754,681**	4,452,039,310
Domestic standby letters of credit	**177,541,995**	119,868,315
Contingent - foreign currency swap	**1,436,253,682**	2,630,668,955
Inward bills for collection	**318,563,274**	401,510,039
Late deposit/payment received	**32,743,405**	19,238,989
Guarantees issued	**81,520,580**	7,232,310
Outward bills for collection	**593,739,709**	250,058,849
Items held for safekeeping	**35,088**	92,669
Other contingent accounts	**278,293**	298,566

Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business from legal proceedings which are either pending decision by the courts, under arbitration or being contested, the outcomes of which are not presently determinable. In the opinion of management and its legal counsels, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* is not disclosed on the ground that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

44. 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$233.7 million (approximately ₱8.2 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. In 2014, the accounting for the business combination in the Group's consolidated financial statements was determined provisionally as URC has to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the acquisition. In 2015, as the acquisition had been finalized, the Group accordingly restated the comparative information to reflect the final fair value of identifiable assets and liabilities as at the date of acquisition.

The fair values of the assets and liabilities of NZSFHL at the date of acquisition were finalized as follow:

Purchase consideration transferred	₱8,152,809,497
Fair value of identifiable assets	
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	6,865,982,527
Total Assets	15,820,607,216
Fair value of identifiable liabilities	
Trade payables	(2,889,821,951)
Deferred tax liability	(2,303,077,210)
Income tax liability	(1,020,200)
External bank debt	(16,387,274,619)
Total Liabilities	(21,581,193,980)
Total fair value of identifiable net liabilities	(5,760,586,764)
Goodwill	₱13,913,396,261

The effect of the retrospective application of the finalized accounting for business combination of NZSFHL in the Group's consolidated statement of financial position as of December 31, 2014 follow:

	Balance as Previously Stated	Restatements	Balance As Restated
ASSETS			
Noncurrent Assets			
Goodwill (Note 19)	₱16,878,004,521	(₱1,360,084,536)	**₱15,517,919,985**
Intangible assets (Note 18)	7,178,003,963	1,885,972,092	**9,063,976,055**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 21)	67,397,212,319	2	**67,397,212,321**
Noncurrent Liabilities			
Deferred tax liabilities (Note 38)	4,594,920,307	525,887,554	**5,120,807,861**

The Group deemed the effect of the restatements on equity and statement of income to be immaterial to the consolidated financial statements as of December 31, 2014.

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 equity holders of the Parent Company would have been ₱21.7 billion.

Acquisition of Cebgo, Inc.
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 Cebgo, Inc. 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 Cebgo 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 Cebgo, Inc. 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

In the December 31, 2013 consolidated financial statements, a note relating to Events after the Statement of Financial Position Date disclosed that there could be a goodwill amounting ₱665.9 million. CAI also identified other assets representing costs to establish brand and market opportunities under the strategic alliance with TAH. The related deferred tax liability on this business combination amounted to ₱185.6 million.

From the date of acquisition up to December 31, 2014, CAI's share in Cebgo's revenue and net loss amounted to ₱2.8 billion and ₱159.8 million, respectively. If the combination had taken place at the beginning of the year in 2014, the CAI's share in Cebgo's total sales and net loss would have been ₱3.8 billion and ₱1.4 billion, respectively.

In February 2015, CAI reached an agreement with ROAR II on the settlement of post-closing adjustments amounting to ₱223.5 million pursuant to the SPA. Such amount was received by CAI in 2015 and is accounted for as an adjustment to the purchase price. Total purchase price after closing settlement date amounted to ₱488.6 million.

45. Subsequent Events

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

- *URC Oceania loan prepayment*
  On February 16, 2016, URC Oceania prepaid its 5-year term loan under Clause 7.1 of the underlying Facility Agreement. Total payment amounted NZ$326.0 million (approximately ₱10.2 billion), including interest.

- *URC Oceania settlement of foreign currency forwards*
  On April 6, 2016, URC Oceania settled its foreign currency forward with notional amount of NZ$322.3 million and carrying value of ₱580.6 million as of December 31, 2015 resulting to a net gain of ₱103.5 million.

- *Purchase of sugar mill*
  On February 4, 2016, URC entered into an asset purchase agreement with Batangas Sugar Central Inc. (BSCI) and its shareholders to acquire the latter's assets for a total consideration of ₱1.4 billion. BSCI is a sugar central located in Brgy. Caloocan, Balayan, Batangas, engaged in the operation of a sugar mill with a daily capacity of 5,000 tons of cane milled per day. The purchase price allocation has been prepared on a provisional basis as the fair values are being finalized. The net liability of the acquired entity as of December 31, 2015 amounted to ₱1.3 billion. Based on the provisional basis of the purchase price allocation, there could be a goodwill amounting to ₱2.7 billion.

- *RBC increase in authorized capital stock*
  On January 29, 2016, the SEC approved RBC's application for the increase in its authorized capital stock and amendment in its Articles of Incorporation.

46. Supplemental Disclosures to Cash Flow Statements

In 2014, the total cash paid, net of cash received from the Group's acquisition of subsidiaries amounted to ₱7.3 billion (see Note 44). Details are as follows:

Acquisition of NZSFHL net of cash acquired of ₱1.1 billion	₱7,086,181,154
Acquisition of Cebgo's net of cash acquired of ₱256.7 million	231,837,148
Total cash paid for the acquisition of subsidiaries	₱7,318,018,302

The principal noncash activities of the Group are as follows:

a. On December 31, 2015 the Group recognized a liability based on the schedule of pre-delivery payments amounting ₱482.0 million. These incurred costs are recognized under the 'Property, Plant, and Equipment – Construction-in progress' account. The liability was paid the following year.

b. Movements in the cumulative translation adjustment amounted to ₱2.5 million, ₱45.5 million and ₱573.9 million in 2015, 2014 and 2013, respectively.

c. In 2015, 2014 and 2013, the Group capitalized depreciation as part of the cost of new born biological assets (suckling) amounting to ₱39.4 million, ₱47.1 million and ₱48.7 million, respectively.

d. In 2015, 2014 and 2013, the Group foreclosed some assets, which are recorded under 'Investment properties' in the consolidated statements of financial position, amounting to ₱18.3 million, ₱27.3 million and ₱47.1 million, respectively.

e. In 2015 and 2014, the Group acquired additional investment in UICL through the script dividend schemed in lieu of cash dividends amounting to ₱510.0 million and ₱542.0 million respectively.

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 April 6, 2016.

Corporate Directory

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