Making Life Better

JG SUMMIT HOLDINGS, INC.

2016 ANNUAL REPORT

JG SUMMIT
HOLDINGS, INC

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JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

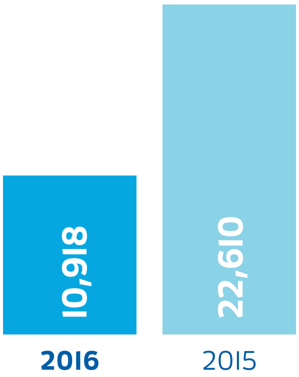
Financial Highlights

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

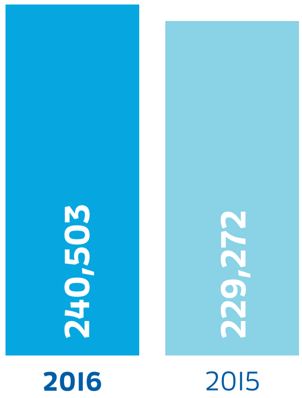
			2016 VS 2015 INCREASE (DECREASE)	
	2016	**2015**	**Amount**	**%**
For the Year				
Revenues	240,503	229,272	11,231	5%
Core Net Income after Taxes	29,972	28,048	1,924	7%
Net Income (Equity Holders of the Parent)	10,918	22,610	(11,692)	-52%
EBIT	52,270	49,353	2,917	6%
EBITDA	69,272	63,792	5,479	9%
As of Year End				
Total Assets	666,311	596,332	69,979	12%
Total Liabilities	353,527	309,006	44,521	14%
Total Equity (Including Minority Interest)	312,784	287,326	25,458	9%
Per Share				
Basic Earnings	1.52	3.16	(1.63)	-52%
Book Value	33.43	31.18	2.25	7%
Other Financial Data				
Current Ratio	1.01	1.11	(0.10)	-9%
Gearing Ratio	0.71	0.71	(0.00)	0%
Net Debt to Equity Ratio	0.55	0.52	0.03	6%

Net Income -52%

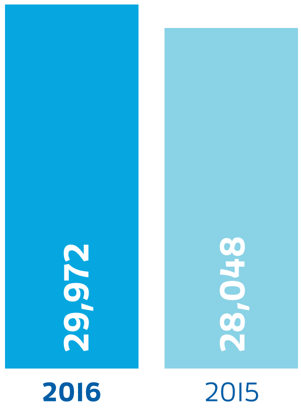
(Equity Holders of the Parent)



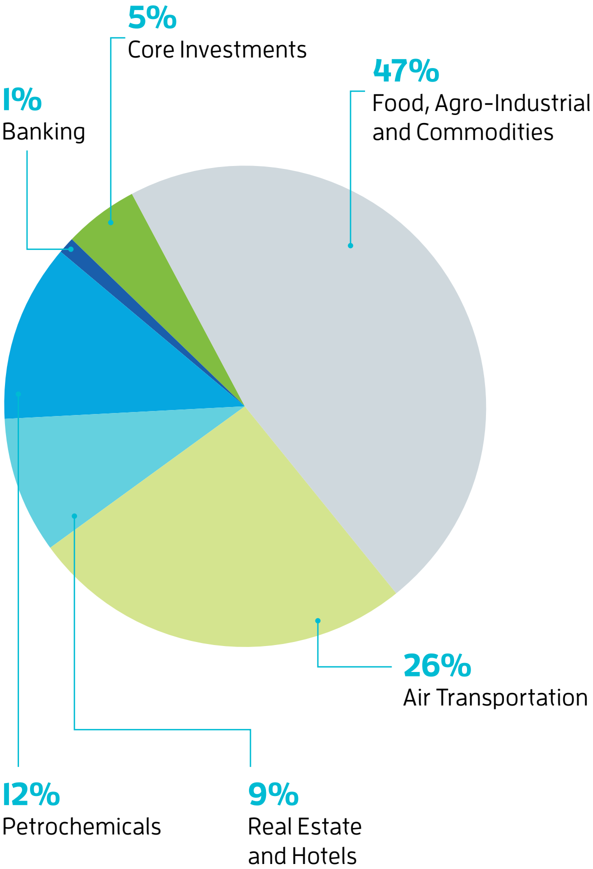
Revenues +5%



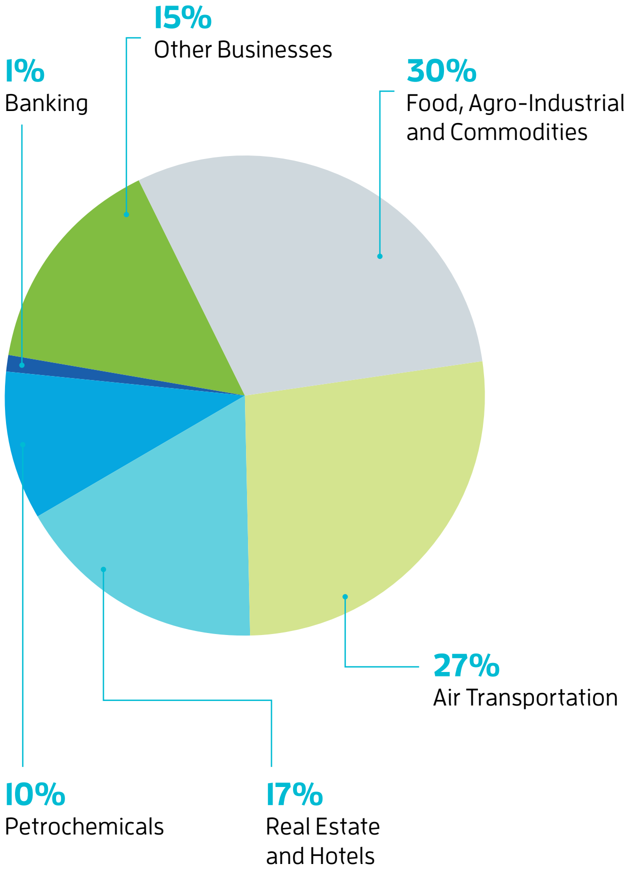
Core Net Income After Taxes +7%



Revenue Contribution



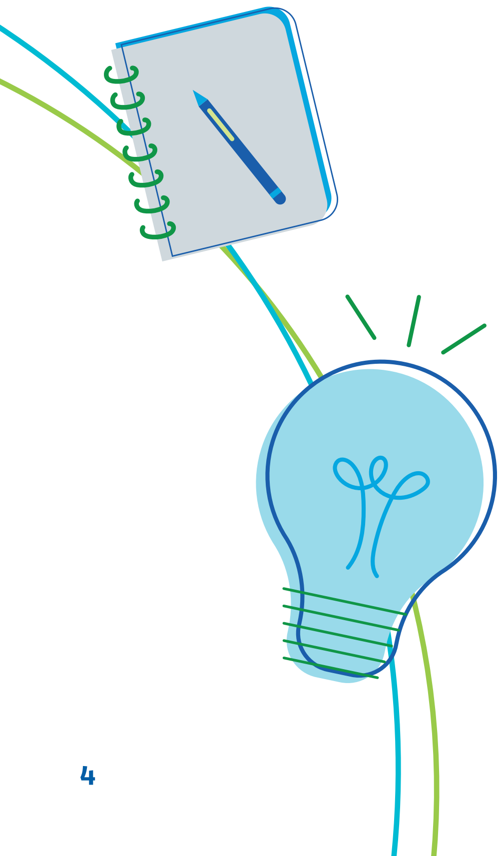
EBITDA Contribution



Message from the Chairman and the President

Dear Shareholders,

The year 2016 was another year where the strength of our business portfolio was tested by turbulence in the global economy, geopolitical concerns, commodity price instability and currency volatility. In particular, our food and beverage business faced regulatory issues in Vietnam, as well as increasing competitive pressures in the local market. Despite this, JG Summit managed to grow its core net income by 6.9% year-on-year. Growth was attributable to the strong performance of our Petrochemicals and the airline business. While the near-term outlook of the country is challenging, the long-term fundamentals of the country remain buoyant because of continued growth in disposable income levels, infrastructure spending, and the increasing urbanization of all the markets we compete in.



A Valued Stock, A Valued Company

As a result of the challenging environment of 2016, the Philippine Stock Exchange index declined by 6%. Despite this, JG Summit's share price outperformed the index by an average of 4%. This is a vote of confidence on our company's operational performance, brand strength and overall management.

Through the years, we have invested and strategically built on our company's strength, performance and overall brand equity. Over the past ten years, our company value has outperformed the Philippine market index by almost threefold. In the last three years our company witnessed a near twofold growth of value versus the index. Our sound fundamentals and consistent profitable growth have contributed to our improving corporate image and market value, especially since we have consistently performed above industry and market averages.

James L. Go
Chairman and Chief Executive Officer

Lance Y. Gokongwei
President and Chief Operating Officer

Resilient Growth Provided by Disciplined Execution and Strategy

In 2016, our business portfolio was challenged yet remained resilient and still managed to grow in line with the economy. Despite the food business's earnings decline, core net income for the group grew 6.9% with the positive performance from Petrochemicals which grew 56%, as well as the airline business which grew by 20%, year-on-year.

Our continued expansion and investments truly reflects our company's vision and disciplined strategy. We continue to align with our vision of being a leading conglomerate in the Philippines with a growing Asia Pacific presence. We remained focused on benefiting from the growing middle income class in the Philippines and around ASEAN. With this, 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 sustained their brand equity of best value for money.

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. Since 2015, our net income is almost evenly spread among our three categories of business – a third from consumer businesses such as Robinsons Land Corporation (RLC) and Universal Robina Corporation (URC), about another third from high dividend yielding core investments, PLDT, Inc. (PLDT), Manila Electric Company (Meralco), Global Business Power Corporation (GBP), and United Industrial Corporation Limited (UIC), and lastly, a third from our cyclical businesses, Cebu Air, Inc. (CEB) and JG Summit Petrochemicals Group (JGSPG). Specifically in 2016, amidst the challenging environment, our portfolio of businesses complimented each other posting decent growth.

Sustained Strong Balance Sheet Amidst Investments

We continue to maintain a robust balance sheet through the years. In 2016, our total assets grew by 11.7% as we expanded our core businesses. Specifically, the group spent over ₱41.9 billion in capital expenditures in 2016 with 46% of the capital expenditures accounted for by CEB's aircraft acquisitions, 30% or ₱12.7 billion accounted for by RLC's construction of malls, offices, hotels and residential assets as well as for land banking; and 18% was spent for the food and beverage business' capacity expansion in the Philippines and around South East Asia. On top of this, the group has spent over ₱33.4 billion in additional investments to fund the opportunistic acquisitions done by the group. Even with our continued investments in our businesses, our balance sheet maintains moderate leverage. Our gearing ratio is healthy at 0.71x at the end of 2016.

URC made the largest acquisitions in 2016. In February 2016, URC completed its asset acquisition of Batangas Sugar Central Inc. (Balayan Sugar Mill) for ₱1.81 billion, making URC the largest sugar producer in the Philippines.

In September 2016, URC International Company Limited, a wholly-owned offshore subsidiary of URC, acquired 100% of Consolidated Snacks Pty Ltd (CSPL) which trades under the company name Snack Brands Australia (SBA) for approximately A$600 million. With this acquisition, URC plans to create a wider footprint in Oceania with SBA providing a solid anchor in the highly competitive Australian fast-moving consumer goods (FMCG) and retailing market, but more importantly is completely synergistic with URC and Griffin's.

At the parent level of JG Summit, we too have made significant investments or acquisitions. As we receive recurring dividends, we have been strategically and disciplined in studying opportunistic investments in new industries. In 2016, we received record-high dividends, amounting to ₱15.2 billion, 21% higher than the previous year. Consequently, we were able to strategically expand our investments in the power industry.

In June 2016, JG Summit acquired 30% or 577,206,290 shares of Global Business Power Corporation consisting of (i) 423,284,613 shares from GT Capital Holdings, Inc. and (ii) 153,921,677 shares from Meralco PowerGen Corporation. Our investment in GBP has not only strengthened our foothold in power generation, complementing our power distribution investment in Meralco, but also increased our national presence in the power industry. GBP is the leading power supplier in the Visayas with an aggregate 852 MW of coal and diesel powered generating capacity at present, including the 150 MW expansion project to commence operation later this year of which 70 MW is contracted to Meralco. GBP's main new development project is a 670 MW super critical coal fired plant in La Union, Pangasinan.

With all the subsidiaries self-funding their capex and investments, JG Summit has enough funding flexibility for other strategic investments and acquisitions. With sufficient recurring dividends and a moderate level of debt, we have enough capabilities to invest in our existing portfolio of businesses and to enter strategically into new opportunities.

Other Major Developments

Growth and Expansion

URC inaugurated its world-class AAA, CGMP, and HACCP-approved slaughterhouse and fabrication facility in Antipolo for its Robina Farm Hogs business in January. In May, URC invested in four barges to transport wheat from the vessel to plant, in order to improve the logistic operation of its Flour business. In June 2016, URC commissioned a new line in its Myanmar facility to locally manufacture biscuit products for its domestic consumers. The following month, Calbee-URC targeted its customers with the opening of Jack 'n Jill Calbee pop-up stores and Danone-URC launched a 330ml B'lue, to increase the product's availability. URC also operated its sixth wafer plant in Thailand in September and in October, its fifth biscuit plant in Thailand for its domestic and export markets.

In January 2016, RLC broke ground for Exxa and Zeta Towers, its second and third office developments within its Bridgetowne complex which aims to serve the growing BPO sector. RLC's Go Hotels partnered with Karaksa Hotels of Xymax Corporation to serve the growing influx of Filipino tourists in Japan with the first two Karaksa Hotels in Kansai region, Osaka Shinsaibashi and Kyoto, which opened in March 2016. In July 2016, RLC also opened Go Hotels Lanang-Davao in partnership with Udenna Development Corporation. For the malls, in 2016, RLC increased its footprint in the country by opening three new malls and expanding two of its existing malls. These new malls are: Robinsons Place Tagum in Davao–opened in April 2016; Robinsons General Trias in Cavite–opened in May 2016; and Robinsons Place Jaro in Iloilo–opened in September 2016. RLC also expanded Robinsons Place Ilocos and Robinsons Place Tacloban in 2016.

CEB launched direct flights from Manila to Guam, its first US destination, in March 2016, making it the first low cost carrier (LCC) to operate this route. In October 2016, CEB launched direct flights to Incheon (Seoul), South Korea from Kalibo, Aklan, utilizing its 180-seater Airbus A320 aircraft. In November 2016, CEB opened its regional office in Seoul, Korea which will provide tickets sales, reservations, cargo services and customer support. It will aid in boosting the airline's promotion and marketing strategies in Korea.

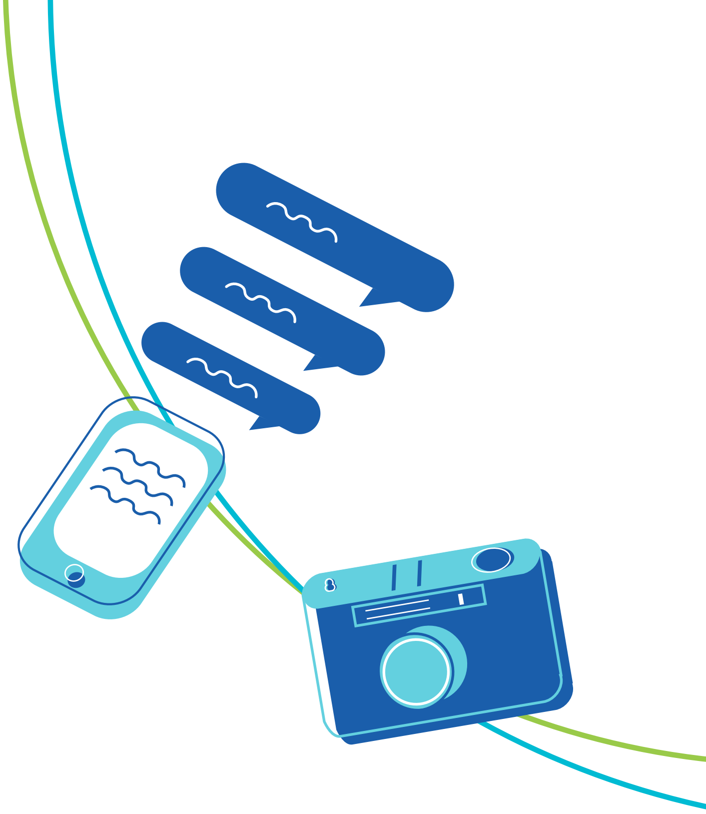
In December 2016, the Board of Investments (BOI) under the Department of Trade and Industry (DTI) approved three upcoming projects of the JG Summit Petrochemicals Group. This will be a US$700 million investment that is targeted to start operations by 2020 and will ultimately increase current naphtha production by 50%.

The two pioneering projects of JGSPC got the nod under the Preferred Activities of the DTI - BOI 2014-2016 Investment Priorities Plan (IPP), with the endorsement of the Department of Science and Technology (DOST). The first project granted pioneer status is for a Butadiene Extraction Unit. A second project, an Aromatics Extraction Unit, was also granted pioneer status, which will produce the aromatics Benzene, Toluene and Mixed Xylenes, collectively known as BTX. JGSOC was likewise given the green light for the expansion of its Naphtha Cracker. The said project will increase its current Ethylene production capacity, as well as produce additional volumes of its other main products Propylene, Mixed C4 and Pyrolysis Gasoline (Pygas).

In December 2016, Robinsons Bank opened its 120th branch in 143 Maginhawa Street, Teachers Village, Diliman, Quezon City. The newest branch is a testament to the bank's unrelenting pursuit of its goal to continually expand its reach with more branches across the country as it celebrate its 20th anniversary in 2017. To bring the services of Robinsons Bank closer to more Filipinos, the Bank expanded its branch network by adding 11 branches in 2016, ending the year with 123 branches nationwide.

Milestones

In May 2016, CEB announced the formation of the world's first pan-regional low cost carrier alliance, the Value Alliance. Together with seven other LCCs in the region, Cebu Pacific and Cebgo will deliver greater value, connectivity, and choice for travel throughout Southeast Asia, North Asia, and Australia. Customers will be able to view, select, and book the best available airfares on flights from any of the



airlines in a single transaction, directly from each partner website, thanks to the groundbreaking technology developed by Air Black Box (ABB). The Value Alliance airlines collectively fly to more than 160 destinations from 17 hubs in the region.

In June 2016, Robinsons Bank introduced ATM-Guard, a non-life insurance product to help the depositors recover lost cash withdrawn from ATM in cases of theft and robbery.

In August 2016, URC celebrated its 60th anniversary and showcased its achievements throughout the years of its operations. The event was a celebration of the company's journey to become one of the largest snack and beverage company in the Philippines. URC also launched its new brand identity, which reflects its ambition to become a borderless multinational company, armed with its brand promise of delighting consumers with brands of exceptional quality and value.

In October 2016, RLC formally launched The Residences at The Westin Manila Sonata Place in partnership with Mariott International, Inc. The 50-storey The Residences at Westin Manila will have 350 private residential apartments and will be the first themed-residential development of the Westin Group in Southeast Asia. This project will be at the forefront of RLC's portfolio, being the most luxurious hotel and residential project of RLC to date.

In November 2016, CEB also signed a Government Fares Agreement (GFA) with the Procurement Service, an attached agency of the Department of Budget and Management (DBM), that entitles government employees discounted fares on official business trips. The DBM Procurement Service, through PhilGEPS, intends to centralize the air ticket purchase of government agencies and under the said agreement, all official travels of government workers will be granted discount and waiver of processing fee along with fees for rebooking.

CEB signed a Purchase Agreement with Airbus SAS for the order of two A330-300 aircraft in July 2016. The aircraft will join CEB's existing fleet of six A330s flying on long haul and selected regional and domestic routes, and will be configured with 436 all economy-class seats. In December, CEB took delivery of the first of the two Airbus A330-300 aircraft order which will be utilized for flights between Manila and Hong Kong, making available 9,800 available seats per week. This upgrade reflects 22% increase, which then allows CEB to maintain its position as the largest Philippine carrier operating the Philippines - Hong Kong market.

Prospects and Outlook

We remain optimistic on the long-term growth prospects of the group as all subsidiaries are poised for continuous growth and sustained profitability. Global recovery is likely to gain further momentum in 2017 with a positive Emerging Market backdrop. The ASEAN region will likely be a beneficiary as global growth improves, as well as demand from the Developed Markets. With the ASEAN Economic Community (AEC) in place, we can expect more aggressive multinationals getting more aggressive to build their presence regionally.

Amidst this backdrop, other relevant variables surround the industry and markets we are in as well. From tougher competition, inflationary pressures, commodity prices to rapid changes in technology, government reforms and demand dynamics. These new external realities are both opportunities and threats to our overall businesses.

To continue to be successful, we will remain focused and disciplined in our efforts. We will leverage on our leadership position, scale and on our core competencies and capabilities. We mandate ourselves to continue to innovate and create value. We continue to aim to transform our businesses to meet our customers' new needs and lifestyle.

We remain optimistic on the long-term growth prospects of the group as all subsidiaries are poised for continuous growth and sustained profitability.

URC's overall plan in 2017 is to take the company on a path of recovery. It will maintain its robust innovation pipeline with exciting new products entering untapped segments within snack foods and non-alcoholic beverage segments. It has also started projects to evaluate its product portfolio aiming to improve the ability to sell and market the products. Further, it plans to rationalize the route-to-market, channel focus and distribution strategy with the aim of improving customer engagement. On its supply chain, URC will continue to optimize its multinational presence and best-in-class regional procurement, sourcing, manufacturing and product development. URC's capital expenditure plans for 2017 are targeted towards expanding its capacities and improving handling and distribution and operational efficiencies. On Vietnam, URC is moving forward on the path to recovery with a phased approach. URC will rebuild its Vietnam business and repair the damage on both corporate reputation and brand equity.

RLC remains optimistic on its growth prospects across all its businesses. For its Commercial Centers Division, it will target to open four new malls and expand two existing malls in 2017, with the total leasable space to increase by 11% to 1.4 million sqm. For its Office Buildings Division, it will be adding 20% leasable space in 2017. On its Hotels Division, the company plans to increase its hotel room portfolio by 20% in 2017. On the Residential Division, the company remains conservative but cognizant of the strong demand. The company launched five residential projects in 2016, but the focus for 2017 is to optimize capital allocation by focusing on expanding its recurring revenues business which will allow it to concentrate on selling existing inventory. Lastly, RLC has fully paid the price for the 8.5-hectare land it acquired through a government public auction in Chengdu, China. The property is intended for a residential development with a minor commercial component. To-date, the masterplan has been approved by the Chinese government and RLC aims to start pre-selling by 2018 to target the upper middle-market segment in China.

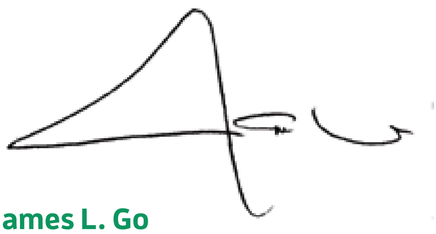
CEB continues its growth prospects through its provincial routes. Specifically, we launched a daily flight to Manila-Masbate, four times weekly flights to CDO-Tagbilaran and Manila-Tablas, and thrice weekly flights to CDO-Bacolod. For our fleet, we ended the year with 57 aircraft comprised of four A319, eight ATR 72-500, two ATR 72-600, 36 A320, and seven A330. For 2017 to 2021, we have remaining orders of one A330, two ATR 72-500, 12 ATR 72-600 and 32 A321 NEOs. We believe our fleet expansion plan is conservative but flexible enough to adapt to current developments in the market

For our **Petrochemicals business**, we are targeting a run rate of 95% for 2017, and will be optimizing operations and raw material supply so as to achieve high run rates for both the cracker and polymer plants. For our expansion projects this 2017, we are on track with the completion of the engineering studies. Technology licensors for all projects have been awarded, and we expect EPC contractors bidding by the first half of this year.

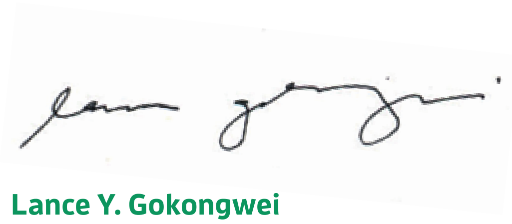
For our **Bank**, we plan to focus on the bank's core income and build the lending portfolio and other fee-based income. We are on track to build up the credit card business via a partnership with Mastercard and expect to be in the card's business October this year. We will also be issuing Visa Debit Cards, targeting conversion of the ATM cards this 2017. Lastly, we will be launching our Electronic Invoice Presentment and Payment System (EIPP) which we target to pilot by this year.

Acknowledgement

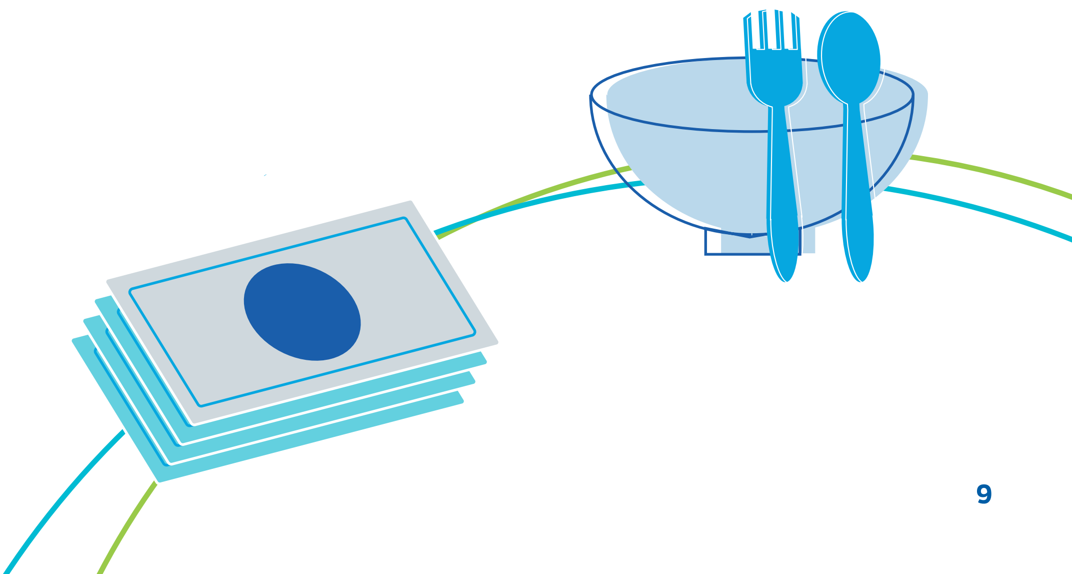
We would like to convey our gratitude to our customers, business partners and fellow shareholders. Our resiliency and success today is possible because of your unwavering confidence and support. To our board, executives, managers and employees, thank you for your commitment and dedication. We look forward to making 2017 another rewarding year for all, as we continue to commit to making every Filipino life better.



James L. Go
Chairman and Chief Executive Officer



Lance Y. Gokongwei
President and Chief Operating Officer



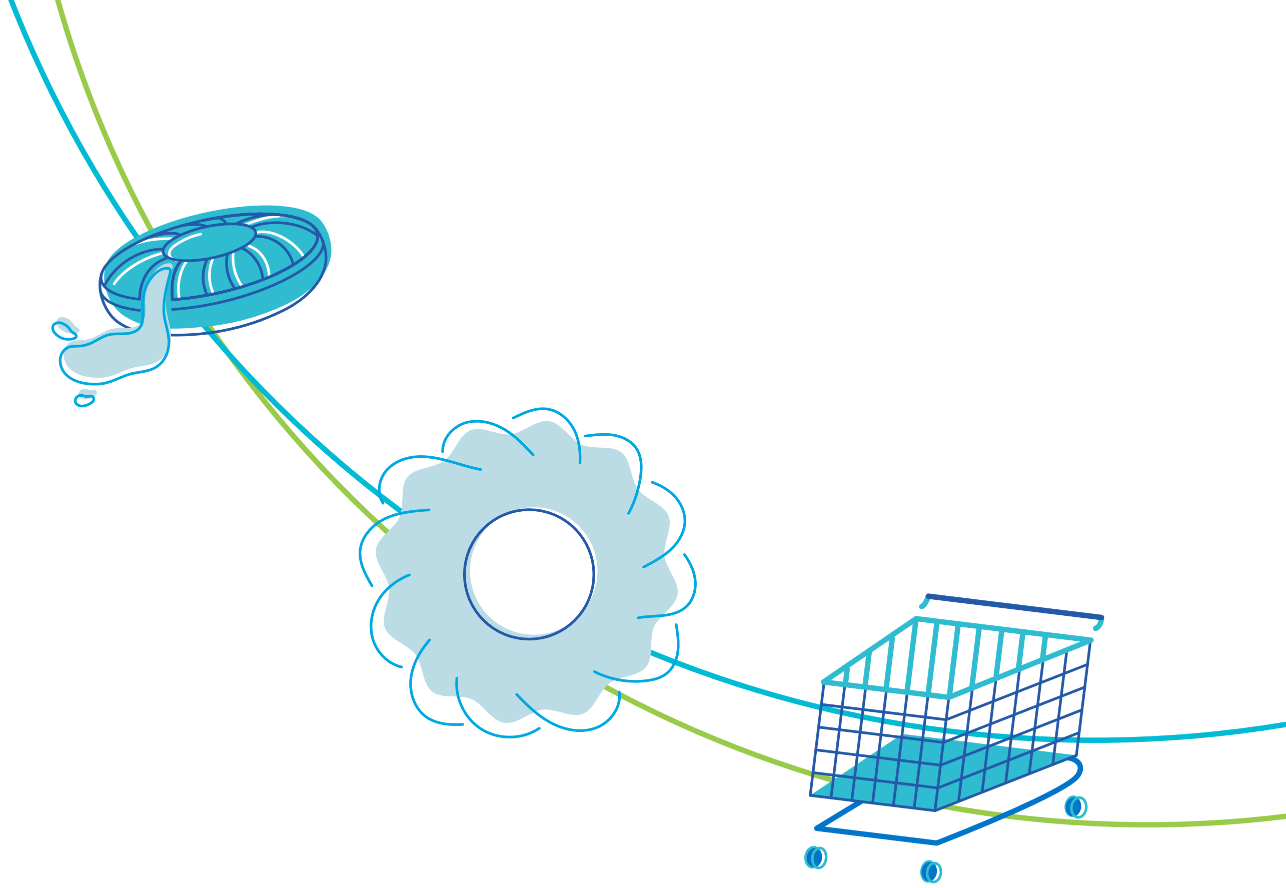
Management Discussion and Analysis of Operating Performance and Financial Condition

JG Summit Holdings, Inc. posted a 6.9% increase in our consolidated core net income (excluding non-operating and nonrecurring items), earning a total of ₱29.97 billion in 2016 compared to ₱28.05 billion in 2015. The increase in core net income is due to the double-digit income growth in our airline and petrochemicals businesses, offset by the income decline in our branded consumer foods business and dividends received during the year. The Company's consolidated net income from equity holders of the parent amounted to ₱10.92 billion in 2016 from ₱22.61 billion last year mainly due to the recording of impairment losses totaling ₱16.71 billion primarily from the decline in market value of the Company's investment in PLDT where the Company has 8.0% stake. In accordance with the current Philippine Accounting Standard (PAS) 39, Financial Instruments: Recognition and Measurement, if a decline in fair value of an AFS equity investment is significant or prolong, the impairment is recognized one-time in net income rather than in equity. However, in 2018, upon effectivity of International Financial Reporting Standard (IFRS) 9, which will replace PAS 39, the Company's consolidated net income for the year ended 2016 will be restated with the market valuation losses on PLDT investment charged directly back to equity. Excluding the effect of the said impairment loss, the Company's consolidated net income from equity holders of the parent amounted to ₱27.63 billion in 2016, a 22.2% increase from ₱22.61 billion last year. Consolidated EBITDA reached ₱69.27 billion in 2016 from ₱63.79 billion in 2015.

Consolidated revenues grew 4.9% from ₱229.27 billion in 2015 to ₱240.50 billion in 2016 due to the performance of the following core subsidiaries:

- CEB's total revenues went up by 9.6% from ₱56.50 billion in 2015 to ₱61.90 billion in 2016 mainly due to 4.1% growth in passenger volume and 4.9% increase in average fares.
- JG Petrochemicals Group revenues increased by 8.6% from ₱26.78 billion in 2015 to ₱29.07 billion in 2016 due to higher sales volume.
- RLC's total revenues also increased by 12.1% from ₱20.30 billion in 2015 to ₱22.75 billion in 2016 due to higher rental income and real estate sales.
- URC's total revenues slightly increased from ₱112.00 billion in 2015 to ₱112.61 billion in 2016 due to the revenue growth in the sugar, feeds and renewables businesses, offset by the decline in sales of branded consumer foods group.
- The banking revenue increased 14.9% from ₱2.97 billion in 2015 to ₱3.41 billion this year due to increase in interest income recognized from finance receivables and trading gains.

Revenues from our core investments, however, declined this year as dividend income received by the Company dropped 28.7% from ₱2.85 billion last year to ₱2.03 billion this year



Universal Robina Corporation generated a consolidated sale of goods and services of ₱112.61 billion for the year ended December 31, 2016.

mainly due to lower dividend income declared by PLDT from ₱152 per share in 2015 to ₱106 per share in 2016. Equity in net earnings of associates, primarily from investments in UIC and Meralco, increased from ₱7.31 billion in 2015 to ₱8.18 billion in 2016. On June 28, 2016, JG Summit purchased 30% stake in Global Business Power Corporation (GBP) so a corresponding equity earnings take-up was recorded for the six months ended December 31, 2016.

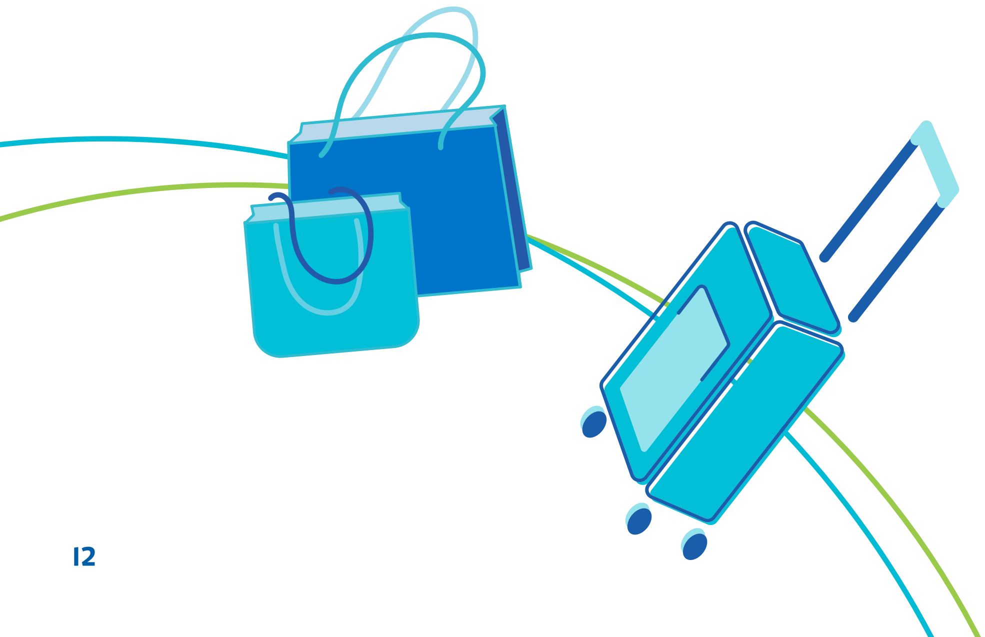
The Company's operating expenses increased by 13.0% from ₱39.06 billion last year to ₱44.14 billion this year due to higher selling, general and administrative expenses in the food and airline business units. As a result, Operating Income or EBIT went up 6.0% from ₱49.35 billion in 2015 to ₱52.27 billion in 2016.

The Company's consolidated total assets reached ₱666.31 billion as of end of December 2016. Current ratio stood at 1.01. The Company's indebtedness remains manageable with a gearing ratio of 0.71 and net debt to equity ratio of 0.55 as of December 31, 2016. Stockholders' equity, excluding minority interest, stood at ₱239.52 billion as of December 31, 2016 from ₱223.39 billion last year. Book value per share amounted to ₱33.43 as of December 31, 2016.

Universal Robina Corporation (URC) generated a consolidated sale of goods and services of ₱112.61 billion for the year ended December 31, 2016, a slight growth over last year. Sale of goods and services performance by business segment follows: (1) URC's branded consumer foods (BCF) segment, excluding packaging division, decreased 0.9%, to ₱92.14 billion in 2016 from ₱92.96 billion registered in 2015. BCF domestic operations posted a 1.2% increase in net sales from ₱58.46 billion in 2015 to ₱59.19 billion in 2016 which was mainly driven by RTD beverages with double-digit growths. Sales was muted in 2016 as an aftermath of the hiccups in its supply chain operations. In addition, major categories like coffee experienced intense price war and aggressive marketing from its key competitors while the snack foods category was flattish due to the aggressive low-priced players affecting corn chips and pelletized snacks. BCF international sales decreased by 4.5% to ₱32.95 billion in 2016 against ₱34.50 billion in 2015. In constant U.S. dollar term, sales declined by 6.7% to US$694 million in 2016 against last year due to regulatory issues encountered in Vietnam despite the growth from Indonesia, Thailand and Malaysia and sales contribution from Australia. Indonesia was up by 23.1% driven by the growth in modern trade and sustained sales momentum from favorable results in all categories. Malaysia grew by 7.7% on the back of positive performances from chocolates and wafers while Thailand increased by 7.6% as consumer confidence has started to recover in the country. Total Griffins results were also weaker than expected given the drag of the Australia business due to loss in private label contracts. Sale of goods and services in URC's packaging division went down by 4.7% to ₱1.10 billion in 2016 from ₱1.15 billion recorded in 2015 due to lower sales volume. (2) Agro-Industrial segment (AIG) amounted to ₱9.20 billion in 2016, a 2.6% increase from ₱8.97 billion recorded in 2015. Feeds business grew by 16.4% due to increase in sales volume as a result of aggressive sales and marketing strategies while farms business declined by 10.6% due to lower average selling price of live hogs. (3) Sale of goods and services in commodity foods segment amounted to ₱10.18 billion in 2016, up by 14.0% from ₱8.93 billion reported in 2015. Sugar business grew by 37.5% due to incremental sales from the recently acquired Balayan Sugar Mill and higher prices of raw and refined sugar while renewables increased by 17.7%. Flour business declined by 5.6% despite higher volume due to lower average selling price. URC's gross profit for 2016 amounted to ₱36.21 billion from ₱36.72 billion reported in 2015. Gross profit margin decreased from 32.8% in 2015 to 32.2% in 2016. Selling and distribution costs, and general and administrative expenses rose by 9.8% to ₱20.45 billion in 2016 from ₱18.62 billion registered in 2015. As a result, EBIT and EBITDA declined 12.9% and 7.2%, respectively, while net income attributable to equity holders of the parent decreased 7.1% to ₱12.87 billion for the year ended December 31, 2016.

Robinsons Land Corporation generated total gross revenues of ₱22.75 billion for the year ended December 31, 2016

Robinsons Land Corporation (RLC) generated total gross revenues of ₱22.75 billion for the year ended December 31, 2016, an increase of 12.1% from ₱20.30 billion for the year ended December 31, 2015. EBITDA which was up by 8.5% to ₱12.05 billion grew faster than EBIT which jumped by 4.7% to ₱8.28 billion, mainly due to higher depreciation expense. Net income attributable to equity holders of the parent stood at ₱5.75 billion, slightly down by 3.5% from last year's ₱5.95 billion, because of an increase in interest expense which arose from more interest being expensed outright instead of being



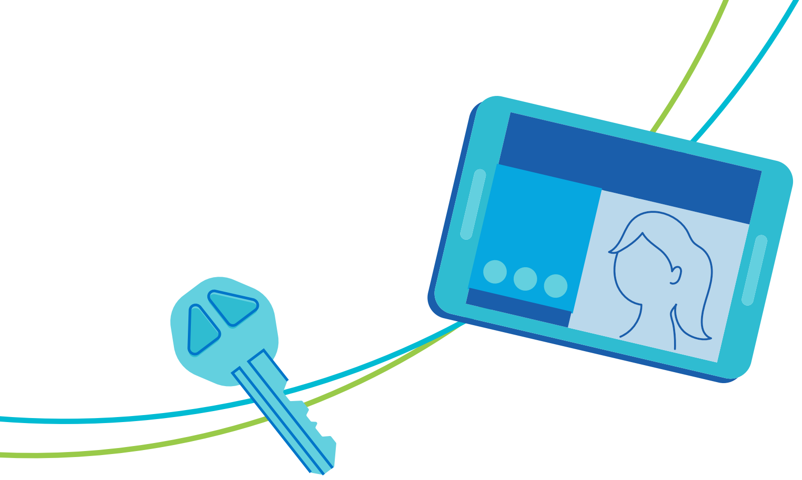
Cebu Air, Inc. generated gross revenues of ₱61.90 billion for the year ended December 31, 2016, 9.6% higher than the ₱56.50 billion revenues earned last year

capitalized because of the completion of certain construction projects. The Commercial Centers Division posted an 8.0% revenue growth to ₱10.14 billion in 2016 from ₱9.39 billion last year. This was driven by the steady same mall rental revenue growth of 6% as well as the rental revenue contribution of the new malls namely Robinsons Place Las Pinas, Robinsons Place Antique and Robinsons Galleria Cebu. The Residential Division realized revenues stood at ₱7.84 billion in 2016 versus ₱6.70 billion last year, an increase of 17.1%. The Office Buildings Division revenues grew by 23.6% to ₱3.00 billion in 2016 from ₱2.43 billion last year. Such growth is largely due to the new office buildings Cyberscape Alpha, Cyberscape Beta and Tera Tower. The eight existing office buildings likewise posted an average of 16.8% rental revenue growth this year. The Hotels Division registered gross revenues of ₱1.81 billion for the year, slightly up by 0.5% from last year. The Division posted a system-wide occupancy rate of 68% as of December 31, 2016.

Cebu Air, Inc. (CEB) generated gross revenues of ₱61.90 billion for the year ended December 31, 2016, 9.6% higher than the ₱56.50 billion revenues earned last year mainly attributed to the increase in passenger revenues by 9.2% to ₱46.59 billion for the year ended December 31, 2016 from ₱42.68 billion registered in 2015. This increase was primarily due to the 4.1% growth in passenger volume to 19.1 million from last year's 18.4 million resulting from the increase in CEB's fleet from 55 aircraft as of December 31, 2015 to 57 aircraft as of December 31, 2016 and the overall improvement in seat load factor from 82.6% to 86.0%. The increase in average fares by 4.9% to 2,436 in 2016 from 2,323 in 2015 also contributed to the increase in revenues. Cargo and ancillary revenues grew 3.0% and 13.4%, respectively, following the increase in the cargo prices in 2016 and improved online bookings, together with a wider range of ancillary revenue products and services. EBITDAR amounted to ₱23.62 billion, a 19.9% increase from ₱19.70 billion last year, boosted by a 10.4% decline in jet fuel cost. Net income for the year ended December 31, 2016 posted a 122.3% growth to ₱9.75 billion from ₱4.39 billion last year.

Petrochemicals Group (consist of JGSPC and JGSOC) combined gross revenues reached ₱29.07 billion in 2016 as compared to last year's ₱26.78 billion due to higher sales volume from 0.96 million MT in 2015 to 1.15 million MT in 2016. On the other hand, costs and expenses slightly decreased from ₱24.55 billion in 2015 to 24.15 billion in 2016 mainly due to lower naphtha cost. As a result, Petrochemicals Group posted a net income of ₱5.13 billion in 2016 from ₱3.16 billion in 2015, an improvement of 62.4% boosted mainly by higher capacity utilization that matched better market demand.

Petrochemicals Group combined gross revenues reached ₱29.07 billion in 2016 as compared to last year's ₱26.78 billion.



Robinsons Bank generated banking revenues of ₱3.41 billion in 2016, a 14.9% increase from last year's ₱2.97 billion brought about by higher interest income and trading gains for the year. Cost and expenses also increased by 10.2% as the bank continued its expansion, net of the decrease in provision for impairment losses on receivables from ₱244.70 million in 2015 to ₱138.97 million in 2016. As a result, net income for the year ended December 31, 2016 amounted to ₱256.65 million, a 140.6% increase from last year's ₱106.67 million.

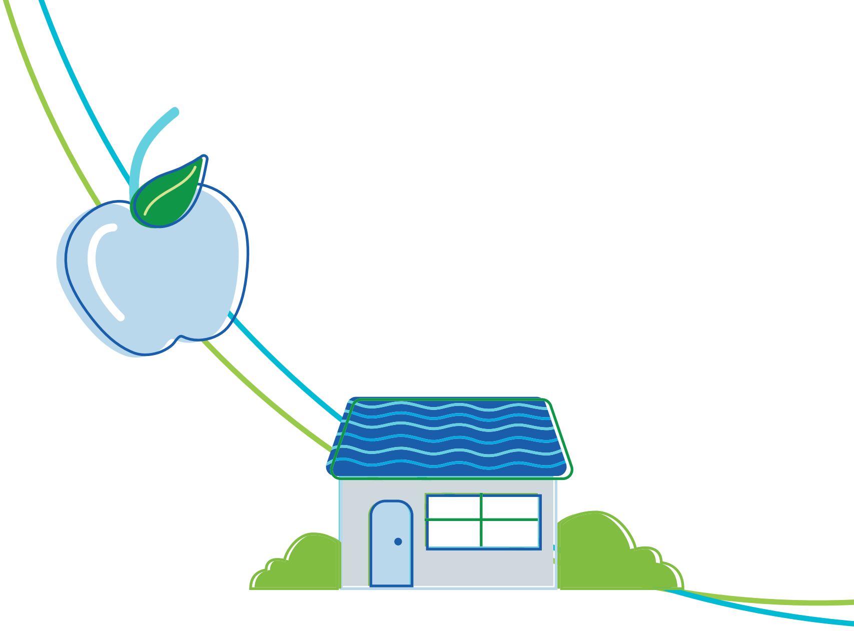
Equity in net earnings of associated companies and joint ventures amounted to ₱8.18 billion for the year ended December 31, 2016, an 11.8% increase from last year's ₱7.31 billion primarily attributable to the 11.3% increase in equity earnings from United Industrial Corporation Limited (UIC) from ₱2.51 billion last year to ₱2.79 billion this year, and the equity earnings take-up from GBP amounting to ₱356.43 million for six months since its acquisition in June 2016. Equity income from Meralco slightly increased by 0.4% to ₱4.98 billion. UIC recorded a 5.6% growth in its net income from operations from S$236.28 million in 2015 to S$249.42 million in 2016. The increase in net income is mainly due to higher residential properties sales and progressive revenue recognition for UIC's residential projects, particularly from V on Shenton and Alex Residences, partially offset by the lower contribution from Thomson Three and Archipelago joint venture residential projects. Since the Company's policy for the valuation of property, plant and equipment is the cost basis method, the equity income taken up by the Company represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets.

Robinsons Bank generated banking revenues of ₱3.41 billion in 2016, a 14.9% increase from last year's ₱2.97 billion

JG Summit
Businesses and Investments

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 Pasig. 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 incomes in the Philippines, Southeast Asia and Australasia. Its largest subsidiary, Universal Robina Corporation, is one of the leading food and beverage companies in the ASEAN and Oceania region, serving well-loved quality products with great value for money. Cebu Pacific is the Philippines' leading airline and one of the fastest growing low-cost carriers in the world with a growing international network reaching Asia, Australia, Middle East and the US, serving millions of Filipino workers, tourists and business travelers with affordable and reliable air transportation. Robinsons Land Corporation is a leading mixed-use property developer engaged in the development and operation of shopping malls and hotels, office and residential buildings, as well as land and residential housing developments, including socialized housing projects located in key cities and urban areas in the country. JG Summit Petrochemicals Group is the first and only integrated petrochemical manufacturing operation in the Philippines, which is from naphtha cracking to polymer operations, serving the requirements of the country's manufacturing sector. Robinsons Bank is a full-service commercial bank serving the banking requirements of its retail consumers, business partners, and the general public via a wide-array of products and services. In addition to these businesses that are majority-owned and managed, JG Summit also has significant minority position in the Philippines' largest telecoms company – PLDT, Inc., its largest electricity distributor – Manila Electric Company, Singapore's leading property developers – United Industrial Corporation/Singapore Land, and most recently, the largest independent power producer in the Visayas and Mindoro region – Global Business Power Corporation.

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

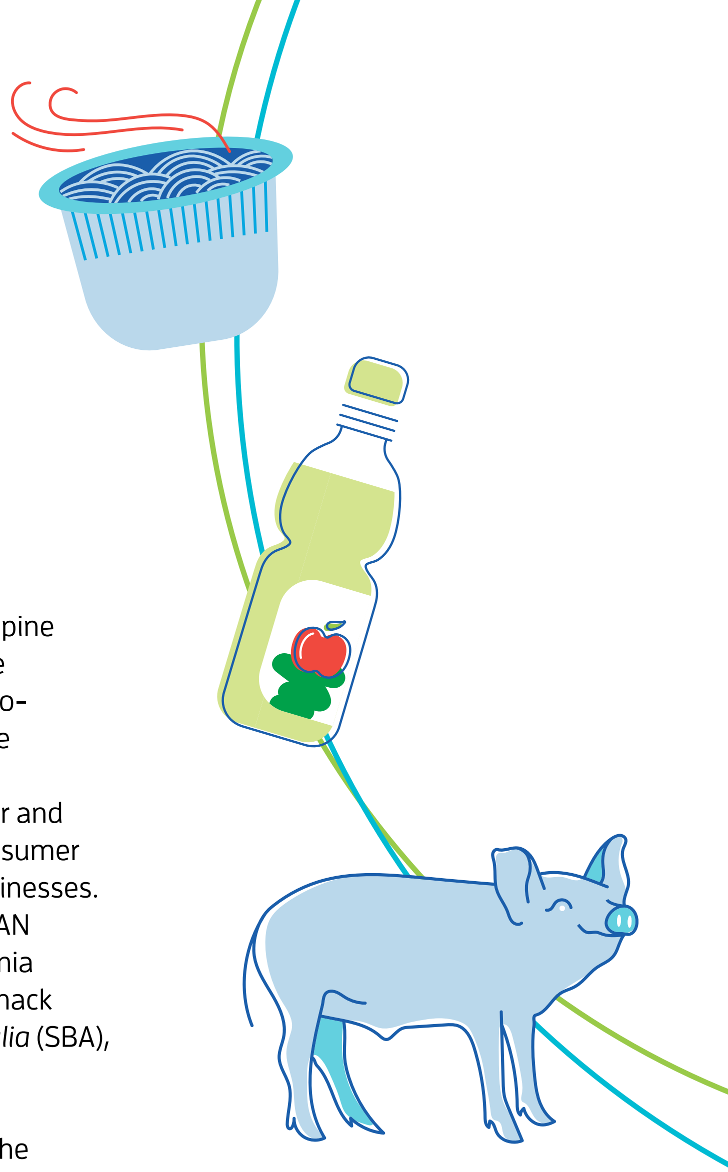
JG Summit strengthens presence in power sector through GBP

In a move to expand and further strengthen the company's presence in the power sector, JG Summit acquired 577,206,290 shares of **Global Business Power Corporation (GBP)** consisting of 423,284,613 shares from GT Capital Holdings, Inc. and 153,921,677 shares from Meralco PowerGen Corporation, for a total 30% ownership in the company.

GBP is a leading independent power producer in the Visayas region and Mindoro island with a combined gross maximum capacity of 854 MW comprising 846.5 MW of power supplied to the Visayas grid and 7.5 MW of power supplied within Mindoro island.

GBP's largest clean coal-fired power plants, with a total capacity of 314 MW, are located in Iloilo City and are operated by Panay Energy Development Corporation. The second largest power generation facility is the 264 MW clean coal-fired power plant in Toledo City operated by Cebu Energy Development Corporation. GBP's other power generation facilities consist of a total of 142 MW coal facilities and a total of 152 MW fuel oil facilities. GBP's main new development project is a 670 MW coal-fired plant in La Union, Pangasinan.

Universal Robina Corporation



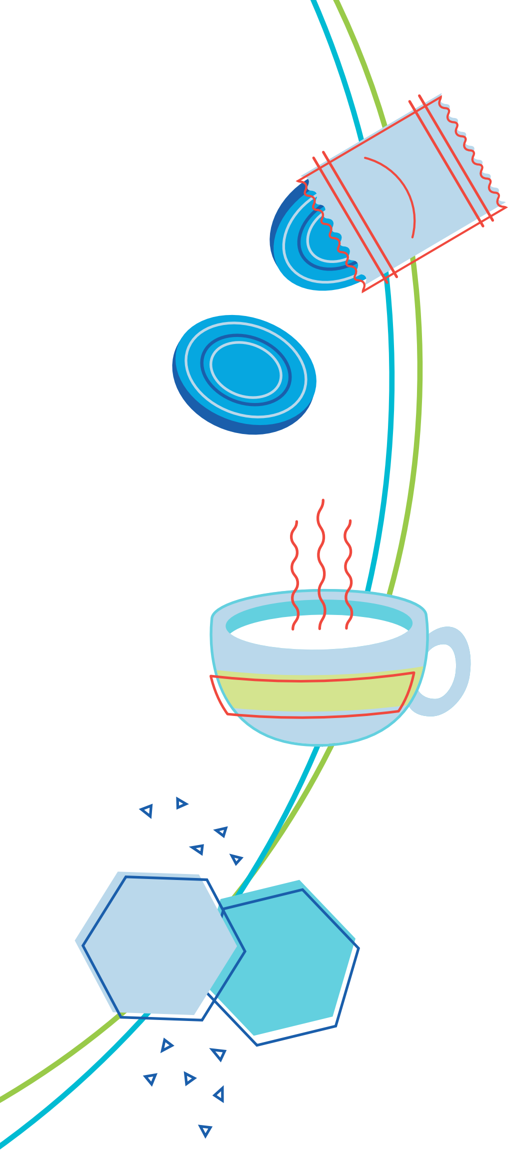
Universal Robina Corporation (URC), the "first Philippine multinational", is one of the leading food and beverage companies in Southeast Asia and a major player in agro-industrial, commodity and renewable businesses in the Philippines.

In 1950's, URC started as a cornstarch manufacturer and then eventually branched out to enter the branded consumer foods (in 1960's) and commodities (in 1970's-80's) businesses. Today, URC has established strong position in the ASEAN markets, and was able to expand its reach to the Oceania region through its acquisition of *Griffin's*, the leading snack foods player in New Zealand, and *Snack Brands Australia* (SBA), the second largest player in Australia.

The **Branded Consumer Foods Group (BCFG)** continuously grows its international presence in both the ASEAN and Oceania markets with its manufacturing facilities in Vietnam, China, Thailand, Malaysia, Indonesia, Myanmar, New Zealand and Australia, and trading offices in Hong Kong and Singapore.

Alongside its geographic expansion, URC was able to develop its own set of brands and product portfolio. BCFG banners the Jack 'n Jill megabrand, which houses well-loved snack foods brands like *Piattos, Chippy, Magic, Cream-O, Maxx,* and *Cloud 9*. *Jack 'n Jill* also launched innovative new brands like *Mang Juan* and *Fun-O*. And through its co-branding partnership with *Calbee*, the largest snacks maker in Japan, it has 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 domicile market, URC is the market leader in 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.



Premium brands were also added into URC's portfolio through its acquisitions such as *Griffin's* and *Nice & Natural* from Griffin's Foods, and *Kettle, Thins, CC's* and *Cheezels* from SBA.

URC has a strong presence on its beverage categories with the success of *Great Taste* and *C2 Cool & Clean*. *Great Taste* has become one of the leaders in coffee business innovation through its launch of *Great Taste White*, which is now the number one brand in the white coffee format. While *C2*, being the first of its kind in the Philippines, has become the cornerstone for the entire RTD tea market and is now the largest player in the Philippines in RTD Tea.

URC's joint venture with Danone, added a new brand into the portfolio - *B'lue*, which provides a water plus drink particularly for the millennials.

The **Agro Industrial Group (AIG)** provides live animals (hogs and chicken), premium meat cuts and eggs, high quality feeds, and veterinary medicines, making it one of the biggest agro-industrial business players in the Philippines.

AIG is focused and known in providing Total Agri-Solution and farm management expertise, including state-of-the-art diagnostic capability, to its customer-partners. Its strategy has evolved to a "Farm to Fork" model that ensures high quality products in every aspect of its value chain – from animal husbandry to value-added meat products. AIG farms (both piggery and poultry) are all GAHP-certified (Good Animal Husbandry Practice) and its produce (meats and eggs) are "*no-hormone-and-antibiotic-residue-free*"-certified. AIG's Robina Farms brand – "*Robina raised, Family safe products*", embodies these high-level of standards that enabled the business to aggressively capture the quality-conscious segment.

The **Commodity Foods Group (CFG)** is engaged in flour milling, pasta production and distribution under the URC Flour Division, as well as in 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.

URC 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 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	• Instant Coffee (Pure Soluble and 3 in I Mixes) • Creamer

Joint Ventures

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

Danone Universal Robina Beverages, Inc. 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.

Agro-Industrial Group

Robina Farms Poultry breeds and grows day-old pullet, layer chicks, and premium table eggs.

Robina Farm Hogs breeds and sells live pigs, fresh meat cuts and carcasses.

URC Feeds manufactures and distributes animal feeds for hogs, poultry and game fowl, dog food and other specialty feeds.

URC Veterinary Drugs manufactures, distributes and sells a wide range of high-quality animal health products.

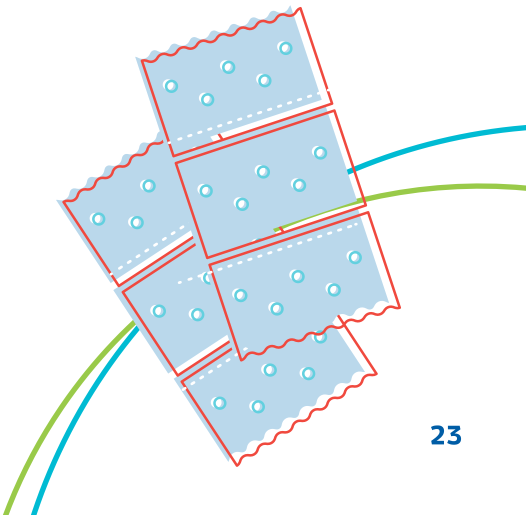
Commodity Foods Group

URC Flour Division produces and distributes hard, soft 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

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 snack foods: *Blend 45* and *Great Taste* coffee, *C2* ready-to-drink tea, and many other favorites. URC further expanded its portfolio with premium brands from its joint ventures and acquisitions.

» **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. *Great Taste White* remains to be the number one brand in the white coffee format.

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

» **URC** entered the ready-to-drink market in 2004 with *C2 Green Tea*. Originally available in lemon and green tea flavors, *C2* was a runaway success, creating the RTD Tea market in the Philippines. *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 a strong player in the RTD tea category in Vietnam. 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, Vietnam, Myanmar and New Zealand, the company has added new facilities in Australia through the acquisition of SBA.

» **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 are value-for-money offerings to the consumers.

» **URC** supports the livestock industry with Robina Farms, which raises hogs and poultry; URC Feeds, which provides a variety of feeding and nutritional needs for them; and URC Veterinary 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 2016, URC has a combined capacity of milling 35,500 tons of sugar cane and 33,000 bags of refined sugar per day. With the acquisition of Balayan Sugar Mill in February 2016 and increased capacity of its existing mills, URC is now the largest sugar producer of 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, which is located in Manjuyod, Negros Occidental, produces fuel grade anhydrous ethanol suitable for gasoline blending using sugar molasses as feedstock. It has a capacity of 100,000 liters per day. This plant was commissioned last November 2014 and supplies ethanol requirement to big oil companies. The 46MW Biomass Fired Power Cogeneration plant in Negros Occidental, which started its installation in 2014 has 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.

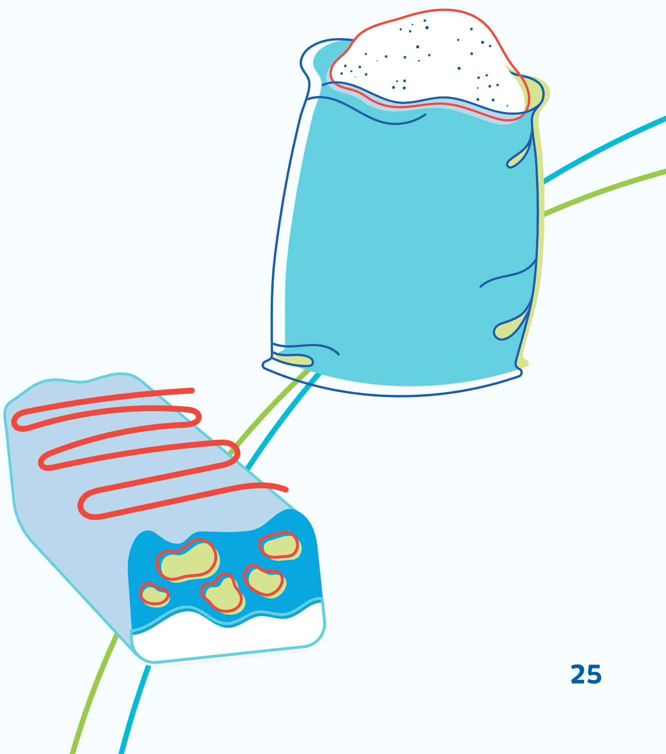
» **URC's** investment license for Myanmar was approved last April 2013. The company has formed a 95-5 joint venture in favor of URC. Currently, URC Myanmar sells biscuits produced from URC Thailand, and wafers, biscuits and salty snacks manufactured from its own factory. The company has also established a stronger distribution system with a new partner that has four branches across the country.

» **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 has augmented the company's supply for wrapped snacks and bars given the growing demand for products that are anchored on health, wellness and nutrition. In 2016, Griffin's was introduced to Asia particularly in countries, namely Singapore, Hong Kong, the Philippines and Thailand. This will be progressively launched to Malaysia and Indonesia in 2017.

» **URC** has entered into a 50-50 joint venture 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 joint venture 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** has completed its acquisition of Consolidated Snacks Pty Ltd which trades under the company name Snack Brands Australia last September 2016. SBA is the second largest salty snacks player in Australia and one of the most preferred suppliers and partners of major Australian retailers. The consolidation of Griffin's and SBA will enable URC to build a profitable and more dynamic snacking business in the Oceania region.



URC acquired Consolidated Snacks Pty Ltd (Snackbrands), Australia's second largest salty snacks company

Last September 30, 2016, URC closed the transaction to acquire 100% of the shares in Consolidated Snacks Pty Ltd that trades under the company name Snackbrands Australia (SBA). Like URC, SBA is a leading organization with well-known and loved brands, operationally efficient and driven by a strong management team. It is the second largest player in salty snacks with a total market share of close to 30% and has a wide portfolio of chips including iconic brands like *Kettle*, *Thins*, *CC's* and *Cheezels*. SBA is also a preferred private label supplier and partner of the major Australian retailers. With continuous efforts of innovation, customer focus and operational efficiency, it has grown topline at a compounded annual growth rate of 7.4% in the past four years while EBITDA has grown 32.6% over the same time frame.

With this acquisition, URC plans to create a wider footprint in Oceania with SBA providing a solid anchor in the highly competitive Australian FMCG and retailing market. The addition of SBA into the URC organization will also further enhance the innovation capability of the total organization and reinforce our thrust on premiumisation given emerging global consumer trends on indulgence, health, wellness and nutrition. The categories of SBA, URC and Griffins are fully complementary and will offer a wider range of on-trend, on-the-go, ready-to-eat snacking categories (e.g. biscuits, wrapped snacks and salty snacks).

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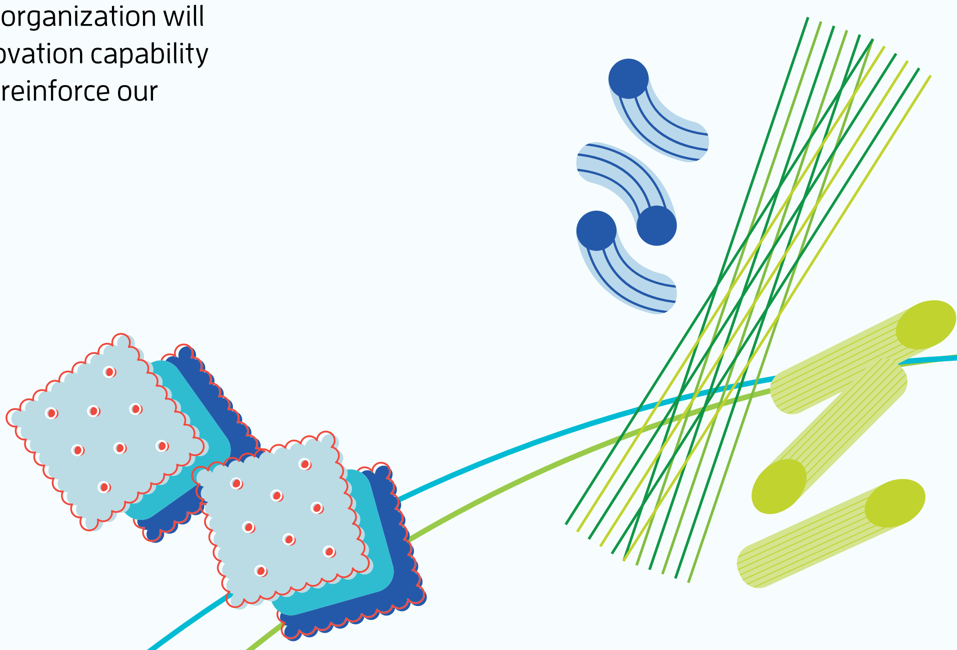

URC's Purposeful Transformation

As URC embarks on its journey to become one of the premiere food and beverage companies in Asia and Oceania, it is incumbent to start harnessing and embracing sustainability as part of URC's core strategy. We do this to ensure continued business growth and guarantee that we stay relevant as an organization with a clear purpose to all our stakeholders. URC is already faced with growing expectations from its stakeholders given the changing landscape and shifting consumer behavior. Responding to stakeholder expectation will inevitably recalibrate URC's business to include meaningful impacts, such as how responsibly we use resources today in a way that maintains sufficient supplies in the future, how adequately we respond to issues like climate change, how we innovate as consumer behavior continues to shift towards emerging trends on health and wellness, and how accountable URC as a publicly listed company.

In 2016, we've embarked on a journey to understand where we are with our environmental, social and governance (ESG) performance. This started out with a benchmarking exercise against our industry peers to learn from their best practices and to help us understand the most impactful elements within our sector. We went through our first stakeholder engagement process which allowed internal and external stakeholders to share their views and expectations of our sustainability performance. We also conducted our first sustainability materiality assessment, which led us to our main ESG priority areas that we will commit to in the long run which includes Resources, People, Products, Supply Chain, and Economic Aspects. These focus areas will be integrated to URC's corporate strategy which will address existing gaps in the company to become fully compliant to the Environment, Social, and Governance requirements.

Starting this year, URC will begin to address its committed ESG key focus areas and we will be releasing our first Sustainability Report aligned with the latest standards of Global Reporting Initiative (GRI) which is the gold standard of sustainability reporting that will consistently communicate who we are as a company to our stakeholders. Achieving our ESG goals will be a long journey for the company but this will redefine our identity and our purpose to society.

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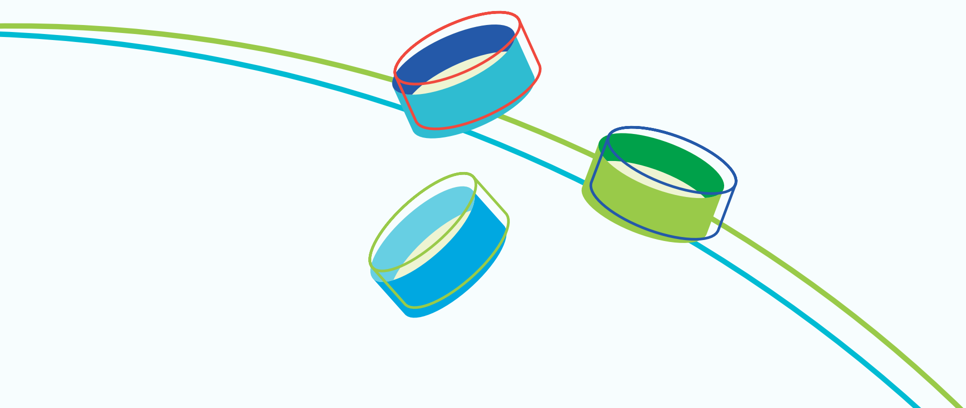
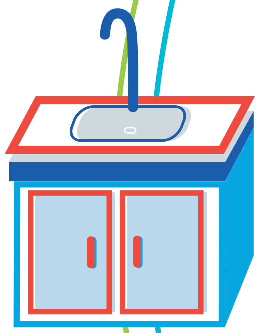
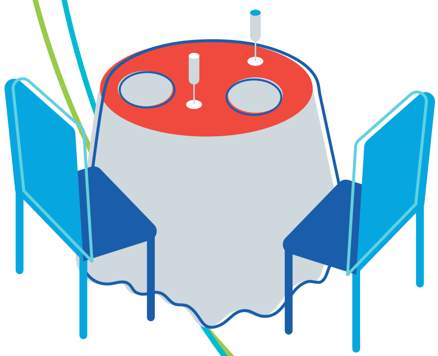


Robinsons Land Corporation





ROBINSONS LAND CORPORATION

YOUR DREAMS, OUR FOUNDATION.

Robinsons Land Corporation (RLC) is one of the Philippines' leading real estate developers in terms of revenues, number of projects and total project size. It is engaged in the development and operation of shopping malls 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, Robinsons Magnolia* and *Robinsons Cybergate Complex* which integrate shopping malls, office buildings, hotels and/or 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 every Filipino.

RLC's operations are divided into four business divisions:

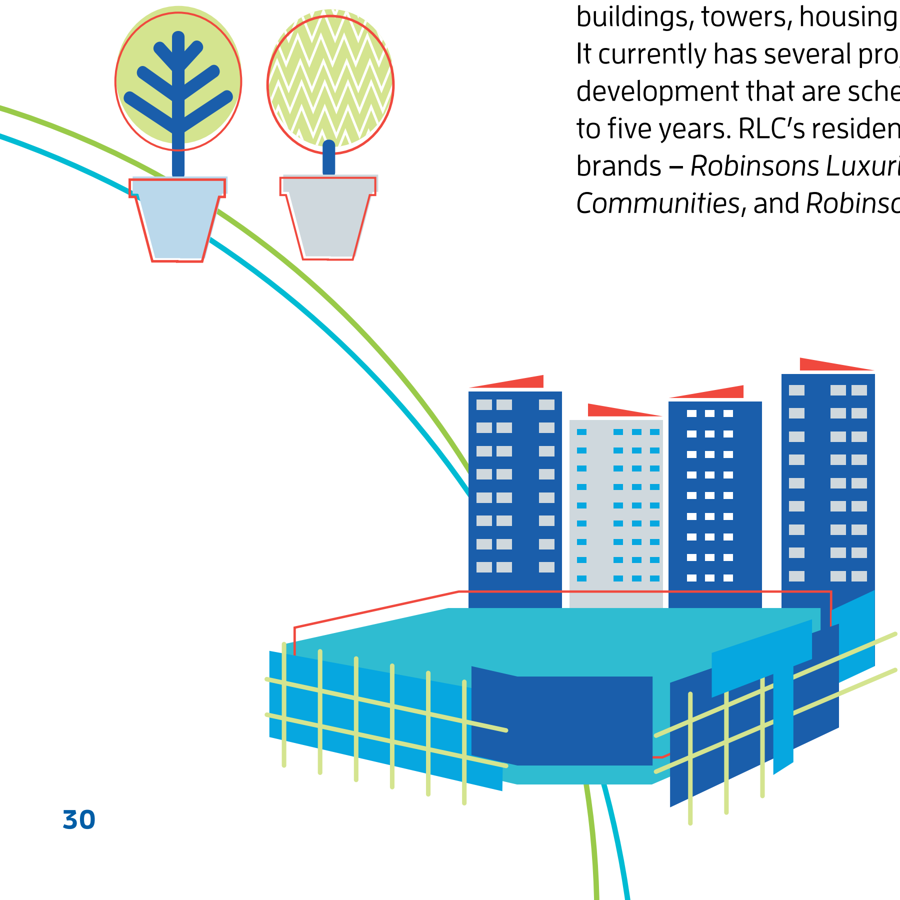
The ***Commercial Centers Division*** develops, leases and manages shopping malls throughout the Philippines. As of December 31, 2016, RLC operates 44 shopping malls, with nine malls in Metro Manila and 35 malls in other urban areas throughout the Philippines.

The ***Office Buildings Division*** develops office buildings for lease. As of December 31, 2016, this division had 13 office developments, 10 of which are located in Metro Manila, two in Cebu and one in Ilocos Norte. These office projects are primarily developed as investment properties and leased out to tenants by the company.

The ***Hotels Division*** owns and operates hotels all over the country. As of December 31, 2016, RLC's Hotels Division currently has a portfolio of 15 hotel properties, under three brand segments:

- **Internationally branded hotels** (*Crowne Plaza Manila Galleria* and *Holiday Inn Manila Galleria*)
- **Summit Hotels** (*Summit Circle Cebu, Summit Ridge Tagaytay* and *Summit Hotel Magnolia*)
- **Go Hotels** (*10 Go Hotels* in Mandaluyong, Palawan, Dumaguete, Tacloban, Bacolod, Otis, Iloilo, Ortigas Center, Butuan and Davao)

The ***Residential Division*** develops and sells residential developments including low-, mid-, high-rise condominium buildings and housing divisions. As of December 31, 2016, RLC's Residential Division completed 79 residential condominium buildings, towers, housing projects, and had 27 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** 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 2016, RLC has 17 mixed-use developments.

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

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

» **RLC** is the second largest mall developer in the country in terms of number of malls spanning 1.28 million sqm of gross leasable area with an occupancy rate of 94% as of December 31, 2016.

» **RLC** is one of the leading office space providers in the country with 325,000 sqm of leasable space from its 13 office developments as of December 31, 2016. Major office tenants are the BPO companies which occupy 75% of the total office space.

» **RLC** is a leading owner and operator of hotels in the Philippines with a total of 2,357 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 consecutive years,** 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 gross flow area of approximately 220,000 sqm which will be used for residential projects with a minor commercial component. This is RLC's first foray into the international real estate market.

» **In 2016,** RLC took the lead in ecological sustainability by harnessing renewable energy to become the country's biggest producer of solar power for self-consumption with the installation of solar power facilities in 10 of its malls.

RLC's Growth Momentum Sustained in 2016

The success of its real estate projects has earned Robinsons Land the distinction of being the IAIR (International Alternative Investment Review) Awards' Company of the Year in Property Development. RLC sustained its growth momentum and continued to expand its malls, offices, hotels and residential businesses.

During the year, RLC opened three new malls namely *Robinsons Place Tagum, Robinsons Place General Trias, and Robinsons Place Jaro*, in response to strong demand for well-conceptualized commercial spaces. Due to the success of its operating malls, RLC also expanded Robinsons Place Ilocos and Robinsons Place Tacloban to provide a greater selection and more services for its customers.

As of the end of the year, RLC had 44 malls around the country with a total gross floor area of 1.28 million square meters. This year, it is planning to open four more malls and expand two existing malls.

In 2016, RLC also teamed up with a private transport operator to launch The Lingkod Pinoy Bus Liner, its Point-to-Point (P2P) premium bus service for a convenient, quicker, more comfortable and pleasant ride to select destinations for its mall patrons and the riding public. The P2P bus terminals are located within the mall's compound, making it highly accessible to commuters.

As a testament to how well the company develops its malls to serve the needs of Filipino shoppers RLC continues to reap awards for its various commercial centers.

Robinsons Place Malolos was named by the Philippine Retailers Association as the shopping mall of the year, small category; Robinsons Malls Lingkod Pinoy Center (RMLPC) bagged the Quill Award for Excellence, Non-Profit campaign category; the Robinsons Malls App got the Quill Award for Excellence, Digital Communications category; while *Robinsons Place Bacolod*'s 'Maskara at the Mall' was given the Quill Award of Merit for special events, communication skills category.

Conscious of its role in helping preserve the environment, RLC spearheaded the installation of solar panels on its malls to tap into a renewable source of clean energy, thus reducing its carbon footprint. So far, it has installed solar panels in 10 malls, of which eight were completed in 2016, for a total yield of 14.58 million kilowatt hours. This would have required 265,479 trees to clean up the 10,244 tons of carbon dioxide that would have been released into the air.

Already one of the biggest landlords to the IT-BPM sector, RLC completed two more office developments in 2016 within its mixed-use complexes in Cebu and Ilocos Norte which expanded its office portfolio to 13 office developments spanning 325,000 square meters. It also broke ground on the *Exxa* and *Zeta Towers* in the *Bridgetowne* complex to add 70,000 square meters of leasable space to its portfolio. Both towers are LEED Silver Pre-Certified by the US Green Building Council and registered with the Philippine Economic Zone Authority.

As of end 2016, RLC's Residential Division has completed 79 residential condominium buildings/towers/housing projects, and had 27 projects in various stages of 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.

In the upscale residential segment, Robinsons Luxuria started the construction of *The Residences at The Westin Manila Sonata*

Conscious of its role in helping preserve the environment, RLC spearheaded the installation of solar panels on its malls, thus reducing its carbon footprint.

Place while Robinsons Residences launched the *Galleria Residences* that will be fully integrated within the *Robinsons Galleria Cebu* Complex.

Robinsons Communities also sustained community-building in areas positioned to be preferred by start-up families for their first home. The second towers of both *Acacia Escalades* in Pasig and *Axis Residences* in Pioneer, Mandaluyong have been launched while construction of *Chimes Greenhills* along Annapolis Street is progressing as scheduled.

Meanwhile, Robinsons Homes launched *Brighton Bacolod*, a 22-hectare residential subdivision in Barangay Estefania, Bacolod City.

Overseas, RLC acquired through a government public bidding an 8.5-hectare land in Chengdu, China intended for a residential development with a minor commercial component. The masterplan has been approved by the Chinese government and RLC aims to start pre-selling in 2018.

For its hotels business, the company opened *Go Hotels Lanang* in Davao which brought the hotel room count of Go Hotels to 1,409.

RLC's Hotels Division now has a portfolio of 15 hotel properties under 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 (*10 Go Hotels* in Mandaluyong, Palawan, Dumaguete, Tacloban, Bacolod, Otis, Iloilo, Ortigas Center, Butuan and Davao).

In addition, Roxaco-Vanguard Hotels Corporation, a franchisee of Go Hotels, officially opened in 2016 the *Go Hotels Manila Airport Road*, the first of five Go Hotels slated to open in Metro Manila under the franchise.

Cebu Pacific

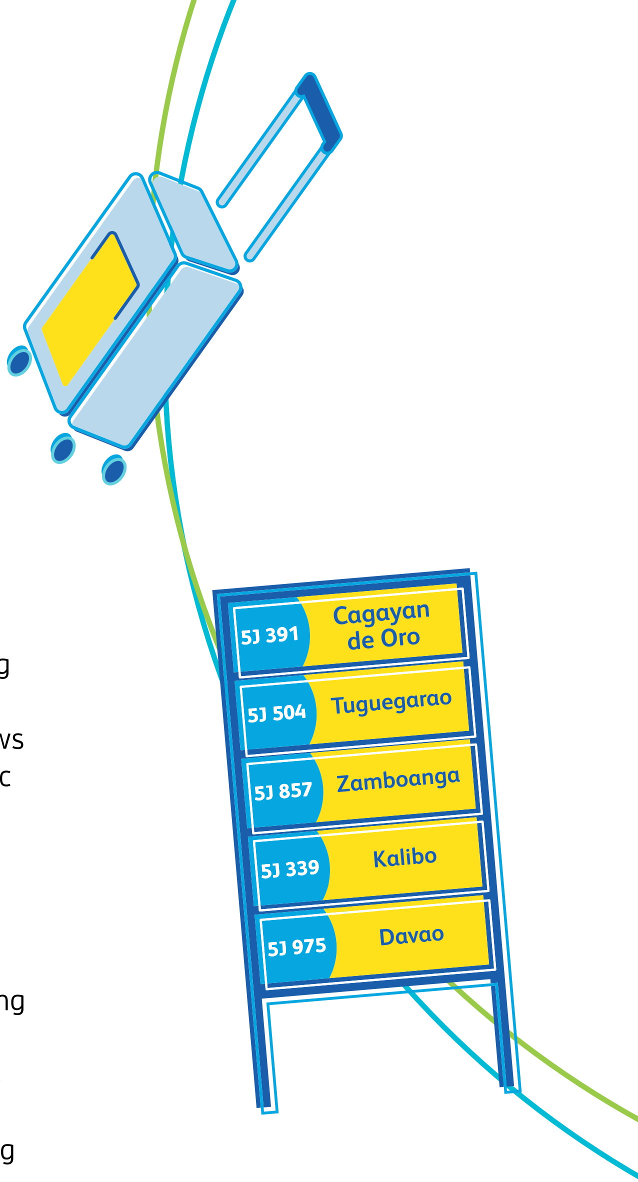
Cebu Air, Inc. or Cebu Pacific (CEB) is the Philippines' leading airline and one of the fastest growing low-cost carriers in the world. It has a unique low-fare, great-value strategy that allows travelers to enjoy year-round affordable flights to 36 domestic and 30 international destinations. CEB uses a tiered pricing system that provides low fares through advanced bookings, making air travel a truly viable option for the Filipino.

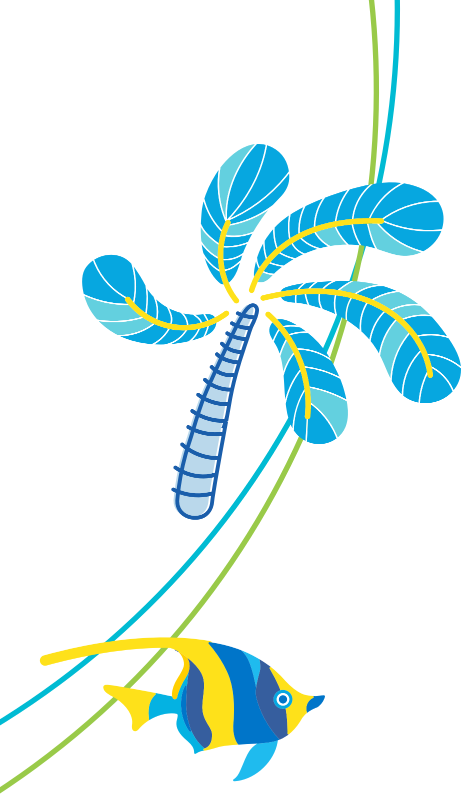
CEB pioneered many firsts in the Philippine aviation industry—innovations such as e-ticketing, web and mobile check-in, self check-in kiosks, seat selection and online booking through www.cebupacificair.com.

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, CEB Group operates an extensive route network serving 59 domestic routes and 43 international routes with a total of 2,820 scheduled weekly flights as of December 31, 2016. It has three principal distribution channels: the Cebu Pacific website; direct sales through booking sales offices (reservations call center and government/corporate client accounts); and third-party sales outlets. CEB Group operates from seven hubs: the Ninoy Aquino International Airport (NAIA) Terminal 3 and Terminal 4 both located in Pasay City, Metro Manila; Mactan-Cebu International Airport located in Lapu-Lapu City, part of Metropolitan Cebu; Diosdado Macapagal International Airport (DMIA) located in Clark, Pampanga; Davao International Airport located in Davao City, Davao del Sur; Iloilo International Airport located in Iloilo City, regional center of the western Visayas region; and Kalibo International Airport in Kalibo, Aklan.

As of December 31, 2016, CEB Group operates a fleet of 57 aircraft comprised of four Airbus A319, 36 Airbus A320, seven Airbus A330, eight ATR 72-500 aircraft and two ATR 72-600. CEB Group's fleet is one of the youngest in the world, with an average age of 4.91 years. To support its growth requirements, the CEB Group will take delivery of 35 aircrafts over the course of the next three years.





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 as of the second quarter of 2016 is 58.5% and its competitive performance index (CPI) for the year posted at 1.05, which means the group's market share remains higher than it's capacity share. Its CPI remains the highest among the domestic players in the Philippines.

CEB Group continued to grow in the international market with 20.2% market share based on first half 2016 CAB data, with Hong Kong, Singapore, and China as the largest markets. Last March 15, 2016, CEB started flying four times weekly service to Guam, its first US destination.

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

Domestic Destinations

- Bacolod
- Boracay (Caticlan)
- Busuanga (Coron)
- Butuan
- Cagayan de Oro
- Calbayog
- Camiguin
- Cauayan (Isabela)
- Cebu
- Clark
- Cotabato
- Davao
- Dipolog
- Dumaguete
- General Santos
- Iloilo
- Kalibo
- Legazpi
- Laoag
- Manila
- Naga
- Ormoc
- 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, 2016, CEB has a network of nine organic booking offices located throughout the Philippines and two regional booking offices, one in Hong Kong and another in Seoul, South Korea.

» **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.

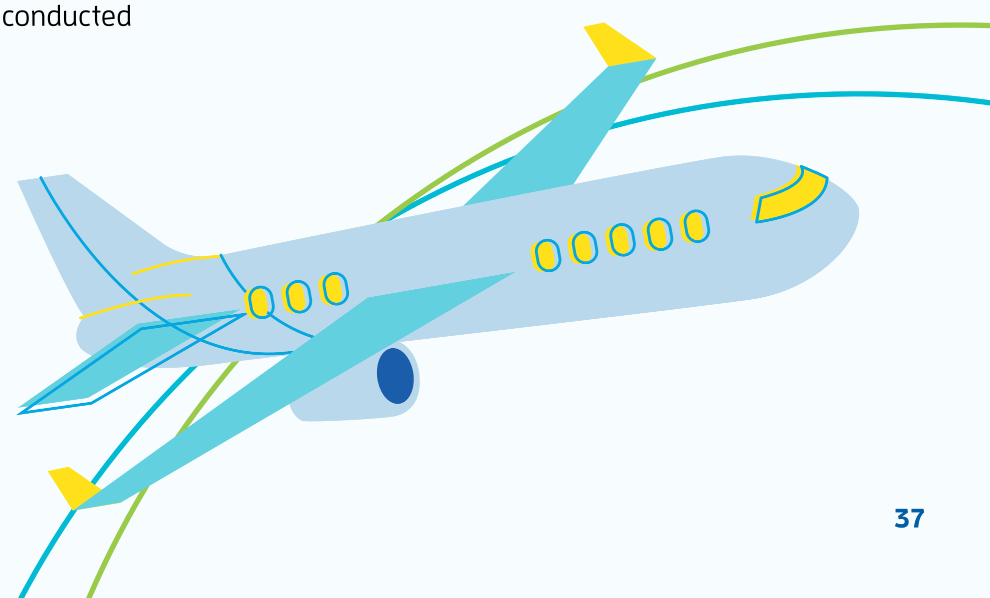
» **On October 26, 2010**, the Company's common stock was listed with the Philippine Stock Exchange (PSE), the Company's initial public offering.

» **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.

» **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.

» **On May 16, 2016**, CEB, together with seven other market champions in Asia Pacific, , announced the formation of the world's first, pan-regional low cost carrier alliance, the Value Alliance. CEB, Jeju Air (Korea), Nok Air (Thailand), NokScoot (Thailand), Scoot (Singapore), Tigerair Singapore, Tigerair Australia and Vanilla Air (Japan) will deliver greater value, connectivity and choice for travel throughout Southeast Asia, North Asia and Australia, as the airlines bring their extensive networks together. The Value Alliance airlines collectively fly to more than 160 destinations from 17 hubs in the region.

» **On November 9, 2016**, CEB opens its regional office in Korea as part of its regional promotion and expansion. The Korea branch office will provide tickets sales, reservations, cargo services and customer support. It will aid in boosting the airline's promotion and marketing strategies in Korea.

» **On November 28, 2016**, CEB signed a Government Fares Agreement with Procurement Service, an attached agency of Department of Budget and Management. This Procurement Service administers the Philippine Government Electronic Procurement System (PhilGEPS), the agreement that entitles government employees discounted fares on official business trips.

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 5th in net profit and 8th in operating profit in a list of international low-cost carriers including USA's Southwest Airlines and Europe's Ryanair.

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

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

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

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

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

Cebu Pacific scores in flying every*Juan*

Cebu Pacific marked 20 years—two decades or a score of aviation service, with a new look and new livery. Its brand-new Airbus A320 aircraft, delivered from the Airbus factory in Toulouse, France, was dressed in new livery that showcased a fresher, cooler look embodying the Philippines' natural canvas and showcases the shades of the country's land, sea, sky, and sun. CEB also welcome a new addition to its fleet, the ATR 72-600 High Capacity aircraft, with a 78-seat capacity that allows for lower unit seat costs, enabling CEB to pass on the benefits through lower fares to its customers. CEB also took delivery of a new Airbus A330-300 aircraft, just in time for the holiday peak season.

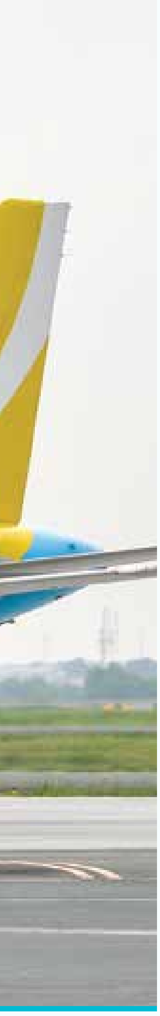
Ending 2016 with a fleet of 57 aircraft, composed of four Airbus A319, 36 Airbus A320, seven Airbus A330, eight ATR 72-500, and two ATR 72-600, CEB has one of the youngest aircraft fleets in the world, with an average age of 4.91 years.

CEB has expanded its flight network to 36 domestic and 30 international destinations through 102 routes spanning Asia, Australia, the Middle East, and the USA, flying more than 2,820 flights weekly. Aircraft movement across the Philippines was made easier as CEB operates

From a fleet of four McDonnell Douglas DC-9-30 planes, Cebu Pacific has grown into the Philippines' leading carrier, with the widest route network across the archipelago.

out of six strategically-located hubs— Manila, Cebu, Clark, Davao, Kalibo and Iloilo. There are nine destinations across the Philippines where CEB maintains sole commercial air service—Cauayan, Isabela; San Jose, Occidental Mindoro; Virac, Catanduanes; Ormoc City; Camiguin; Pagadian City; Tandag, Surigao del Sur; Tablas, Romblon; and Tawi-Tawi.

In 2016, CEB, through Cebgo, also started operating daily flights between Manila and Masbate. CEB also expanded its route coverage in the Visayas through daily flights between Cebu and Ormoc; Cebu and Roxas; and four times weekly between Cebu and Calbayog. Flight frequencies were also increased in Virac, Tagbilaran, Puerto Princesa and other destinations—as demand for air travel picked up.



Cebu Pacific launches its four times weekly flights to and from its first US destination, Guam. The airline is proud to be the only low cost carrier operating the said route.

Cebu Pacific partners with UNICEF to help millions of vulnerable children in the Philippines through the Change for Good program. CEB proudly holds the title as the only airline partner of the UN children's agency in Southeast Asia.

CEB also ramped-up its international presence—with the launch of direct service between Kalibo, Aklan to Incheon, South Korea. 2016 also marked a milestone for CEB with the launch of its first destination on United States territory, Guam—the only low-cost carrier plying this route.

In 2016, CEB carried flew 19.13 million passengers, up 4.1% from the 18.38 million flown in 2015. Since its inception, CEB has flown over 120 million passengers, with market share at about 57%, on the back of higher passenger volume and a healthy load factor of 86%. Growth in passenger volume was largely driven by the airline's low-cost short-haul services, and increased frequencies in key domestic markets.

Along with seven other market champions in Asia Pacific—Jeju Air, Nok Air, NokScoot, Scoot, Tigerair Singapore, Tigerair Australia and Vanilla Air, CEB (including wholly owned subsidiary Cebgo), created Value Alliance, the world's largest low-cost carrier (LCC) alliance. Value Alliance allows customers to view, select and book the best-available airfares on flights from any of the airlines in a single transaction, directly from each partner website, giving greater value, connectivity and choice for travel throughout Southeast Asia, North Asia and Australia.

From a fleet of four McDonnell Douglas DC-9-30 planes, CEB has grown into the Philippines' leading carrier, with the widest route network across the archipelago. Today, CEB is the third largest low-cost carrier in Asia, and the 22nd in the world, well on track to attaining its mission to become the most successful low-cost carrier in the world.

JG Summit Petrochemicals Group

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 (JGSPC) 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 US$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 its world-class quality PE and PP resins under the brand name EVALENE™. EVALENE™ is a dominant player in the local resins market, and is distributed by reputable trading partners in more than 30 countries all over the world.

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** 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 Polyethylene** grades combine outstanding toughness, stretchability and good processability, making EVALENE® LLDPE a good choice for flexible packaging and film extrusion applications.

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

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

About JGSOC

JG Summit Olefins Corporation (JGSOC) 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 and mixed C4, 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 awarded pioneer status by the Board of Investments in 2010. Engineering works for the US$ 800 million naphtha cracker started in 2009, and was completed in 2014. Integrated commercial operations with JGSPC commenced in November of the same year. In 2016, JGSOC was likewise also certified to ISO 9001:2008 and ISO 14001:2004 standards.

With JGSPC's olefins requirement now being primarily supplied by JGSOC, the polymerization facilities are now able to run at much improved rates, thereby ensuring stability in the supply and competitiveness of prices of its PE and PP resins that are widely used by the domestic plastics industry. 2016 has been a banner year for the petrochemical operations, with the cracker having averaged almost 90% running capacity, and with JGSPC selling over 434,000 MT of PE and PP resins, around 73% of which was supplied to the local market. In the coming years, JGSPG looks forward to sustaining maximum run capacities for its petrochemical operations, boost further the supply of both commodity and value-added PE and PP resins for the domestic plastics industry, and thereby continue to significantly contribute to the revival of Philippine local manufacturing.

PHOTO ON RIGHT: Patrick Henry C. Go (5th from left), President and Chief Operating Officer of JGSPG, receives from BOI Managing Head and Trade Undersecretary Ceferino S. Rodolfo (6th from left), the Certificates of Registration during the ceremonial turnover held at the BOI Office in Makati. Others in photo are (from left) Atty. Marvin Jason Bayang, JGSHI Gov't. Relations Manager; Vicky Yap, Manager - URC Strategic and Category Management; Atty. Renato Salud, JGSHI SVP - Gov't. Affairs Group; Napoleon Vasay, JGSPG CFO; BOI Exec. Director Corazon Dichosa; BOI Director Evariste Cagatan; Sonia Zablan, JGSHI VP - Gov't Affairs Dept.; Reynaldo Ganal, JGSPG VP - Finance & Admin; Marion Marasigan, JGSPC Business Research and Dev't. Manager; and Aida Villareal, JGSHI Manager, Gov't Affairs Dept.

JG Summit Petrochemical Corporation's new projects merit pioneer status from BOI

Continuing on its trailblazing efforts towards the further development of the domestic petrochemical industry, JG Summit Petrochemical Corporation received the nod of approval from the Board of Investments (BOI) for the registration of two new projects, namely a Butadiene Extraction Plant and an Aromatics Extraction Plant.

BOI, an attached agency of the Department of Trade and Industry (DTI) and the lead government agency responsible for the promotion of investments in the country, granted pioneer status to JGSPC's projects to build two new manufacturing facilities to produce additional petrochemical products - Butadiene and Raffinate from the Butadiene Extraction Plant, and Benzene, Toluene, Mixed Xylenes and C8+/C9+ from the Aromatics Extraction Plant. These industrial chemical products are used as intermediate materials for a myriad of applications such as for solvents, dyes, paints, foams, plastics and rubbers, among others. JGSPC targets to have these two new projects fully operational by 2021.

In a statement, BOI Managing Head and Trade Undersecretary Ceferino S. Rodolfo welcomed the new investment projects of the company, citing that the JG Summit Petrochemicals Group's initiative in expanding its petrochemical plants is definitely a big boost to the country's manufacturing industry and its subsectors.

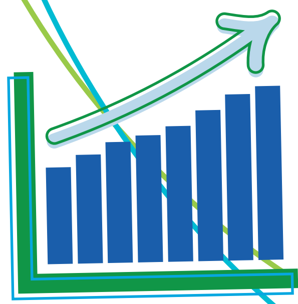
Patrick Henry C. Go, President and Chief Operating Officer of JGSPC, also said that this expansion into new areas of petrochemical production enables the company to deliver on its mission of contributing to nation building and to the industrialization of the Philippines.

The approval of these pioneering projects under the government's 2014-2016 Investment Priorities Plan (IPP) was endorsed by the Department of Science and Technology (DOST). In endorsing the project, DOST cited parameters such as the innovation/novelty of the activity, products, processes or equipment to be developed, the level of technological expertise required, and the impact on increasing the level of science and technology in the Philippines, as reasons for JGSPC's projects to merit pioneer status. DOST's endorsement has therefore allowed both projects to be granted fiscal incentives by the BOI under the 2014-2016 IPP.

JGSPG has also filed with the BOI additional registration applications for three more upcoming petrochemical projects – the expansion of JG Summit Olefins Corporation's existing Naphtha Cracker, the expansion of JGSPC's existing Polypropylene Plant and a new Bimodal Polyethylene Plant, also under JGSPC. Target commercial operations for these projects are also expected to commence by 2021.

Robinsons Bank Corporation

ROBINSONSBANK
A Commercial Bank



Robinsons Bank is the financial services arm of the JG Summit Group of companies. The bank is 60.0% owned by JG Summit Capital Services Corp. and 40.0% owned by Robinsons Retail Holdings, Inc., a listed company since November 2013. Robinsons Bank 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.

Robinsons Bank started as a savings bank in November 1997 amid the backdrop of the Asian financial crisis. In 2002, then Robinsons Savings Bank acquired the branches, its licenses to operate the branches, bank deposits, and auto and mortgage loan portfolios of ABN Amro Savings Bank (Philippines). This acquisition made Robinsons Savings Bank the seventh largest thrift bank during that period. In February 2010, Robinsons Savings Bank acquired the controlling interest of the Royal Bank of Scotland (Philippines). In August of the same year, Royal Bank of Scotland (Philippines) was renamed as Robinsons Bank Corporation. Then by December, Bangko Sentral ng Pilipinas (BSP) approved the merger of Robinsons Savings Bank and Robinsons Bank Corporation, with Robinsons Bank Corporation as the surviving entity. With this merger, Robinsons Bank became the 14th largest amongst commercial banks and the 31st largest bank in the Philippine banking system at that time.

Robinsons Bank is committed to position itself for further business growth and is on the look-out for viable opportunities in the market. In 2012, BSP approved the bank's move to acquire Legazpi Savings Bank (LSB). The acquisition of LSB opens up business lines and grows the target market for Robinsons Bank in the Bicol region. LSB became a wholly-owned subsidiary of Robinsons Bank.

Robinsons Bank aims to be among the largest banks in the country, guided by the bank’s core values, vision, and mission.

Products and Services

Deposit Products

- Peso Savings Account
  - Regular Passbook
  - Tykecoon Kiddie Account
  - Payroll Account
  - ATM Account
- Peso Checking Account
  - Individual Account
  - Corporate Account
- Peso Term Deposits
  - Special Savings Account
  - Time Deposit
- Other Foreign Currency Savings and Time Deposit Accounts
  - US Dollar
  - Euro (EUR)
  - Japanese Yen (JPY)

Consumer Loan Products

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

Commercial Loan Products

- Cash Secured Loan
- Small Business 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
- US$, Euro and Yen TD
- Spot and Forward Foreign Exchange for US$ and Third Currencies
- US$ Sovereign Bonds (ROPs and Sovereign Bonds)
- US$ Corporate Bonds

Trust Products

- Unit Investment Trust Fund
  - Money Market Fund
  - Balanced Fund
  - Tax-Exempt Retirement Fund (A Balanced UITF)
- Escrows
- Retirement Fund Management
- Safekeeping
- Peso/ USD Personal Investments
- Peso / USD Corporate Investments

Trade Services Products

- Import
  - Letter of credit issuance/ amendment (Import/ Domestic/Standby LC/ Bank Guarantee)
  - 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

Cash Management Products

- SME Builder (CheckPro & HRIS)
- Disbursements
  - Payroll Crediting
  - Electronic Crediting
  - Outsourced Manager's Check
  - Outsourced Corporate Check
  - Domestic and Cross-Border Wire Payments
- Collections
  - Reference Account Solution
  - PDC Warehousing
  - Merchant Collection (Bills Payment)
  - Check Collection
- Others - Liquidity Management
- Electronic Banking Services
  - Automated Teller Machine (ATM)
  - Corporate Internet Banking (e2Banking)
  - Retail Internet Banking (RWeb)

Other Banking Services

- Telegraphic Transfer
- Philippine Domestic Dollar Transfer System (PDDTS)
- Real Time Gross Settlement (RTGS)
- Western Union
- OTC Bills Payment
- Foreign Exchange
- Deposit Pick-up Service
- Day and Night Depository Box
- Safety Deposit Box (SDB)
- ATM Guard

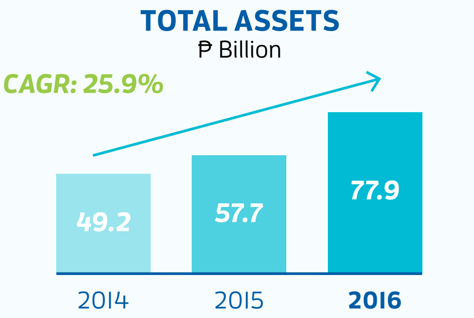
Legazpi Savings Bank

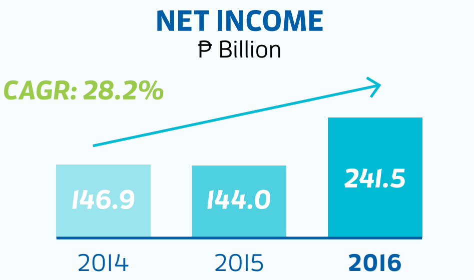
Legazpi Savings Bank (LSB) is a wholly owned subsidiary of Robinsons Bank (Parent Bank). Robinsons Bank acquired LSB in 2012 and since its acquisition, the management pursued housekeeping measures. This include the outright recognition of BSP approved staggered provisions ahead of schedule, as authorized by the Parent Bank. This provided management a head start to turnaround the bank from a loss in 2015 to contribute a positive income of ₱20.9 million, on a consolidated basis to the Parent Bank in 2016.

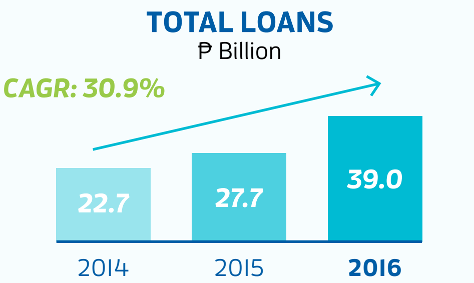
In addition, oversight by the Parent Bank was strengthened by appointment of concurrent officers in the following positions Chief Audit Officer, Head of Human Resources, Legal Unit Head and Chief Security Officer. Then in March 2016, aligned with LSB's Capital Build-Up Plan and Roadmap 2020, the Parent Bank infused additional capital of ₱400.0 million.

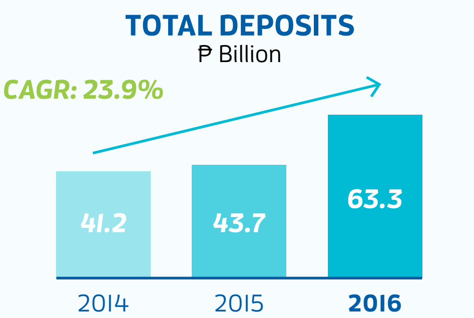
These significant events paved the way for the bank to obtain BSP's approval for the authority to establish regular and micro-banking branches. All in the same year, LSB was able to operationalize both micro-banking offices (MBO), specifically in Goa, Camarines Sur and Calauag, Quezon. The Calauag MBO is the bank's first branch located outside the Bicol region. This will allow LSB to gain traction in CALABARZON which has a huge market potential for the bank's growing teacher's loan and microfinance portfolio. In 2016, the teacher's loan volume jumped 93.1% to ₱500.3 million from ₱259.1 million in 2015. Also adding to LSB's portfolio is the growing microfinance loan volume at ₱59.6 million, 75.3% higher than last year's ₱34.0 million. To date, LSB has 14 branches, including two MBOs with 12 ATMs.

Robinsons Bank is Turning 20!









As Robinsons Bank *GEAR up* for 2017 to celebrate 20 years of financial excellence, expansion continues as the bank reach greater heights. The total resources of the bank grew 35.1% to ₱77.9 billion, outperforming the industry's 12.4%. This growth in total assets is attributable to the bank's core income growth, as asset quality stayed healthy with net non-performing loan (NPL) ratio of 3.0% and NPL cover of 79.7%.

Operational Highlights

Robinsons Bank's strong growth in lending business and robust deposit growth drove the bank's solid performance in 2016. Robinsons Bank sustained its growth momentum and registered a net income of ₱241.5 million, 67.7% higher than last year's net income of ₱144.0 million.

The bank's total loan portfolio grew 40.6% to ₱39.0 billion from ₱27.7 billion in 2015. This was anchored by the 43.6% growth in the bank's Consumer Loans segment to ₱10.9 billion from ₱7.6 billion a year ago, beating the 21.0% industry record.

Likewise, the bank's total deposits jumped 44.9% to ₱63.3 billion from ₱43.7 billion last year, faster than the industry's 14.0% growth, while low-cost deposits expanded by 22.6%.

Key Initiatives

Robinsons Bank Visa Debit Card

Robinsons Bank started issuing its latest product – the Robinsons Bank Visa Debit Card (VDC). The VDC is an EMV (Europay Mastercard Visa) chip-enabled card which makes transactions more secure, allowing cardholders to shop online, dine, and travel with ease and protection.

Robinsons Bank ATM Guard

In June 2016, the bank launched a non-life insurance product to help the depositors recover lost cash withdrawn from ATM in case of theft or robbery.

Robinsons Bank Credit Card
In 2016, to set up the credit card business of the bank, the Cards Business Group was formed. There is a lot in store for its launch in 2017!

Cash Management Services
Various Cash Management Services (CMS) products were rolled out in 2016.

Checkwriter Plus is a complete outsourced solution for printing and releasing checks and BIR Form 2307. This solution frees up valuable client resources related to the disbursement function and supports timely reconciliation of the accounts payable.

Reference Account Facility is a powerful collection product that allows acceptance of collection from any channel, expanding the collection reach of the bank's clients and streamlines their reconciliation process as well by reducing the number of unidentified transactions.

Network Expansion

To bring the services of Robinsons Bank closer to more Filipinos, the bank expanded its branch network by adding 11 branches in 2016, ending the year with 123 branches nationwide.

At the same time, the bank deployed 20 additional ATMs in 2016, ending the year with 213 ATMs nationwide, 127 of which are on-site, while 86 are off-site.

Robinsons Bank is faithful and committed to its Roadmap 2020, the bank's five-year initiative. The achievements in 2016 are testaments to its sustained determination to be among the top banks in the country. Robinsons Bank continue to leverage on people, processes, products, and customer relationships to deliver outstanding results. Robinsons Bank, with its almost 1,400 employees, is confident that it will fulfill its vision to be the ***"Bank of Choice."***

Robinsons Bank Facts

» **Robinsons Bank** started as a savings bank in November 1997.

» **Robinsons Savings Bank** acquired the branches of ABN Amro Savings Bank (Philippines) in 2002.

» **Robinsons Savings Bank** acquired the controlling interest of the Royal Bank of Scotland (Philippines) in February 2010.

» **The Royal Bank of Scotland (Philippines)** was renamed as Robinsons Bank Corporation in August 2010.

» **BSP** approved the merger of Robinsons Savings Bank and Robinsons Bank Corporation, with Robinsons Bank Corporation as the surviving entity in December 2010.

» **Robinsons Bank** acquired Legazpi Savings Bank (LSB) in 2012. LSB is a wholly-owned subsidiary of Robinsons Bank.

» **As of end-2016**, Robinsons Bank remains the 20th largest bank among the commercial and universal banks in the Philippines.

Turning 20 Years in Banking 1997-2017

PLDT, Inc. (PLDT) is the leading telecommunications and digital services provider in the Philippines. Through its principal business groups - fixed line, wireless and others – PLDT offers a wide range of telecommunications and digital 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 over 2.4 million fixed line subscribers and 1.7 million broadband subscribers nationwide as at December 31, 2016. Mobile unit Smart Communications, Inc., together with the other PLDT Group cellular service provider, Digitel Mobile Philippines, Inc. (which offers Sun Cellular), accounts for nearly 63.0 million wireless subscribers.

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 website 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 (SingLand), a well-established property company in 1990, the Group became a major real estate developer with a portfolio of 2.5 million sq ft of office space and 1 million sq ft of retail premise in Singapore. In 2014, Singapore Land Limited was delisted from the Singapore Stock Exchange.

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 Shanghai, Beijing and Tianjin, China and London, UK. The Group is actively pursuing investment opportunities in overseas markets.

An iconic 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 website and filings

Manila Electric Company (Meralco) is the largest private sector electric distribution utility company in the Philippines. It holds a 25-year congressional franchise under Republic Act No. 9209. Meralco provides electricity to over six million customers in 36 cities and 75 municipalities in a franchise area covering 9,685 km^2 that includes Metro Manila, the provinces of Rizal, Cavite, Bulacan and parts of the provinces of Pampanga, Batangas, Laguna and Quezon. The franchise covers the core of the country's industrial, commercial, and population centers.

The power segment, primarily power distribution, consists of operations of Meralco and its subsidiary, Clark Electric Distribution Corporation (CEDC) that is a registered private distribution utility serving exclusively within its franchise area including the Clark Freeport Zone and the sub-zone as determined pursuant to Presidential Decree No. 66.

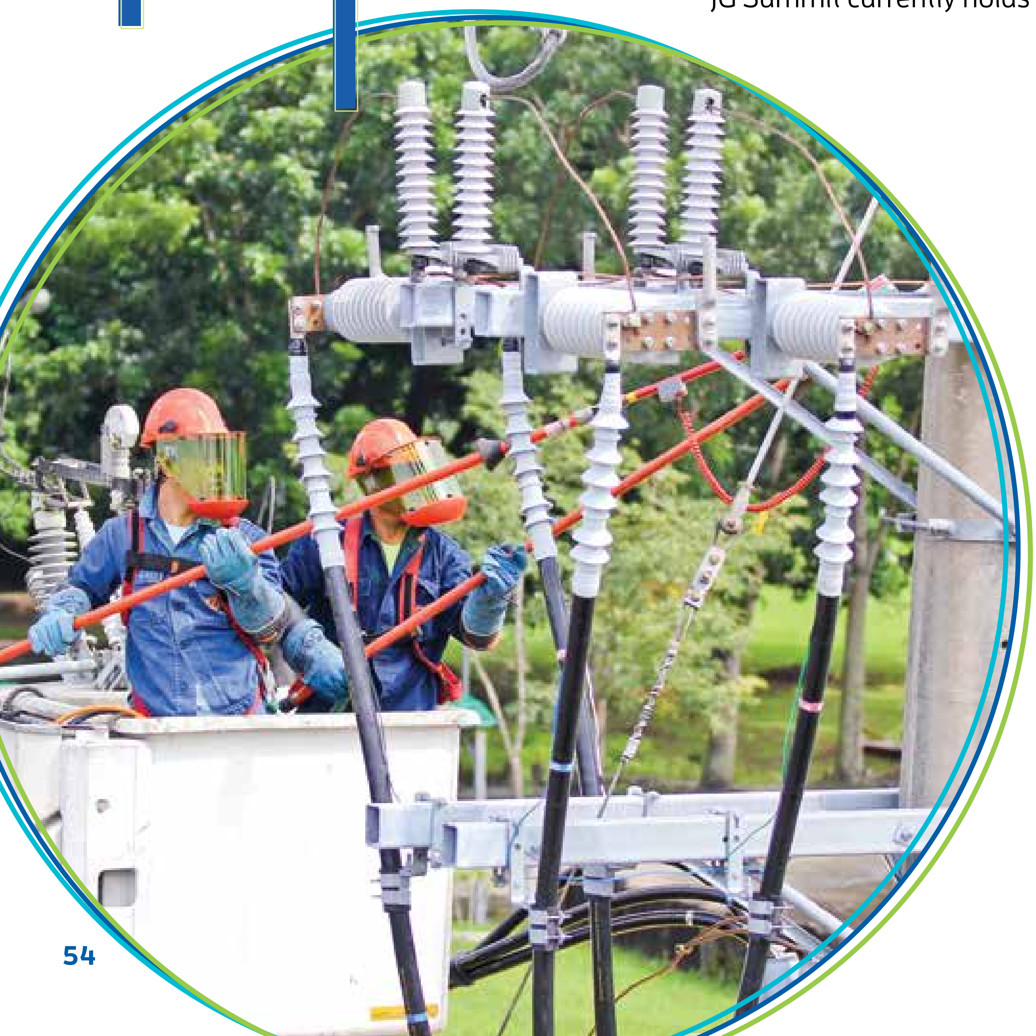
Meralco has a minority equity interest in a power generating company, Global Business Power Corporation (GBP). Separately, it is developing power generation plants through wholly-owned subsidiary, Meralco PowerGen Corporation (MGen).

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 celebrates its 114th year of service this 2017.

Meralco is listed on the Philippine Stock Exchange (PSE: MER). Meralco has the largest market capitalization among Philippine-listed utility and power sector companies.

JG Summit currently holds 27.1% stake in Meralco.



Website:
www.meralco.com.ph

Source:
company website and filings

Global Business Power Corporation (GBP) is a holding company which, through its subsidiaries, is a leading independent power producer in the Visayas region and Mindoro island, with a combined gross maximum capacity of 854 MW.

GBP owns 11 power generation facilities. The largest clean coal-fired power plants located in Iloilo City are operated by Panay Energy Development Corporation (PEDC), with a total capacity of 314 MW. PEDC operates the 164 MW clean coal-fired power plant to serve the energy requirement of Panay and the rest of the Visayas region. To support the growing needs of the region, PEDC expanded its operations by undertaking a 150 MW project which commenced commercial operations on January 26, 2017.

The second largest power generation facility is the 246 MW clean coal-fired power plant in Toledo City, Cebu, which is operated by Cebu Energy Development Corporation (CEDC). This facility is the first commercial clean coal power plant in the Philippines.

Both the PEDC and CEDC plants utilize circulating fluidized bed boiler technology that produces very low levels of sulfur dioxide and nitrogen oxide and captures most solid emissions.

GBP's other power generation facilities consist of a 60 MW coal facility, a 82 MW coal facility and a 40 MW fuel oil facility operated by Toledo Power Co. (TPC); a 72 MW fuel oil facility, a 20 MW fuel oil facility, a 7.5 MW fuel oil facility and a 5 MW fuel oil facility operated by Panay Power Corporation (PPC); and a 7.5 MW fuel oil facility operated by GBH Power Resources Inc. (GPRI).

Today, GBP's main new development project is a 670 MW coal fired plant in La Union, Pangasinan (with 600MW EPPA signed with Meralco).

JG Summit currently holds 30% stake in GBP.

Website:
www.gbpc.com.ph

Corporate Governance

JG Summit (the Company) is committed to adhere to and implement best practices in corporate governance that will foster long-term success to the company and secure its sustained competitiveness. As a publicly listed company in the Philippines, JG Summit complies with the corporate governance rules and regulations of the Philippine Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The Company adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual, Code of Business Conduct and related SEC Circulars. In March 8, 2010, the Board of Directors approved the adoption of a revised Corporate Governance Manual, in accordance with SEC Memorandum Circular No. 6 (Series of 2009) dated June 22, 2009. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Company observes good governance and management practices. This is to assure the shareholders that the Company conducts its business with the highest level of integrity, transparency and accountability. SEC Memorandum Circular No. 5, Series of 2013 mandates all listed companies to submit an Annual Corporate Governance Report (ACGR). On July 30, 2013, the Company submitted its ACGR for the year 2012 to the SEC. From 2014 to 2016, updated ACGRs were posted in the company website. Beginning January 30, 2011, in accordance with PSE Memorandum No. 2010-0574, the Company annually submits to the PSE the Corporate Governance Disclosure Report.

The Board has adopted the Revised Corporate Governance Manual in June 22, 2015 for the Company. The manual elaborates on the governance roles and responsibilities of the Board and its Directors. The Board ensures that all material information about the company is disclosed to the public on a timely manner. The Board likewise is strongly committed to respect and promote the rights of shareholders in accordance with the Revised Corporate Governance Manual, the Company's Articles of Incorporation, and By-Laws.

Board

The Board represents the shareholders' interests in its objective to continuously improve the value of the Company and to achieve a successful and sustainable business. The Board believes that it has to be actively responsible to ensure that the Company is properly managed to attain this result. In addition to fulfilling its obligations for increased shareholder value, the Board has responsibility to other stakeholders as well – customers, employees, suppliers, financiers, government, business partners, and to the communities and environment it operates in, all of whom are important to a successful and sustainable business.

Composition

- The Board is composed of 11 directors (three executive directors, five non-executive directors, and three independent directors) with diverse backgrounds and work experience
- None of the independent directors owns more than 2% of the Company's capital stock
- The roles and responsibilities of the Chairman of the Board of Directors and CEO are defined in the By-Laws and the Revised Corporate Governance Manual to ensure that the Board gets independent views and perspectives. If the roles of Chairman and CEO are unified, the proper checks and balances are laid down to ensure that the Board gets the benefit of independent views and perspectives.

Role

The Company is headed by a competent, working Board of Directors (the Board) that fosters the long-term success of the Company, and sustains its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders. The Board is primarily responsible for the governance of the Company. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

A Director should observe the following norms of conduct:

- Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the Company.
- Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.
- Act judiciously.
- Exercise independent judgment.
- Have a working knowledge of the statutory and regulatory requirements that affect the Company, including its Articles of Incorporation and By-Laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.
- Observe confidentiality.
- Have a working knowledge of the Company's control systems.
- Disclose to the Philippine Stock Exchange and the Securities and Exchange Commission the trading of the Company's shares by directors, officers (or persons performing similar functions) and controlling shareholders.

Board Meetings and Attendance of Directors

January 1, 2016 to December 31, 2016

Board	Name	Date of Election	No. of Meetings During the Year	No. of Meetings Attended	%
Member	John L. Gokongwei, Jr.	June 9, 2016	10	10	100%
Chairman	James L. Go	June 9, 2016	10	10	100%
Member	Lance Y. Gokongwei	June 9, 2016	10	10	100%
Member	Lily G. Ngo-Chua	June 9, 2016	10	10	100%
Member	Patrick Henry C. Go	June 9, 2016	10	10	100%
Member	Robina Gokongwei-Pe	June 9, 2016	10	9	90%
Member	Johnson Robert G. Go, Jr.	June 9, 2016	10	10	100%
Member	Ricardo J. Romulo	June 9, 2016	10	8	80%
Independent	Cornelio T. Peralta	June 9, 2016	10	10	100%
Independent	Jose T. Pardo	June 9, 2016	10	10	100%
Independent	Renato T. De Guzman	June 9, 2016	10	9	90%

Board Committees

To aid in ensuring compliance with the principles of good governance, the Board constituted an Audit and Risk Management Committee, a Governance, Nomination and Election Committee and a Remuneration and Compensation Committee.

Comittee	Mission
Audit and Risk Management	To assist the Board in its fiduciary responsibilities by providing an independent and objective assurance to the Company's stakeholders for the continuous improvement of risk management systems, internal control systems, governance processes, business operations, and proper safeguarding and use of the Company's resources and assets.
Governance, Nomination and Election	To oversee the development and implementation of corporate governance principles and policies and to provide the shareholders with an independent and objective evaluation and assurance that the membership of the Board and other appointments that require Board approval are competent and will foster the long-term success of the Company and secure its sustained competitiveness.
Remuneration and Compensation	To objectively recommend a formal and transparent framework of remuneration and evaluation for Directors and key Management Officers to ensure that their compensation is consistent with the Company's culture, strategies and the business environment in which it operates and to enable them to run the Company successfully.

Enterprise Risk Management (ERM)

The Board of Directors oversees Management's adoption and implementation of a sound risk management framework for identifying, monitoring and managing key risk areas. The Board review management reports with due diligence to enable the Company to anticipate, minimize, control and manage risks or possible threats to its operational and financial viability.

Audit and Risk Management Committee

The Audit and Risk Management Committee provides oversight over risk management policies and procedures to anticipate, minimize or manage risks or possible threats to the Company's operational and financial viability.

The Audit and Risk Management Committee aims to ensure that:

- financial reports comply with established internal policies and procedures, pertinent accounting and auditing standards and other regulatory requirements;
- risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market liquidity, operational, legal and crisis management;
- audit activities of internal and external auditors are done based on plan and deviations which are explained through the performance of direct interface functions with the internal and external auditors; and
- the Company's Board of Directors is properly assisted in the development of policies that would enhance the risk management and control systems.

Moreover, at the end of each calendar year, the Chief Executive Officer (CEO) and Chief Audit Executive (CAE) executes a written attestation that a sound internal audit, control and compliance system is in place and working effectively. The attestation is presented to and confirmed by the Audit and Risk Management Committee during the meeting.

The **ERM framework** revolves around the following eight interrelated risk management approaches:

- **Internal Environmental Scanning** – it involves the review of the overall prevailing risk profile of the Business Unit (BU) to determine how risks are viewed and addressed by the management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the BU.

- **Objective Setting** – the Company's Board mandates 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 that are aligned with the Company's goals.
- **Risk Assessment** – the identified risks are analyzed relative to the probability and severity of potential loss that serves as basis for determining how the risks will be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's action or monitoring, and risks that may materially weaken the Company's earnings and capital.
- **Risk Response** – the Company's Board, through the Audit and Risk Management Committee ensures action plan is executed to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.
- **Control Activities** – policies and procedures are established and approved by the Company's Board and implemented to ensure that the risk responses are effectively carried out enterprise-wide.
- **Information and Communication** – relevant risk management information is identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.
- **Monitoring** – the Internal Control Groups of the respective Companies and BUs, Corporate Internal Audit and Corporate Governance and Management Systems constantly monitor the management of risks through audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

Risk Management Support Groups

The Company's Board created the following Corporate Center Units (CCU) to support the risk management activities of the company and its BUs:

- **Corporate Advertising and Public Relations (CAPR)** manages the brand image risk of the Conglomerate. CAPR ensures that communication initiatives that extend to the public are consistent with the established corporate image by monitoring the implementation and content of public relations programs and above-the-line media activities for the various BUs and Affiliates.
- **Corporate Affairs (CA)** acts as the official spokes group of the Company to national and local government offices as well as to the media to address reputational risk. CA helps in establishing strong relationships with internal and external partners and stakeholders that will enable the Conglomerate to promote a positive appreciation of corporate goals, initiatives and activities as well as champion advocacies and shape legislation critical to the business.
- **Corporate Governance Management Systems (CGMS)** ensures compliance with government regulatory requirements for Publicly Listed Companies (PLC), formulates and disseminates risk-controlled policies and procedures and authority limit matrices.

  Under the supervision of CGMS and Corporate Procurement, the Corporate Supplier Accreditation Team (CORPSAT) administers supplier accreditation and enterprise-wide procurement policies to address procurement risks and ensure availability of goods and services of high quality and standards to all BUs.
- **Corporate Insurance Department (CID)** administers the insurance programs of BUs to mitigate risks concerning property, public liability, business interruption, money and fidelity, and employer compensation insurances.
- **Corporate Planning (CORPLAN)** facilitates and administers the strategic planning, budgeting and performance review of the BU in line with the ERM framework of objective-setting.
- **Corporate Resources Group (CRG)** which consists of:
  - **Corporate Human Resources** ensures continuity of business operations by having the right and adequate pool of talents through succession planning, employee training and employee engagement.

    - **Corporate Outsourcing** manages risks related to the engagement of third party management services.
    - **Corporate Security and Safety** administers enterprise-wide implementation of policies affecting physical security of resources exposed to various forms of risks.
- **Corporate Tax Group** provides advisory and assists Top Management in ensuring risks related to tax are addressed and tax regulatory requirements are appropriately complied with.
- **Corporate Treasury** assists Top Management in managing finance-related risks including interest, foreign exchange, liquidity, investment and debt management etc.
- **General Counsel Group** sets the strategy and implementing guidelines from a legal perspective to address regulatory risks and ensure that the Conglomerate conducts its business in compliance with laws and regulations.

Internal Controls

With the leadership of the Company's Chief Financial Officer (CFO), internal control is embedded in the operations of the Company and each BU, thus increasing their accountability and ownership in the execution of the BU's internal control framework. To accomplish the established goals and objectives, BUs implement robust and efficient process controls to ensure:

- Compliance with policies, procedures, laws and regulations;
- Economic and efficient use of resources;
- Check and balance and proper segregation of duties;
- Identification and remediation control weaknesses;
- Reliability and integrity of information; and
- Proper safeguarding of company resources and protection of company assets through early detection and prevention of fraud.

Compliance Officer

The Compliance Officer assists the Board of Directors in complying with the principles of good corporate governance.

The Compliance Officer is responsible for monitoring compliance with the provisions and requirements of the Corporate Governance Manual and other requirements on good corporate governance, identifying and monitoring compliance risks, determining violations, and recommending penalties on such infringements for further review and approval of the Board of Directors, among others.

Anti-Corruption Programs and Procedures

JGSHI is committed to promoting transparency and fairness to all stakeholders. The Company has Anti-Corruption programs that cover Business Conduct and Ethics, Conflict of Interest, Offenses Subject to Disciplinary Action (OSDA), among others. New employees are oriented regarding policies and procedures related to Business Conduct and Ethics and similar policies. All employees are given periodic reminders. Further, all concerned employees of the Conglomerate are required to comply with the Annual Self-Disclosure Activity.

Business Conduct and Ethics

Conflict of Interest

The Company's Code of Business Conduct and Conflicts of Interest Policy require employees to make a conscious effort to avoid conflict of interest situations; that his judgment and discretion are not influenced by considerations of personal gain or benefit. A conflict of interest may also occur because of the actions, employment, or investments of an immediate family member of an employee.

Conduct of Business and Fair Dealings

The Company's employees that recommend, endorse, or approve the procurement or sale of goods and services should make conscious effort to avoid any conflict of interest situation in transactions that they are involved in.

Receipt of Gifts from Third Parties

The Company discourages the acceptance of gifts. However, gifts like advertising novelties maybe given or accepted during the Christmas season. There is no restriction in the value of the gift accepted. However, accepted gifts with estimated value over ₱2,000 must be disclosed to the Conflicts of Interest Committee.

Compliance with Laws and Regulations
The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.

Respect for Trade Secrets/ Use of Non-public Information
The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after the disclosure to SEC and PSE by the Company's authorized officers.

Use of Company Funds, Assets and Information
Employees are required to safeguard the Company's resources and assets with honesty and integrity. Employees must ensure that these assets are efficiently, effectively, and responsibly utilized.

Employment and Labor Laws and Policies
The Company ensures the observance, strict implementation and compliance with employment and labor laws and policies with regards to recruitment, employment, retention and benefits.

Disciplinary Action
Violation of any provision of the Code of Business Conduct may result to disciplinary action, including dismissal and reimbursement for any loss to the Company that result from the employee's action. If appropriate, a violation may result to legal action against the employee or referral to the appropriate government authorities.

Whistleblowing
The stakeholders may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee. Reports or disclosures can be made in writing or by email using the following contact details:

a. email address CICOM@jgsummit.com.ph
b. fax number 395-3888
c. mailing address
   Must be sent in a sealed envelope clearly marked "Strictly Private and Confidential - To Be Opened by Addressee Only"

   CICOM
   JG Summit Holdings, Inc.
   44th Flr. Robinsons Equitable Tower
   ADB Avenue, Cor., Poveda Road,
   Pasig City

The complaint shall be filed using the Complaint/Disclosure Form (CDF) available in the company website.

All information received in connection with the reports or disclosures shall be strictly confidential and shall not be disclosed to any person without prior consent of CICOM.
The Company commits to protect those who report in good faith from retaliation, harassment and even informal pressures. It will take the necessary and appropriate action to do so in enforcing the policy.

Conflict Resolution
The Conflicts of Interest Committee submits recommendations on courses of action to be taken on conflicts of interest situations. The decision is done by the Executive Committee.

Role of Stakeholders

Customers' Welfare
The Company has Customer Relations Policy and procedures to ensure that customers' welfare are protected and concerns, should there be any, are appropriately addressed.

Supplier/Contractor Selection Practice
The Company has a Supplier Accreditation Policy to ensure that the company's suppliers and contractors are qualified to meet its commitments to the company. Moreover, the Company also has a Supplier Selection Committee to ensure objective and fair selection of suppliers for high value purchases.

Environment, Quality and Safety and Community Interaction
The Company complies with government mandated policies relating to environment management systems and energy management. The Company focuses on uplifting the socio-economic condition of the country through education. The Company partners with organizations that promote education of Filipinos through grants, endowments, scholarships, and educational facilities.

Employees

Performance-enhancing mechanisms for employee participation

The Company abides by the health, safety, and welfare standards and policies set by the Department of Labor and Employment. Likewise, the Company has Security and Safety Manuals that are implemented and regularly reviewed to ensure the security, health, safety, and welfare of the employees in the work place.

The Company continuously provides learning and development opportunities for its employees. The John Gokongwei Institute for Leadership and Enterprise Development known as JG-ILED is the leadership platform for systematic and sustained development programs across the Company. Its mission is to enable high performing organization to facilitate the learning process and develop the intellectual and personal growth of all employees through targeted and customized trainings and development programs.

Disclosure and Transparency

Ownership Structure *(As of December 31, 2016)*

Shareholder	No. of Shares	Percent	Beneficial Owner
Gokongwei Brothers Foundation, Inc.	1,997,076,451	27.88%	Same as record owner
PCD Nominee Corporation (Filipino)	1,640,901,842	22.91%	PCD Participants and their clients
Robinsons Savings Bank -Trust & Investment Group	1,033,319,225	14.43%	Trustee's designated officers
PCD Nominee Corporation (Non-Filipino)	936,068,004	13.07%	PCD Participants & their clients

External Auditor's Fee

Name of Auditor	Audit Fee
Sycip Gorres Velayo & Co. (SGV)	₱ 3,028,793

Company Website

JG Summit updates the public with operating and financial results through timely disclosures filed with SEC and PSE. These are available in the Company's website: http://www.jgsummit.com.ph/

Sustainability
The JG Summit Way

Key to our transformation as a conglomerate is the way we impact environment, social and governance aspects of our day-to-day operation. This is commonly referred to as ESG which stands for Environment, Social and Governance or in short, Sustainability Strategy.

Sustainability is a key expectation of all our JG Summit stakeholders – from our investors who would like to see us securing the long-term success of our business through a strong Sustainability Strategy, to our growing millennial consumers who would like to patronize companies and products that help solve global issues, to our current employees and future recruits who would like to work for a company that is part of the solution rather than the problem, all the way to government and media who demand of industry leaders like us to embed sustainability as part of its overall business strategy.

In JG Summit, we recognize that the Sustainability Performance of our companies impact the communities we operate and the customers we serve.

We are therefore working towards incorporating sustainability initiatives in all JG Summit Business Units' operations. In the long term, we aim to embed a sustainability mindset and culture among the employees of the conglomerate.

Universal Robina Corporation

This year, URC blazes a trail for the conglomerate with the release of its very first Sustainability Report which maps URC's long term strategy focused on:

- **People** – Improving the lives of people in our workplace and in our communities.
- **Resources** – Enhancing our approach to responsible resources management (energy, water, waste and environmental compliance)
- **Product** – Providing food that is safe, good quality and fun for everyone.
- **Economic** – Achieving inclusive growth through fiduciary responsibility, risk management, transparency and innovation.
- **Supply Chain** – Promoting responsible supplier relationships across our business units.

URC Sugar and Renewables

URC SURE's investment in renewables is now bearing fruit through the Fuel Ethanol Plant (FEP) in Bais City, Negros Oriental which was set up in 2014.

Last year, the distillery was able to produce over 26 million liters of alcohol which were sold to various fuel companies. Our ethanol products are bought in compliance with the Biofuels Act mandated by the government that requires blending of all gasoline in the Philippines with 10% bioethanol.

URC SURE SONEDCO sugar mill's power cogeneration plant in Kabankalan, Negros Occidental, has already produced 120,000,000 kWh of electricity during the first full year of operation in 2016. 78,000,000 kWh of the power produced was exported and sold to the grid.

The Energy Regulatory Commission (ERC) awarded URC SURE with a FIT-Eligible Certificate of Compliance, recognizing our contribution to the development of renewable energy in the country.

Opened in 2015, the Kabankalan biomass power plant uses bagasse from its sugar mill operations. Bagasse is the dry, pulpy residue left after extracting juice from sugarcane that is normally thrown away as a byproduct which can be used as fuel.

URC Agro-Industrial

URC AIG currently has two biogas facilities that are already running with the benefit of saving on electricity cost. Biogas technology is a process wherein agricultural and all other biodegradable wastes are converted into biogas. It uses a biogas digester to collect the methane gas and organic fertilizers produced during the anaerobic decomposition of waste.

In URC-AIG's two Biogas facilities, the methane gas created from the manure of animals is converted into energy which can be used to generate electricity. It is beneficial to the environment since this eliminates manure hauling resulting to better waste management and the avoidance of toxins and contamination

Before the term inclusive business was even coined, URC-AIG already began vertically integrating farmers in the Philippines into their value chains. Through the Kabalikat Farm Program customers become a Robina Agri Partner or Kabalikat and are integrated into the URC-AIG value chain not only as distributors, but also as consumers.

The relationship between the Robina Farms/ Robichem with its customers has always been mutually beneficial. Before we launch our feeds or veterinary services to the market, Robina uses them in our very own farms – solidifying our claims that our products are farm-tested. This is why many of our customers become very loyal consumers and distributors of the products.

Cebu Pacific

Like all other airlines, carbon emission is a major concern for CEB. The airline has taken steps to reduce the impact of greenhouse gas emissions from its operations on the environment, foremost of which is the deployment of SkyBreathe® Fuel Efficiency, a complete fuel management system which uses sophisticated Big Data Algorithms. An OpenAirlines' solution software, SkyBreathe® continuously analyzes the flight data of all existing CEB aircraft, using multiple sources of data including flight data recorders.

Through the meticulous monitoring of fuel consumption patterns, SkyBreathe® helps implement a fuel-saving plan that results in more optimal flight operations and cost reductions. The software will be installed in all upcoming aircraft of CEB that are on order from 2017 until 2021.

CEB has also partnered with the World Wide Fund for Nature (WWF-Philippines) since 2008 for initiatives to fight global warming. Project Bright Skies is a program by which CEB passengers can help affected communities adapt to the effects of climate change by offsetting the carbon emissions from their air travel through WWF donations given via the CEB website. CEB is the only airline in the Philippines that offers passengers an opportunity to make a donation for climate change adaptation programs. All CEB passengers booking online have the option to give a voluntary contribution that goes to WWF's adaptation projects in Apo Reef, Sablayan, Occidental Mindoro; and Cagayancillo, Palawan. In 2016, passenger donations reached over ₱2.8 million, with total donations since the partnership began eight years ago reaching ₱32.5 million.

Enhancing its commitment towards environmental conservation, CEB entered into its second year of adopting Philippine Eagle "Mindanao."

The five-year partnership with the Philippine Eagle Foundation will not only entail food and necessary veterinary care that will help flourish and sustain the well-being of "Mindanao," but also support for PEF's Conservation Breeding and Conservation Education initiatives that prevent the complete extinction of the Philippine Eagle.

CEB is also the first and only airline-partner of UNICEF for its Change for Good initiative in the Philippines and Southeast Asia. Established by UNICEF in 1987 as an alliance with the global airline industry, Change for Good is designed to collect spare currency from passengers on board flights of partner airlines with the aim to reach millions of children in over 150 countries. Donations of passengers of Cebu Pacific on flights to and from Manila have so far provided nutritional supplements to over 31,000 poor households with pregnant mothers and over 27,500 children who are at risk of developing micronutrient deficiencies in the Philippines.

A portion of the funds also supports barangay-level information drives on nutrition in UNICEF's focus areas in Northern Samar, Zamboanga, and Maguindanao. In 2017, following the successful roll-out for Manila flights, CEB and UNICEF have expanded the Change for Good initiative to all flights to and from Cebu and Iloilo.

Robinsons Land Corporation

We have further deepened our commitment to renewable energy as RLC today is the biggest investor in rooftop solar in the Philippines. We have the world's largest solar-powered mall that operates a solar-power facility located at the rooftop of Robinsons Starmills in San Fernando, Pampanga that generates a capacity of 2,883.2 kW or 3.13 million kWh of power a year.

As of 2016, we have already 10 rooftop projects in operation with a total capacity of 12,373 kW. This includes the two initial projects which we started in 2015 – our pilots being Palawan and Iloilo. In addition, we have four on-going solar projects which will bring our capacity up to about 15,400 kW by the middle of 2017. When fully operating, the 14 solar rooftop installations in Robinsons' various malls throughout the country will produce (an average) energy of about 19.63 million kWh of electricity per operating year.

JG Summit Petrochemical Group

JGSPG has been championing marine biodiversity in Batangas. One of the commitments of JGSPG as a responsible business entity in pursuit of its mission of carrying out its operations in a safe and efficient manner is the preservation of the environment and natural resources thru a marine biodiversity program.

As far back as May 2002, JG Summit Petrochemical Corporation led the deployment of 23 artificial reef blocks at the shallow sandy coastal zone of Barangay Simlong, Batangas City, approximately 100 meters away from the shoreline and five meters in depth. These man-made reefs created an artificial reef sanctuary to nurture a self-sustaining underwater ecosystem in waters around its facility complex.

In 2016, during the recent monitoring of the two artificial reef sites by the Batangas Coastal Resources Management Foundation, it was observed that fish species richness improved considerably. At the first artificial reef site, a total of 40 unique species of fish distributed among nine known fish families were identified. A second artificial reef was added in April 2015, bringing in a total of 220 artificial reef blocks, at 25 meters depth located at 400 meters away from the first artificial reef. Overall, there were 30 major or ecologically important fish, nine target or commercial species, and a single coral health indicator fish which now inhabit the area.

To date, the artificial reefs have a continuing positive impact in the nearby community since fish and other marine life are becoming abundant in the shallow sandy coastal zone of Simlong.

Robinsons Bank

Robinsons Bank's Corporate Social Responsibility (CSR) program embodies how acts of volunteerism, malasakit sa kapwa, and bayanihan play an integral part not only to the lives of people in our communities but also to the emotional wellness, sense of belongingness, and pride of RBankers.

In 2016, the bank's CSR activities were composed of projects that highlighted awareness on environmental care, concern for others, and educational campaign that focused on the values of saving, concern, and respect. These activities operated nationwide with remarkable teamwork displayed by our provincial branches and Metro Manila employees.

In North Luzon, RBankers exemplified a united front when our branches in Tuguegarao, Ilocos Norte, and Santiago led a team to immediately reach one of the far-flung Barangays in Tuguegarao after typhoon Lawin devastated their community.

In some parts of Luzon, Visayas, and Mindanao, the employees reached out to the community of Kabankalan, Iloilo, and Pampanga through tree planting activities, motivated by a well-founded goal to grow fruit bearing trees that could impact tourism and generate livelihood to surrounding barangays.

In Metro Manila, RBankers worked hand-in-hand to instil the importance of education and values to school children as volunteers read and taught values education to Grade 3 and Grade 4 pupils of Camarilla Public Elementary School, Quezon City.

Through our CSR activities, we only do not aim to promote excellent corporate citizenship but we also enhance the lives of our employees by giving them first-hand experiences on the values of malasakit, bayanihan, joyful giving, and "other centeredness".

Corporate Social Responsibility

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 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.

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

Through the years, much of GBF's focus is dedicated to empowering the Filipino youth, exemplified in the launch of various key scholarships programs for the brightest and most deserving young leaders in the country.

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2007 *China Scholars*

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

2010 *GBF NextGen Scholarship for Excellence*

Promoting the value of excellence and leadership, GBF NextGen Scholarship for Excellence sponsors the college education of select children of JG Summit employees. The scholarship is granted to students with excellent academic standing and leadership potential as demonstrated by their extra-curricular involvements. The scholarship is open to students taking any course in any Philippine university. Qualified scholars are given a fixed scholarship amount per academic year, provided they maintain the required scholastic standing of being at the top percentage of their batch.

As of December 2016, this scholarship has produced 77 graduates. In 2017, the program is supporting 100 scholars.

2011 *GBF STEM Scholarship for Excellence*

Believing in the importance of honing Engineering and Science experts in order for the country to attain sustainable economic growth, the GBF STEM Scholarship for Excellence is granted to carefully chosen students from poor households or public high schools pursuing Engineering and Science courses in top-ranked universities in the Philippines.

Open to students in any year level, the program demands high level of excellence and only admits applicants belonging to the top percentile of their batch. Qualified scholars are awarded a fixed scholarship amount per academic year and will be supported until graduation, provided they meet the scholarship retention requirement of ranking in the top percentile of their batch every term.

GBF grants the scholarship in coordination with top Engineering and Science universities such as Polytechnic University of the Philippines, Technological University of the Philippines, University of Batangas University of San Carlos, and Adamson University.

As of December 2016, this scholarship has produced 18 graduates. In 2017, the program is supporting 60 scholars.

2012 *GBF-JG Summit STEM Scholarship for Excellence*

Addressing industries' need for excellent talents in the fields of Engineering and Sciences, GBF in partnership with select JG Summit Business Units offer the scholarship to the best students pursuing these fields in top-ranked universities in the Philippines.

Open to students in their final two years of their undergraduate program, the scholarship demands high level of excellence and only admits applicants belonging to the top percentile of their batch. Qualified scholars are awarded a fixed scholarship amount per academic year and will be supported until graduation, provided they meet the scholarship retention requirement of ranking in the top percentile of their batch every term.

Envisioning to groom future leaders of JG Summit companies, the Business Units closely administers the scholarship with GBF for industry immersion, mentoring, and potential employment of scholars.

GBF in partnership with JG Summit Business Units such as JG Summit Petrochemicals Group, Robinsons Land Corporation, URC Flour Division, URC Agro Industrial Group, and South Star Drug awards these scholarships. These are granted in coordination with top Engineering and Science universities such as University of the Philippines, Batangas State University, Polytechnic University of the Philippines, and University of San Carlos.

As of December 2016, this scholarship has produced 18 graduates. In 2017, the program is supporting 105 scholars.

2012 *DLSU Gokongwei College of Engineering Scholarship Program*

In its effort to advance the field of engineering in the country, GBF has partnered with De La Salle University (DLSU), one of the premier engineering schools in the Philippines. In 2011, GBF donated a significant endowment to DLSU that led to the establishment of the DLSU Gokongwei College of Engineering (DLSU-GCE). A significant portion of the fund is dedicated to support the education of deserving students pursuing any undergraduate engineering program offered by DLSU-GCE.

As of December 2016, this scholarship has produced eight graduates. In 2017, the program is supporting 100 scholars.

2012 *St. Stephen High School Scholarship*

True to its commitment to uplift youth development through education, GBF has partnered with St. Stephen's High School to grant scholarships to promising and deserving students.

In order to enter and maintain the scholarship, the student must be in the top percentile of St. Stephen's High School's Grade 6 batch and prove dire financial need. Qualified students are granted full scholarship covering six school years from Grades 7 to 12.

As of December 2016, this scholarship has produced five graduates. In 2017, the program is supporting 10 scholars.

2014 *GBF Iskolar ni Juan Tech-Voc Program*

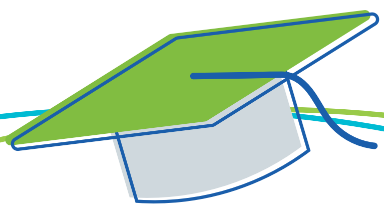
Iskolar ni Juan is a signature technical-vocational (Tech-Voc) scholarship program offered by GBF in partnership with Universal Robina Corporation Branded Consumer Food Group (URC BCFG). With full subsidy for basic expenses and allowances, the scholars are housed and trained in GBF's Technical Training Center in Rosario, Pasig City.

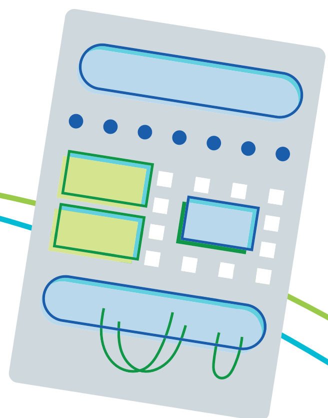
The scholarship grants indigents but deserving high school graduates an opportunity to train for practical technical skills under GBF Technical Courses that are duly recognized by the Technical Education and Skills Development Authority (TESDA).

Qualified scholars undergo a one-year curriculum combining academic classes and on-the-job training designed closely with URC BCFG. At the end of the program, scholars earn a Certificate of Completion in Mechatronics Servicing or Certificate of Completion in Instrumentation and Control Servicing from the Training Center. Consequently, they take TESDA's competency-based assessment and obtain a National Certificate Level II (NC II) upon passing. The current passing rate of scholars is 100%.

Upon graduation, scholars are offered available jobs in various URC plants where they enter as a production operator or maintenance technician.

As of December 2016, this scholarship has produced 30 graduates. In 2017, the program is supporting over 200 scholars.





GBF TVET - Iskolar ni Juan

Iskolar ni Juan, one of the technical certificate programs under Gokongwei Brothers Foundation's Technical Vocational Education and Training (GBF - TVET), was supporting a total of 108 unique scholars across different levels of training last year in the fields of Mechatronics Servicing and for Instrumentation and Control Servicing.

After passing TESDA National Certificate II and completing the requirement for the On-the-job Training, the students for the Batch 1 scholars graduated on August 2016. All 30 graduates of Iskolar ni Juan are now gainfully employed by the various URC BCFG plants nationwide as Production Operator or Maintenance Technician with general good feedback from their supervisors.

Meanwhile, on the same month, Batch 2 achieved 100% passing percentage on their TESDA NCII assessment. Currently, the students are on their OJT2 and are expected to complete the scholarship program by April 2017.

September 2016 was the onboarding of new entrants for Batch 3. Today, the students are on their second Academic Term and are now looking forward to undergo TESDA NCII Assessment.

GBF is expanding its reach to provide quality training to underprivileged high school graduates who want to pursue a career in Mechatronics Servicing and Instrumentation and Control Servicing. It is targeting to support 248 unique scholars in 2017, with 180 scholars as new entrants for the year.

URC-BCFG Plant	Scholars Deployed
Bagong Ilog	7
Calamba	14
Canlubang	1
Cavite	4
Cebu	2
ESMO	2

TESDA NCII Assessment in Instrumentation and Control Servicing (left) and Mechatronics Servicing (right)

Batch 3
Mechatronics Servicing NCII

1 Acebo, Elvin Christian A.
2 Acuña, Jimuel B.
3 Casiquin, John Lloyd C.
4 Castro, Shiela Mae L.
5 Catangay, Vince Leanard S.
6 Daguindal, Paco L.
7 Evangelista, Jhay Lander S.
8 Fernandez, Chrisanto N.
9 Jalandoni, Jefferson P.
10 Marasigan, Ivan Royce N.
11 Nolasco, Paolo Daniel D.
12 Oco, Shiela Jean F.
13 Rosita, Kim Carlo S.
14 Salonga, Geraldine Anne S.
15 Zape, Aaron Ezekiel F.

Instrumentation and Control Servicing NCII

1 Aguila, Jonas Mark D.
2 Angeles, Dexter S.
3 Arandia, Justin
4 Baguna, Rodel M.
5 Biron, Angelica M.
6 Bolante, Glazybel A.
7 Cayabyab, Wenjhimar D.
8 Hernandez, Arlon Ezekiel P.
9 Mangubat, Dobereiner
10 Movera, Junnell S.
11 Nacario, Realyn C.
12 Obsequio, John Dino P.
13 Pananglitan, Guillgie G.
14 Sanchez, Merly N.
15 Sicat, Rowell C.
16 Tabios, John Virgel V.

Graduates with GBF School Director Manuel Mirabuenos and GBF staff

Batch 1 Graduates with GBF General Manager Ms. Lisa Gokongwei

Batch 3 scholars

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 T. De Guzman
Director

Board of Advisers

Washington Z. Sycip
Founder, The SGV Group
SyCip Gorres Velayo & 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

Patrick Henry C. Go
URC Packaging and Flexible Packaging Divisions

Robinsons Land Corporation

Frederick D. Go

JG Summit Petrochemicals Group

Patrick Henry C. Go

Robinsons Bank Corporation

Elfren Antonio S. Sarte

Advisers

Cebu Air Inc.

Garry R. Kingshott
Advisory Board Member

Michael B. Szucs
Chief Executive Adviser
APPOINTED FEBRUARY 15, 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

Maria Celia H. Fernandez-Estavillo
Senior Vice President and General Counsel
*JOINED THE COMPANY MARCH 1, 2017

Renato N. Salud
Senior Vice President

Aldrich T. Javellana
Vice President and Treasurer

Michele F. Abellanosa
Vice President

Rosalinda F. Rivera
Corporate Secretary

Chona R. Ferrer
Deputy Treasurer

Financial Statements

SGV
Building a better
working world

SyCip Gorres Velayo & Co.
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1226 Makati City
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 AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, 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, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Acquisition of Subsidiaries and an Associate
As disclosed in Notes 14 and 44 to the consolidated financial statements, the Group acquired ownership interests in subsidiaries and an associate. The Group recognized the related assets, including goodwill and intangible assets, and liabilities for its acquired subsidiaries and determined the notional goodwill for its acquired associate based on purchase price allocations performed by external valuation specialists. We considered the accounting for these acquisitions to be a key audit matter because it required significant management judgment in identifying intangible assets and significant management estimates in determining the fair values of acquired assets and liabilities, particularly intangible assets and property, plant and equipment.

Audit response
We reviewed the purchase agreements covering the acquisitions and the purchase price allocations done by the Group. We assessed the competence, capabilities and objectivity of the external valuation specialists who prepared the valuations by considering their qualifications, experience and reporting responsibilities. We involved our internal specialists in evaluating the methodologies and assumptions used to determine the fair value of intangible assets and property, plant and equipment. We reviewed the identification of the subsidiaries' and the associate's underlying assets and liabilities, specifically the intangible assets based on our understanding of these entities' businesses and management's rationale for the acquisitions. We tested the main assumptions used to determine the fair value of intangible assets such as sales forecast, royalty rates and growth rates by comparing with historical trends and relevant external information. We reviewed the discount rates used to value the intangible assets by assessing whether the underlying parameters used represent current market assumptions of risks specific to the asset being valued. We reviewed the comparable properties used by management's external appraisers to value the property, plant and equipment and assessed whether the adjustments made to arrive at the concluded value properly considered differences in characteristics such as location, size and shape. We reviewed the cost information and current prices used to value the property, plant and equipment by comparing with relevant external data. The disclosures in relation to the significant assumptions in the valuation of intangible assets and property, plant and equipment are included in Note 3 to the consolidated financial statements.

Recoverability of Goodwill and Intangible Assets
As discussed in Notes 18, 19 and 44, to the consolidated financial statements, the Group has acquired several businesses engaged in different products and services, across different markets. Assets recognized from these strategic acquisitions include Goodwill of ₱32.0 billion and Intangible assets of ₱14.2 billion that include trademarks and brands of ₱9.4 billion and product formulation of ₱0.4 billion that have indefinite useful lives. Under PFRS, the Group is required to test goodwill and intangible assets with indefinite useful life for impairment at least on an annual basis. The recoverable amount for each cash-generating unit (CGU) has been calculated based on value-in-use. These recoverable amounts use discounted future cash flows in which management makes estimates over certain key inputs, such as sales forecast, growth rates and discount rates. Due to the high level of judgement and estimation involved, and the significance of the carrying amounts, we considered the recoverability of goodwill and intangible assets a key audit matter.

Audit response
We obtained an understanding of the Group's impairment assessment process and related controls. We involved our internal specialists in evaluating the assumptions and methodologies used, in particular those relating to discount rates and growth rates. We reviewed the cash flow projections and other key inputs such as growth rate estimates and discount rates, by comparing to externally available industry, economic and financial data and the Group's own historical data and performance.

We also reviewed the Group's disclosures in respect of impairment testing and the sensitivity of the outcome of the impairment assessment to changes in key assumptions.

Revenue Recognition
The Group derives part of its core income from real estate sales and air transportation services.

RLC Group applies the percentage of completion (POC) method in determining real estate revenue and costs. The POC is based on the proportion of cost incurred to date over total estimated cost of the real estate project. The cost of sales is determined on the basis of the total estimated costs applied with the POC of the project. The RLC Group's real estate revenue and costs accounts for 9% of total consolidated revenue and 8% of the total consolidated cost of sales of the Group, respectively. The estimation of the total cost of the real estate project requires technical inputs by project development engineers. In addition, the RLC Group requires a certain percentage of buyer's payments of the total selling price to be collected (buyer's equity) as one of the criteria in order to initiate revenue recognition. The buyer's commitment on the sale is ascertained by RLC Group based on the significance of the buyer's equity. The assessment of the stage of completion and the level of buyer's equity involves significant management judgement as disclosed in Note 3 to the financial statements.

CAI Group recognizes passenger service revenue when the service has been rendered to the passengers according to flight schedule. The amount of passenger tickets for which the related transportation service has not yet been rendered at the end of the reporting period, is recorded as unearned passenger service revenue in the consolidated statement of financial position. Baggage fees are non-refundable fees which are recognized upon receipt. Other ancillary fees are recognized when transactions are carried out.

We considered the recognition of passenger service revenue, baggage fees and other ancillary fees as a key audit matter because of the significance of these accounts to the consolidated financial statements and the high volume of transactions being processed and captured from various distribution channels and locations. The CAI Group's air transportation revenue accounts for 27% of total consolidated revenue. In addition, the determination of the earned and unearned passenger service revenue is highly dependent on the CAI Group's information technology (IT) systems. The disclosures in relation to the revenue recognition are included in Note 2 to the consolidated financial statements.

Audit response
In testing the real estate revenue recognition, we obtained an understanding of the RLC Group's processes for determining the POC, including the cost accumulation process, determination and updating of total estimated costs and performed tests of the relevant controls over these processes. We assessed the competence, capabilities and objectivity of the project development engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated to the supporting documents such as purchase order, billings and invoices of contractors. We visited selected project sites and made relevant inquiries with project development engineers. We performed test computation of the percentage of completion calculation of management. For selected projects, we obtained the approved total estimated costs including revisions and the supporting details such as capital

fulfillment plan, capital expenditure requests and related Executive Committee approvals. We likewise performed inquiries with the project development engineers for the revisions. We evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as Contract to Sell (CTS), Collection report and Buyer's ledger.

In testing the air transportation services revenue, we involved our internal specialists to assist us in understanding and testing the controls over the CAI Group's IT systems and passenger revenue recognition process. This includes testing the controls over the capture and recording of revenue transactions, authorization of rate changes and the input of these information to the revenue system, and mapping of bookings from unearned to earned passenger service revenue when passengers are lifted. We assessed the information produced by the CAI Group's IT systems and tested the reports generated by these systems that are used to defer or recognize passenger service revenue. On a sample basis, we tested the timing of the recording of the transactions near the reporting period. Also, on a sample basis, we tested journal entries related to these accounts through inspection of underlying source documentation.

Accounting for Investment in an Associate
The Group has effective ownership of 27.12% in Manila Electric Company (Meralco) as of December 31, 2016. This investment is accounted for using the equity method. The application of the equity method of accounting to this investment is a key audit matter because Meralco contributed P4.98 billion or 22% to the consolidated net income of the Group in 2016, and accounted for 11% of the consolidated total assets of the Group as of December 31, 2016.

The Group's share in Meralco's net income is significantly affected by Meralco's revenues from the sale of electricity which arise from its service contracts with a large number of customers that are classified as either commercial, industrial or residential, located within Meralco's franchise area. The revenue recognized depends on (a) the complete capture of electric consumption based on the meter readings over the franchise area taken on various dates; (b) the propriety of rates computed and applied across customer classes; and (c) the reliability of the IT systems involved in processing the billing transactions.

Meralco is also involved in certain proceedings for which Meralco has recognized provisions for probable costs and/or expense and/or has disclosed relevant information about such contingencies. This matter is important to our audit because the assessment of the potential outcome or liability involves significant management judgment and estimation of its impact could have a material effect on the Group's share in Meralco's net income.

The Group's share in Meralco's other comprehensive income is significantly affected by Meralco's defined benefit retirement plan for all regular employees. We consider this as a key audit matter because the valuation of the benefits obligation involves a significant level of management judgment. The valuation also requires the assistance of an actuary whose calculations involve the use of certain assumptions, such as future salary increases, discount rates, mortality rates, and employee turnover rates that could have significant impact on the calculation of the benefits expense and liability.

Audit response
For Meralco, we obtained an understanding and evaluated the design of, as well as tested the controls over, the customer master file maintenance, accumulation and processing of meter data, and interface of data from the billing system to the financial reporting system. In addition, we performed a test recalculation of the bill amounts using the ERC-approved rates and formulae, as well as actual costs incurred, and compared them with the amounts reflected in the billing statements. We involved our internal specialist in

understanding the IT processes and in understanding and testing the IT general controls over the IT systems supporting the revenue recognition process.

We also examined the bases of management's assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized and/or disclosed in Meralco's consolidated financial statements. In addition, we evaluated the input data supporting the assumptions used, such as tariffs, tax rates, historical experience, regulatory rulings and other developments, against Meralco's internal and external data and performed recalculations and inspection of relevant supporting documents. We also reviewed the disclosures on provisions and contingencies in the Meralco's consolidated financial statements.

We obtained an understanding of Meralco's defined benefit retirement plans as well as the processes included in estimating the amounts of the related asset, liability and expense. We involved an internal specialist to assist us with our review of the scope, bases of assumptions, methodology and results of the work of Meralco's actuary, whose professional qualifications and objectivity were also evaluated. We compared the key inputs used, such as future salary increases, discount rates, mortality rates, and employee turnover rates against Meralco's internal data and external references. We also inquired about the basis of the salary rate increase and compared it against Meralco's forecasted salary rate increase.

We obtained the relevant financial information of Meralco and recomputed the Group's share in the total comprehensive income of Meralco for the year ended December 31, 2016.

Reasonableness of Estimated Useful Lives of Aircraft
The CAI Group annually estimates the useful lives of its aircraft based on the period over which the assets are expected to be available for use. The CAI Group considers changes to economic conditions, demand, competition and technology advancement when reassessing the estimated useful lives of its aircraft. We considered this area as a key audit matter given the material balances of these assets and the significant judgment required in estimating these assets' useful lives which impacts the carrying values and depreciation charges for these assets. The disclosures on estimated useful lives are included in Notes 2 and 3 to the consolidated financial statements.

Audit response
We obtained an understanding of the CAI Group's process and controls over estimation of the useful lives of aircraft. We also considered the developments in the airline industry and compared the estimated useful lives used by the CAI Group with other comparable airline companies.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20 IS (Definitive Information Statement), SEC Form 17 A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20 IS (Definitive Information Statement), SEC Form 17 A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

SGV
Building a better working world

The engagement partner on the audit resulting in this independent auditor's report is Aris C. Malantic.

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. 5908720, January 3, 2017, Makati City

March 30, 2017

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

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱43,410,141,967**	₱45,272,108,772
Financial assets at fair value through profit or loss (Note 9)	**14,700,149,294**	14,870,294,325
Available-for-sale investments (Note 10)	**15,467,624,372**	11,999,665,499
Receivables (Note 11)	**44,870,238,034**	32,171,956,696
Inventories (Note 12)	**49,702,679,594**	46,648,336,009
Biological assets (Note 17)	**920,226,312**	1,096,482,209
Other current assets (Note 13)	**13,035,305,201**	12,550,648,338
Total Current Assets	**182,106,364,774**	164,609,491,848
Noncurrent Assets		
Available-for-sale investments (Note 10)	**23,608,326,105**	35,628,682,620
Receivables (Note 11)	**24,847,785,195**	21,191,403,292
Held-to-maturity investment (Note 10)	**3,549,900,604**	2,749,295,603
Investments in associates and joint ventures (Note 14)	**127,952,235,708**	114,776,087,906
Property, plant and equipment (Note 16)	**175,662,713,462**	159,836,100,377
Investment properties (Note 15)	**75,416,372,370**	67,258,434,671
Goodwill (Note 19)	**32,023,183,943**	15,517,919,985
Intangible assets (Note 18)	**14,159,003,493**	9,032,757,553
Biological assets (Note 17)	**463,152,936**	461,312,737
Other noncurrent assets (Note 20)	**6,522,278,296**	5,270,492,396
Total Noncurrent Assets	**484,204,952,112**	431,722,487,140
	₱666,311,316,886	₱596,331,978,988
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 21)	**₱96,298,902,214**	₱71,939,783,399
Short-term debts (Note 23)	**61,884,514,577**	34,883,956,474
Current portion of long-term debts (Note 23)	**6,826,230,309**	22,915,756,938
Income tax payable	**2,988,268,108**	4,198,402,000
Derivative liabilities (Note 8)	**5,947,386**	2,443,495,138
Other current liabilities (Note 22)	**12,904,491,809**	11,409,583,471
Total Current Liabilities	**180,908,354,403**	147,790,977,420
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 23)	**152,361,525,291**	143,566,429,906
Deferred tax liabilities (Note 38)	**7,051,282,285**	5,125,150,036
Other noncurrent liabilities (Note 24)	**13,206,299,706**	12,523,760,268
Total Noncurrent Liabilities	**172,619,107,282**	161,215,340,210
Total Liabilities	**₱353,527,461,685**	₱309,006,317,630

(Forward)

	December 31	
	2016	2015
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 25)	**₱30,755,866,814**	₱30,755,866,814
Retained earnings (Note 25)	**180,369,415,195**	171,252,146,684
Equity reserve (Note 25)	**29,638,831,336**	27,575,017,926
Other comprehensive losses (Note 36)	**(1,248,591,500)**	(6,192,501,831)
	239,515,521,845	223,390,529,593
Non-controlling interests (Note 25)	**73,268,333,356**	63,935,131,765
Total Equity	**312,783,855,201**	287,325,661,358
	₱666,311,316,886	₱596,331,978,988

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2016	2015	2014
REVENUE			
Sale of goods and services:			
Foods	**₱112,611,969,799**	₱112,004,706,553	₱96,653,414,632
Air transportation	**61,899,278,892**	56,501,654,516	52,000,018,310
Petrochemicals	**29,070,077,332**	26,780,296,575	3,226,178,660
Real estate and hotels (Notes 11 and 15)	**22,750,417,221**	20,298,039,549	17,432,805,294
Banking (Note 26)	**3,412,187,119**	2,968,940,306	2,717,195,606
Equity in net earnings of associates and joint ventures (Note 14)	**8,176,526,116**	7,311,563,176	7,247,680,555
Dividend income (Note 28)	**2,031,580,194**	2,848,193,719	5,073,575,341
Supplementary businesses	**551,082,564**	558,258,619	461,461,847
	240,503,119,237	229,271,653,013	184,812,330,245
COST OF SALES AND SERVICES			
Cost of sales (Note 30)	**98,124,103,023**	97,621,663,241	69,530,185,316
Cost of services (Note 30)	**45,970,133,223**	43,241,983,101	45,476,429,584
	144,094,236,246	140,863,646,342	115,006,614,900
GROSS INCOME	**96,408,882,991**	88,408,006,671	69,805,715,345
OTHER OPERATING EXPENSES			
General and administrative expenses (Note 31)	**43,498,208,309**	38,677,396,939	31,753,964,780
Impairment losses and others (Note 34)	**640,717,050**	378,065,854	576,706,999
	44,138,925,359	39,055,462,793	32,330,671,779
OPERATING INCOME	**52,269,957,632**	49,352,543,878	37,475,043,566
OTHER INCOME (LOSSES)			
Market valuation losses on impaired available-for-sale investments (Note 10)	**(16,713,629,844)**	–	–
Financing costs and other charges (Note 35)	**(7,461,996,870)**	(6,879,818,419)	(5,824,349,891)
Foreign exchange losses	**(2,638,787,064)**	(4,136,883,267)	(358,828,037)
Market valuation gains (losses) on derivative financial instruments - net (Note 8)	**1,734,360,262**	(2,353,076,578)	(2,318,346,454)
Finance income (Note 27)	**1,161,245,053**	1,367,392,486	1,347,723,538
Market valuation losses on financial assets at fair value through profit or loss - net (Note 9)	**(57,676,177)**	(336,987,727)	(1,267,046,070)
Others (Note 29)	**(487,955,842)**	151,214,790	1,219,853,247
INCOME BEFORE INCOME TAX	**27,805,517,150**	37,164,385,163	30,274,049,899
PROVISION FOR INCOME TAX (Note 38)	**5,437,906,633**	4,488,982,473	4,449,245,289
NET INCOME	**22,367,610,517**	32,675,402,690	25,824,804,610

(Forward)

	Years Ended December 31		
	2016	2015	2014
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 36)			
Items that may be reclassified subsequently to profit or loss:			
Net gains (losses) on available-for-sale investments (Note 10)	**₱4,377,880,289**	(₱14,932,125,338)	₱4,381,664,494
Cumulative translation adjustments	**(121,183,868)**	1,771,511,627	45,527,477
Share in net unrealized losses on available-for-sale investments of an associate (Notes 10 and 14)	**(104,703,835)**	(1,730,644)	(1,326,352)
Net losses from cash flow hedges (Note 8)	**(18,062,625)**	(91,909,256)	(42,581,991)
Items that will not be reclassified to profit or loss:			
Remeasurements of the net defined benefit liability (Note 37)	**52,474,724**	(123,037,866)	193,076,661
Share in remeasurements of the net defined benefit liability of associates (Note 14)	**524,522,485**	–	–
	4,710,927,170	(13,377,291,477)	4,576,360,289
TOTAL COMPREHENSIVE INCOME	**₱27,078,537,687**	₱19,298,111,213	₱30,401,164,899
NET INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company	**₱10,917,978,925**	₱22,610,016,306	₱18,245,149,790
Non-controlling interests (Note 25)	**11,449,631,592**	10,065,386,384	7,579,654,820
	₱22,367,610,517	₱32,675,402,690	₱25,824,804,610
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company	**₱15,861,889,256**	₱8,589,518,427	₱22,611,782,184
Non-controlling interests (Note 25)	**11,216,648,431**	10,708,592,786	7,789,382,715
	₱27,078,537,687	₱19,298,111,213	₱30,401,164,899
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 39)			
Basic/diluted earnings per share	**₱1.52**	₱3.16	₱2.60

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, 2016, 2015 and 2014

	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, 2016	₱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
Total comprehensive income	–	–	–	10,917,978,925	–	10,917,978,925	–	29,518,399	4,388,336,217	(26,697,367)	552,753,082	4,943,910,331	15,861,889,256	11,216,648,431	27,078,537,687
Appropriation of retained earnings	–	–	–	(10,400,000,000)	10,400,000,000	–	–	–	–	–	–	–	–	–	–
Cash dividends (Note 25)	–	–	–	(1,800,710,414)	–	(1,800,710,414)	–	–	–	–	–	–	(1,800,710,414)	(4,175,979,077)	(5,976,689,491)
Reissuance of a subsidiary's treasury shares	–	–	–	–	–	–	2,063,813,410	–	–	–	–	–	2,063,813,410	2,292,532,237	4,356,345,647
Balance at December 31, 2016	₱7,202,841,657	₱23,553,025,157	₱30,755,866,814	₱66,285,085,796	₱114,084,329,399	₱180,369,415,195	₱29,638,831,336	(₱673,326,887)	(₱596,224,679)	₱10,661,590	₱10,298,476	(₱1,248,591,500)	₱239,515,521,845	₱73,268,333,356	₱312,783,855,201
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

See accompanying Notes to Consolidated Financial Statements.

For the Years Ended December 31, 2016, 2015 and 2014

	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, 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

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

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱27,805,517,150**	₱37,164,385,163	₱30,274,049,899
Adjustments for:			
Depreciation and amortization (Notes 15,16, 18 and 33)	**17,001,769,646**	14,439,766,645	11,759,608,063
Market valuation loss on impaired AFS investments (Note 10)	**16,713,629,844**	–	–
Equity in net earnings of associates and joint ventures (Note 14)	**(8,176,526,116)**	(7,311,563,176)	(7,247,680,555)
Interest expense (Note 35)	**7,298,442,812**	6,682,291,317	5,713,260,142
Unrealized foreign exchange losses	**2,638,787,064**	4,136,883,267	358,828,037
Dividend income (Note 28)	**(2,031,580,194)**	(2,848,193,719)	(5,073,575,341)
Market valuation losses (gains) losses on derivative financial instruments - net (Note 8)	**(1,734,360,262)**	2,353,076,578	2,318,346,454
Interest income (Note 27)	**(1,161,245,053)**	(1,367,392,486)	(1,347,723,538)
Provision for impairment losses (Note 34)	**465,267,131**	273,862,988	472,410,245
Loss on sale and retirement of property, plant and equipment and investment properties (Note 16)	**354,454,270**	19,535,061	9,818,199
Inventory obsolescence and market decline (Note 34)	**175,449,919**	104,202,866	104,296,754
Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks (Note 17)	**95,596,818**	56,958,991	(257,939,646)
Market valuation losses on financial assets at fair value through profit or loss (Note 9)	**57,676,177**	336,987,727	1,267,046,070
Loss on sale of available-for-sale investments (Note 29)	**(452,510)**	(898,183)	(17,431)
Operating income before changes in working capital accounts	**59,502,426,696**	54,039,903,039	38,350,727,352
Changes in operating assets and liabilities:			
Decrease (increase) in the amounts of:			
Receivables	**(13,115,882,483)**	(9,251,528,725)	(6,404,735,713)
Inventories	**(2,691,296,655)**	(3,250,107,168)	(12,461,010,274)
Other current assets	**(2,049,042,735)**	(252,800,726)	(2,474,583,582)
Financial assets at fair value through profit or loss	**795,718,122**	756,867,119	(869,167,368)
Derivative assets	**(598,570,188)**	(1,734,020,356)	(461,446,820)
Biological assets	**78,818,880**	96,258,718	22,826,546
Increase in the amounts of:			
Accounts payable and accrued expenses	**22,756,800,392**	1,087,455,571	2,722,368,665
Unearned revenue	**1,169,998,030**	598,009,957	1,034,827,504
Other current liabilities	**324,910,308**	1,234,297,685	775,830,092
Net cash generated from operations	**66,173,880,367**	43,324,335,114	20,235,636,402
Interest paid	**(7,220,832,524)**	(6,502,237,413)	(5,117,793,186)
Income taxes paid	**(5,946,033,406)**	(3,884,619,696)	(2,721,618,132)
Interest received	**1,064,803,275**	1,289,340,637	1,253,297,811
Net cash provided by operating activities	**54,071,817,712**	34,226,818,642	13,649,522,895

(Forward)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 16 and 46)	**(₱29,440,474,778)**	(₱25,776,311,061)	(₱29,952,370,352)
Subsidiaries, net of cash acquired (Note 44)	**(21,159,258,285)**	–	(7,318,018,302)
Available-for-sale investments (Note 10)	**(15,080,087,313)**	(6,941,384,431)	(3,117,499,789)
Investments in associates and joint ventures (Note 14)	**(12,152,533,446)**	(129,000,000)	(31,944,758,295)
Investment properties (Notes 15 and 46)	**(11,088,963,635)**	(13,252,323,663)	(8,026,565,946)
Assets that qualified as a business (Note 44)	**(1,600,000,000)**	–	–
Held-to-maturity investments (Note 10)	**(800,605,001)**	(980,692,134)	(1,693,603,469)
Intangible assets (Note 18)	**(599,648,596)**	(44,928,168)	(2,200,000)
Dividends received on investments in associates and joint ventures (Note 14)	**7,807,440,452**	4,803,897,297	3,912,840,136
Dividends received (Note 28)	**2,031,580,194**	2,848,193,719	5,073,575,341
Decrease (increase) in the amounts of other noncurrent assets (Note 20)	**(625,863,649)**	(1,643,557,430)	485,408,173
Return of investment from an associate (Note 14)	**–**	5,000,000	45,000,000
Proceeds from sale of:			
Available-for-sale investments	**11,600,295,195**	6,695,561,770	2,232,595,649
Property, plant and equipment (Note 16)	**3,214,497,371**	1,082,315,799	39,097,309
Investment property	**33,610,500**	–	–
Net cash used in investing activities	**(67,860,010,991)**	(33,333,228,302)	(70,266,499,545)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of:			
Short-term debts	**91,462,362,171**	67,004,746,707	61,850,234,052
Long-term debts	**38,600,364,183**	18,466,895,200	75,131,100,310
Proceeds from reissuance of a subsidiary's treasury shares, net of transaction costs (Note 25)	**4,356,345,647**	–	–
Dividends paid to non-controlling interests (Note 25)	**(4,175,979,077)**	(3,922,800,371)	(3,752,970,864)
Increase (decrease) in other noncurrent liabilities (Note 24)	**318,729,350**	4,034,036,837	(152,634,504)
Settlements of:			
Short-term debts	**(65,536,414,360)**	(76,793,118,937)	(52,903,152,436)
Long-term debts (Note 23)	**(51,298,471,026)**	(12,197,009,305)	(23,808,407,948)
Dividends paid on:			
Common shares (Note 25)	**(1,790,710,414)**	(1,575,825,165)	(1,403,438,331)
Preferred shares (Note 25)	**(10,000,000)**	(8,800,000)	(8,000,000)
Proceeds from issuance of new shares and reissuance of treasury shares through top-up placement transaction (Note 25)	**–**	8,740,529,164	–
Cash received from non-controlling interest for issuance of shares by a subsidiary	**–**	3,155,222,080	–
Net proceeds from partial disposal of interest in a subsidiary (Note 25)	**–**	–	506,652,001
Net cash provided by financing activities	**11,926,226,474**	6,903,876,210	55,459,382,280
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,861,966,805)**	7,797,466,550	(1,157,594,370)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**45,272,108,772**	37,474,642,222	38,632,236,592
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱43,410,141,967**	₱45,272,108,772	₱37,474,642,222

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, New Zealand and Australia 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 Robina Corporation (URC) and Subsidiaries (URC Group) which are disclosed below, the functional currency of other consolidated foreign subsidiaries is US dollar (USD).

A summary of the functional currencies of certain foreign subsidiaries within the Group 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-
URC Australia Holding Company	Australia	AUD
URC Australia Finance Company	-do-	AUD
Consolidated Snacks Pty Ltd	-do-	AUD
Consolidated Snacks Finance Pty Ltd.	-do-	AUD
Snack Foods Pty. Limited	-do-	AUD
The Kettle Chips Co. Pty. Limited	-do-	AUD
Lips Chips Pty. Limited	-do-	AUD
Snack Brands Industries Pty Limited	-do-	AUD
Snack Brands Foods Pty Limited	-do-	AUD
Snack Brands Australia Partnership	-do-	AUD
The Real McCoy Snackfood Co Pty Limited	-do-	AUD
Australian Natural Snack Company Pty. Limited	-do-	AUD
Windsor Chips Pty. Ltd.	-do-	AUD
Colvan Snack Foods Pty Limited	-do-	AUD

Subsidiaries	Country of Incorporation	Functional Currency
RLC Group		
Robinsons (Cayman) Limited	Cayman Islands	USD
RLC Resources Ltd	British Virgin Islands	USD
Land Century Holdings, Ltd.	Hong Kong	HKD
World Century Enterprise Ltd.	Hong Kong	HKD
First Capital Development, Ltd	Hong Kong	HKD
Chengdu Xin Yao Real Estate Development, Co. Ltd	China	RMB

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 2016	2015
Food				
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	110 E. Rodriguez Avenue, Bagumbayan, Quezon City, Philippines	55.25	55.83
CFC Clubhouse Property, Inc. (CCPI).	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	55.25	55.83
CFC Corporation	-do-	-do-	55.25	55.83
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	55.25	55.83
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	28.17**	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	55.25	55.83
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	55.25	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	55.25	55.83
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	55.25	55.83
Air Transportation				
CP Air Holdings, Inc. (CPAHI) and Subsidiaries	Philippines	2nd Floor, Doña Juanita Marquez Lim Building, Osmeña Boulevard, Cebu City	100.00	100.00
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	-do-	67.23	67.23
Real Estate and Hotels				
Robinsons Land Corporation (RLC) and Subsidiaries	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	60.97	60.97
Robinson's Inn, Inc.	-do-	-do-	60.97	60.97
Robinsons Realty and Management Corporation	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	60.97	60.97
Robinsons (Cayman) Limited	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	60.97	60.97
Robinsons Properties Marketing and Management Corporation	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	60.97	60.97
Manhattan Buildings and Management Corp	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	60.97	60.97
Altus Angeles, Inc.	-do-	McArthur Highway, Balisage, Angeles City, Pampanga	31.09**	31.09**
Altus San Nicolas Corporation	-do-	Bogy. 1 San Francisco, San Nicolas, I locos Norte	60.97	60.97
Go Hotels Davao, Inc.	-do-	Lanang, Davao City	31.09**	31.09**
Lingkod Pinoy Bus Liner, Inc.	-do-		48.78	48.78
RLC Resources Ltd	British Virgin Islands	British Virgin Islands	60.97	60.97

(Forward)

Subsidiaries	Country of Incorporation	Principal place of business	Effective Percentage of Ownership 2016	2015
Land Century Holdings, Ltd.	Hong Kong		60.97	60.97
World Century Enterprise Ltd.	Hong Kong		60.97	60.97
Kingdom Pacific Ltd. (Kingdom Pacific)	Hong Kong		–	60.97
Crown Harbour Holdings Ltd. (Crown Harbour)	Hong Kong		–	60.97
First Capital Development, Ltd	Hong Kong		60.97	60.97
Chengdu Xin Yao Real Estate Development Co. Ltd.	China		60.97	60.97
Petrochemicals				
JG Summit Petrochemical Corporation (JGSPC)	Philippines	Ground Floor, Cybergate Tower 1, EDSA corner, Pioneer Street, Mandaluyong City	100.00	100.00
JG Summit Olefins Corporation (JGSOC)	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	100.00	100.00
Banking				
Robinsons Bank Corporation (RBC) and a Subsidiary	-do-	17th floor, Galleria Corporate Center EDSA corner Ortigas Avenue, Quezon City	60.00	60.00
Legazpi Savings Bank, Inc. (LSB)	-do-	Rizal Street, Barangay Sagpon, Albay, Legazpi City	60.00	60.00
Supplementary Businesses				
Express Holdings, Inc. (EHI) and a Subsidiary	-do-	29th Floor, Galleria Corporate Center, EDSA, Quezon City	100.00	100.00
Summit Forex Brokers Corporation	-do-	41st Floor, Robinsons-Equitable Tower, ADB Avenue, Corner Poveda Road, Pasig City	100.00	100.00
JG Summit Capital Services Corp. (JGSCSC) and Subsidiaries	-do-	40th Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City	100.00	100.00
JG Summit Capital Markets Corporation (JGSMC)	-do-	-do-	100.00	100.00
Summit Point Services Ltd.	-do-	-do-	100.00	100.00
Summit Internet Investments, Inc.	-do-	-do-	100.00	100.00
JG Summit Cayman, Ltd. (JGSCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	100.00	100.00
JG Summit Philippines Ltd. (JGSPL) and Subsidiaries	-do-	-do-	100.00	100.00
JGSH Philippines, Limited	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	100.00	100.00
Multinational Finance Group, Ltd.	-do-	-do-	100.00	100.00
Telegraph Development, Ltd.	-do-	-do-	100.00	100.00
Summit Top Investment, Ltd.	-do-	-do-	100.00	100.00
JG Summit Limited (JGSL)	-do-	-do-	–	–
Unicon Insurance Brokers Corporation (UIBC)	Philippines	CFC Bldg., E. Rodriguez Avenue, Bagong Ilog, Pasig City	100.00	100.00
Batangas Agro-Industrial Development Corporation (BAID) and Subsidiaries	-do-	5th Floor Citibank Center, Makati	100.00	100.00
Fruits of the East, Inc.	-do-	Citibank Center, Paseo de Roxas, Makati	100.00	100.00
Hometel Integrated Management Corporation	-do-	-do-	100.00	100.00
King Leader Philippines, Inc.	-do-	5th Floor Citibank Center, Makati	100.00	100.00

(Forward)

Subsidiaries	Country of Incorporation	Principal place of business	Effective Percentage of Ownership 2016	2015
Samar Commodities Trading and Industrial Corporation	-do-	-do-	100.00	100.00
Tropical Aqua Resources	-do-	-do-	100.00	100.00
United Philippines Oil Trading, Inc.	-do-	-do-	100.00	100.00

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

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

The Company applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the Group since it does not have investment entity associates or joint ventures.

Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*
The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to 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.

These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

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 income 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.

Since the Company is an existing PFRS preparer, this standard would not apply.

Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments do not have any impact to the Group.

Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*
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.

These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

Amendments to PAS 16 and PAS 41, Agriculture*: Bearer Plants*
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 applied retrospectively and do not have any impact on the Group as the Group does not have any bearer plants.

Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*
The amendments 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.

The Group opt to apply the cost method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates.

Annual Improvements to PFRSs (2012 - 2014 Cycle)
The Annual Improvements to PFRS (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, unless otherwise stated. They include:

Amendment to 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. These amendments do not have any impact to the Group.

Amendment to 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 for continuing involvement 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. These amendments do not have any impact to the Group.

Amendment to 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. These amendments do not have any impact to the Group.

Amendment to PAS 19, *Employee Benefits*, *Discount Rate: Regional Market Issue*
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. These amendments do not have any impact to the Group.

Amendment to 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). These amendments do not have any impact to the Group.

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% and 'prolonged' as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit and loss, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss in the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized as part of other comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss. Such accrual is recorded as part of 'Interest income' in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit or loss.

Derecognition of Financial Instruments

Financial assets

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

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

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

Financial liabilities

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. 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.

Inventories

Inventories, including work-in-process, are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for materials, spare parts and other supplies represents the related replacement costs. In determining the NRV, the Group deducts from cost 100.0% of the carrying value of slow-moving items and nonmoving items for more than one year.

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 contractually required under various lease contracts to restore certain leased aircraft to its original condition and to bear the cost of restoration at the end of the contract period. The contractual obligation includes regular aircraft maintenance, overhaul and restoration of the leased aircraft to its original condition. 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 under 'Advances to supplier' account in the consolidated statement of financial position. This is recouped when the expenses for restoration of aircraft have been incurred.

The Group regularly assesses the provision for ARO and adjusts the related 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)

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 a biological asset's life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of 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.

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 carried at fair values less estimated costs to sell
Biological assets 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. 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.

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.

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.

Sale of air transportation services
Passenger ticket and cargo waybill sales, excluding portion relating to awards under Lifestyle Rewards Program, are initially recorded under 'Unearned revenue' account in the consolidated statement of financial position until recognized as 'Revenue' in the consolidated statement of comprehensive income when carriage is provided or when the flight is uplifted.

Ancillary revenue
Revenue from services incidental to the transportation of passengers, cargo, mail and merchandise are recognized when transactions are carried out.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

consolidated statement of comprehensive income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Contingencies

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

Pension Costs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized, except:

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

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of reporting date.

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

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

Leases

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

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

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

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

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and is included in the consolidated statement of financial position under 'Property, plant and equipment' with the corresponding liability to the lessor included under 'Long-term debt'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss in the consolidated statement of comprehensive income. Capitalized leased assets are depreciated over the shorter of the EUL of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense under 'Cost of sales and services' and 'General administrative expenses' in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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

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

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

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

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

Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of the Group's financial statements are listed below. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective beginning on or after January 1, 2017

Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRS* 2014 - 2016 Cycle)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation.

Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 financial statements of the Group.

Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 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 PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

PFRS 9, *Financial Instruments* (2014 or final version)
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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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 will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of Annual Improvements to PFRS 2014 - 2016 Cycle)
The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Effective beginning on or after January 1, 2019
PFRS 16, *Leases*
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. 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 recognize 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity
Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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 SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation.

3. Significant Accounting Judgments and Estimates

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

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

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

a. *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.

b. *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. Refer to Note 5 for the fair value measurements of financial instruments.

c. *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 (buyer's equity); and
- stage of completion of the project determined using cost-to-cost method.

The Group has set a certain percentage of collection over the total selling price in determining buyer's commitment on the sale. It is when the buyer's investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group.

The related balances from real estate sales transactions follow:

	2016	2015	2014
Revenue	**₱6,952,804,308**	₱6,378,365,315	₱5,650,781,444
Cost and expenses	**4,138,509,247**	3,250,836,782	3,043,254,449

d. *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.

<u>*Finance Lease*</u>
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.

Refer to Note 42 for the disclosure on the Group's leases.

e. *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.

f. *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.

g. *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.

h. *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.

i. *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:

	2016	2015	2014
Revenue	**₱6,952,804,308**	₱6,378,365,315	₱5,650,781,444
Cost and expenses	**4,138,509,247**	3,250,836,782	3,043,254,449

- 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 2016, 2015 and 2014, 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 2016, the Group recognized impairment loss on its AFS equity instruments amounting to ₱16.7 billion. In 2015 and 2014, 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 include long-term and terminal growth rates that are 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.

As of December 31, 2016 and 2015, the balance of the Group's goodwill and intangible assets, net of accumulated depreciation, amortization and impairment loss follow:

	2016	2015
Goodwill (Note 19)	**32,023,183,943**	15,517,919,985
Intangible assets (Note 18)	**14,159,003,493**	9,032,757,553

d. *Determination of the fair value of intangible assets and property, plant and equipment acquired in a business combination*
The Group measures the identifiable assets and liabilities acquired in a business combination at fair value at the date of acquisition.

The fair value of the intangible assets acquired in a business combination is determined based on the net sales forecast attributable to the intangible assets, growth rate estimates and royalty rates using comparable license agreements. Royalty rates are based on the estimated arm's length royalty rate that would be paid for the use of the intangible assets. Growth rate estimate includes long-term growth rate and terminal growth rate applied to future cash flows beyond the projection period.

The fair value of property, plant and equipment acquired in a business combination is determined based on comparable properties after adjustments for various factors such as location, size and shape of the property. Cost information and current prices of comparable equipment are also utilized to determine the fair value of equipment.

The Group's acquistions are discussed in Note 44 to the consolidated financial statements.

e. *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.

f. *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.

g. *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 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.

h. *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.

i. *Determination of fair values less estimated costs to sell of biological assets*
The fair values of biological assets 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 ₱95.6 million, ₱57.0 million and ₱257.9 million in 2016, 2015 and 2014, 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.

j. *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, 2016 and 2015, 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 statements.

k. *Assessment of impairment on property, plant and equipment, investment properties, investments in associates and joint ventures, biological assets carried at cost, 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 2016, 2015 and 2014 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 2016 and 2015.

As of December 31, 2016 and 2015, the balance of the Group's nonfinancial assets, net of accumulated depreciation, amortization and impairment loss follow:

	2016	2015
Property, plant and equipment (Note 16)	**₱175,662,713,462**	₱159,836,100,377
Investment properties (Note 15)	**75,416,372,370**	67,258,434,671
Investments in associates and joint ventures (Note 14)	**127,952,235,708**	114,776,087,906
Intangible assets (Note 18)	**14,159,003,493**	9,032,757,553

l. 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.

Risk Management Policies

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk, such as foreign currency risk, commodity price risk, equity price risk and interest rate risk. The Group's policies for managing the aforementioned risks are summarized below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group transacts only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group continuously provides credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL, AFS investments and certain derivative investments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

The Group has a counterparty credit risk management policy which allocates investment limits based on counterparty credit ratings and credit risk profile.

a. Credit risk exposure

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

	2016			
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Loans and receivables:				
Trade receivables	**₱96,000,000**	**₱96,352,096**	**₱96,000,000**	**₱–**
Finance receivables:				
Commercial	**8,472,128,175**	**3,249,062,324**	**2,966,644,526**	**5,505,483,649**
Real estate	**5,352,677,002**	**9,248,284,662**	**5,001,508,450**	**351,168,552**
Consumption	**1,685,810,649**	**1,838,552,078**	**1,448,140,640**	**237,670,009**
Other receivables	**46,124,679**	**82,823,176**	**45,417,018**	**707,661**
Total credit risk exposure	**₱15,652,740,505**	**₱14,515,074,336**	**₱9,557,710,634**	**₱6,095,029,871**

	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

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, 2016 and 2015, before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

	December 31, 2016					
	Philippines	**Asia (excluding Philippines)**	**United States**	**Europe**	**Others***	**Total**
Cash and cash equivalents**	₱33,884,142,540	₱5,477,281,545	₱–	₱574,147,908	₱1,359,455,924	₱41,295,027,917
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	1,966,086,674	3,102,456,348	1,653,094,284	2,763,707,992	233,835,032	9,719,180,330
Government	993,779,175	728,964,356	–	–	–	1,722,743,531
Derivatives	1,421,644	–	477,534,717	–	–	478,956,361
	2,961,287,493	3,831,420,704	2,130,629,001	2,763,707,992	233,835,032	11,920,880,222
Equity securities:						
Quoted	1,197,749,259	593,735,747	386,673,362	497,983,083	103,123,892	2,779,265,343
Unquoted	–	3,729	–	–	–	3,729
	1,197,749,259	593,739,476	386,673,362	497,983,083	103,123,892	2,779,269,072
	4,159,036,752	4,425,160,180	2,517,302,363	3,261,691,075	336,958,924	14,700,149,294
Derivative assets:						
Designated as accounting hedges	–	–	–	–	26,800,472	26,800,472
	–	–	–	–	26,800,472	26,800,472
AFS investments:						
Debt securities:						
Government	8,967,256,990	613,087,660	–	–	–	9,580,344,650
Private	3,239,185,098	770,593,654	190,637,289	32,641,180	–	4,233,057,221
	12,206,442,088	1,383,681,314	190,637,289	32,641,180	–	13,813,401,871
Equity securities:						
Quoted	24,115,751,655	–	–	1,122,503,580	–	25,238,255,235
Unquoted	24,293,371	–	–	–	–	24,293,371
	24,140,045,026	–	–	1,122,503,580	–	25,262,548,606
	36,346,487,114	1,383,681,314	190,637,289	1,155,144,760		39,075,950,477
Held-to-maturity investment	3,549,900,604	–	–	–	–	3,549,900,604
Receivables:						
Finance receivables	38,004,283,010	–	–	–	–	38,004,283,010
Trade receivables	17,704,004,196	5,550,455,681	36,206,256	116,719,375	2,833,847,588	26,241,233,096
Due from related parties	423,027,570	994,483,279	–	–	–	1,417,510,849
Interest receivable	615,462,849	69,116,950	34,360,710	35,010,319	3,242,406	757,193,234
Other receivables***	1,229,144,374	226,281,008	–	–	94,766	1,455,520,148
	57,975,921,999	6,840,336,918	70,566,966	151,729,694	2,837,184,760	67,875,740,337
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	691,891,925	–	–	29,182,000	–	721,073,925
	₱136,607,380,934	₱18,126,459,957	₱2,778,506,618	₱5,171,895,437	₱4,560,400,080	₱167,244,643,026

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

** *Excludes cash on hand amounting to ₱2,115,114,050*

*** *Other receivables includes TCCs of Petrochem amounting to ₱1,844,979,482*

	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*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2016 and 2015, before taking into account any collateral held or other credit enhancements.

	2016										
	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	Construction	Public Administration	Others*	Total
Cash and cash equivalents**	₱–	₱–	₱–	₱28,518,198,281	₱–	₱–	₱–	₱–	₱10,911,443,456	₱1,865,386,180	₱41,295,027,917
Financial assets at FVPL:											
Held-for-trading:											
Debt securities:											
Private	230,595,095	237,373,756		4,608,010,227	497,867,118		1,356,461,199	–	–	2,788,872,935	9,719,180,330
Government	–	–	–	–	–	–	–	–	1,722,743,531	–	1,722,743,531
Derivatives	–	–	–	37,182,456	441,773,905	–	–	–	–	–	478,956,361
	230,595,095	237,373,756	–	4,645,192,683	939,641,023	–	1,356,461,199	–	1,722,743,531	2,788,872,935	11,920,880,222
Equity securities:											
Quoted	933,711,240	125,707,649	–	460,590,596	205,508,686	–	213,232,868	–	–	840,514,304	2,779,265,343
Unquoted	–	–	–	–	–	–	–	–	–	3,729	3,729
	933,711,240	125,707,649	–	460,590,596	205,508,686	–	213,232,868	–	–	840,518,033	2,779,269,072
	1,164,306,335	363,081,405	–	5,105,783,279	1,145,149,709	–	1,569,694,067	–	1,722,743,531	3,629,390,968	14,700,149,294
Derivative financial assets:											
Designated as an accounting hedge	26,800,472	–	–	–	–	–	–			–	26,800,472
	26,800,472	–	–	–	–	–	–			–	26,800,472
AFS investments:											
Debt securities:											
Government	–	–	–	–	–	–	–	–	9,580,344,650	–	9,580,344,650
Private	124,893,768	514,130,501	–	2,557,994,028	281,791,732	–	219,845,841	–	–	534,401,351	4,233,057,221
	124,893,768	514,130,501	–	2,557,994,028	281,791,732	–	219,845,841		9,580,344,650	534,401,351	13,813,401,871
Equity securities:											
Quoted	11,789,500	–	–	139,262,742	23,611,337,005	–	–	–	–	1,475,865,988	25,238,255,235
Unquoted	–	–	–	7,500,000	–	–	–	–	5,000,100	11,793,271	24,293,371
	11,789,500	–	–	146,762,742	23,611,337,005	–	–	–	5,000,100	1,487,659,259	25,262,548,606
	136,683,268	514,130,501	–	2,704,756,770	23,893,128,737	–	219,845,841	–	9,585,344,750	2,022,060,610	39,075,950,477

(Forward)

	2016										
	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	Construction	Public Administration	Others*	Total
Held-to-maturity investment	**₱596,663,277**	**₱1,175,000,000**	**₱–**	**₱350,000,000**	**₱12,259,994**	**₱–**	**₱500,000,000**	**₱–**	**₱520,491,564**	**₱395,485,769**	**₱3,549,900,604**
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**	**417,171,049**	**–**	**14,854,856,490**	**38,004,283,010**
Trade receivables	**14,902,927,891**	**9,199,994,574**	**–**	**–**	**1,883,241,285**	**–**	**–**	**–**	**–**	**255,069,346**	**26,241,233,096**
Due from related parties	**425,609,743**	**25,878,290**	**261,459,147**	**520,193,596**	**124,204,940**	**–**	**–**	**–**	**–**	**60,165,133**	**1,417,510,849**
Interest receivable	**49,138,702**	**54,598,520**	**18,613,328**	**151,064,462**	**18,280,538**	**6,955,837**	**21,436,336**	**1,521,050**	**70,439,375**	**365,145,086**	**757,193,234**
Other receivables***	**743,840,012**	**311,897,933**	**1,320,370**	**–**	**128,588,214**	**–**	**–**	**–**	**–**	**269,873,619**	**1,455,520,148**
	18,742,835,096	**16,437,996,317**	**5,940,735,042**	**4,442,492,072**	**3,728,903,733**	**421,588,817**	**1,866,948,112**	**418,692,099**	**70,439,375**	**15,805,109,674**	**67,875,740,337**
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	**9,484,999**	**625,621,082**	**–**	**–**	**29,207,200**	**–**	**–**	**–**	**–**	**56,760,644**	**721,073,925**
	₱20,676,773,447	**₱19,115,829,305**	**₱5,940,735,042**	**₱41,121,230,402**	**₱28,808,649,373**	**₱421,588,817**	**₱4,156,488,020**	**418,692,099**	**22,810,462,676**	**₱23,774,193,845**	**₱167,244,643,026**

** 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*

	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*

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:

	2016						
	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*	₱36,698,814,718	₱4,596,213,199	₱–	₱–	₱–	₱–	₱41,295,027,917
Financial assets at FVPL:							
Held-for-trading:							
Debt securities:							
Private	9,719,180,330	–	–	–	–	–	9,719,180,330
Government	1,721,514,777	1,228,754	–	–	–	–	1,722,743,531
Derivatives	443,195,549	–	–	–	–	–	443,195,549
	11,883,890,656	1,228,754	–	–	–	–	11,885,119,410
Equity securities:							
Quoted	2,779,265,343	–	–	–	–	–	2,779,265,343
Unquoted	3,729	–	–	–	–	–	3,729
	2,779,269,072	–	–	–	–	–	2,779,269,072
	14,663,159,728	1,228,754	–	–	–	–	14,664,388,482
Derivative financial assets not designated as accounting hedges	62,561,284	–	–	–	–	–	62,561,284
	62,561,284	–	–	–	–	–	62,561,284
AFS investments:							
Debt securities:							
Government	1,386,357,676	8,193,986,974	–	–	–	–	9,580,344,650
Private	993,872,123	3,239,185,098	–	–	–	–	4,233,057,221
	2,380,229,799	11,433,172,072	–	–	–	–	13,813,401,871
Equity securities:							
Quoted	41,830,000	305,772,373	–	–	–	24,890,652,862	25,238,255,235
Unquoted	687,671	–	–	23,605,700	–	–	24,293,371
	42,517,671	305,772,373	–	23,605,700	–	24,890,652,862	25,262,548,606
	2,422,747,470	11,738,944,445	–	23,605,700	–	24,890,652,862	39,075,950,477
Held to maturity investments	–	3,549,900,604	–	–	–	–	3,549,900,604
Receivables:							
Finance receivables	20,052,769,348	14,364,952,634	1,084,858,269	1,577,862,161	736,954,006	1,111,107,383	38,928,503,801
Trade receivables	19,780,687,108	1,204,453,697	515,514,728		4,748,363,615	552,361,283	26,801,380,431
Due from related parties	1,417,510,849	–	–	–	–	–	1,417,510,849
Interest receivable	264,396,170	304,687,337	2,840,190	–	183,423,687	1,845,850	757,193,234
Other receivables**	340,930,474	129,996,248	59,237,100	–	907,519,329	206,534,551	1,644,217,702
	41,856,293,949	16,004,089,916	1,662,450,287	1,577,862,161	6,576,260,637	1,871,849,067	69,548,806,017
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	653,391,683	67,682,242	–	–	–	–	721,073,925
Other Current Assets	586,700,532	336,026,879	–	–	–	–	922,727,411
	₱96,943,669,364	₱36,294,086,039	₱1,662,450,287	₱1,601,467,861	₱6,576,260,637	₱26,762,501,929	₱169,840,436,117

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

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

	2015						
	Neither Past Due Nor Individually Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due 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*

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, 2016 and 2015 follow:

	2016						
		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	₱37,080,442,412	₱10,331,805	₱18,843,201	₱37,785,278	₱669,993,722	₱1,111,107,383	₱38,928,503,801
Trade receivables	21,107,554,503	1,472,782,710	505,194,071	574,437,631	2,589,050,233	552,361,283	26,801,380,431
Due from related parties	1,417,510,849	–	–	–	–	–	1,417,510,849
Interest receivable	536,785,981	1,100,643	2,261,626	3,302,164	211,896,970	1,845,850	757,193,234
Others	1,164,052,693	14,326,702	5,187,328	23,153,997	253,273,546	184,223,436	1,644,217,702
	₱61,306,346,438	₱1,498,541,860	₱531,486,226	₱638,679,070	₱3,724,214,471	₱1,849,537,952	₱69,548,806,017

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	4,426,300	15,851,639	255,380,510	184,223,436	1,132,398,998
	₱47,125,182,227	₱951,026,378	₱521,765,635	₱189,096,566	₱4,120,507,088	₱1,849,347,134	₱54,756,925,028

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, 2016 and 2015:

2016						
	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	**₱19,983,211,322**	**₱21,269,568,309**	**₱2,224,970,000**	**₱–**	**₱–**	**₱43,477,749,631**
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	–	–	**9,719,180,330**	–	–	**9,719,180,330**
Government	**1,228,754**	–	**1,721,514,777**	–	–	**1,722,743,531**
Derivatives	–	–	**443,195,549**	**35,760,812**	–	**478,956,361**
	1,228,754	–	**11,883,890,656**	**35,760,812**	–	**11,920,880,222**
Equity securities:						
Quoted	**1,197,749,259**	–	**1,581,516,084**	–	–	**2,779,265,343**
Unquoted	–	–	**3,729**	–	–	**3,729**
	1,197,749,259	–	**1,581,519,813**	–	–	**2,779,269,072**
	1,198,978,013	–	**13,465,410,469**	–	–	**14,664,388,482**
Derivative financial assets designated as accounting hedges	–	–	**26,800,472**	–	–	**62,561,284**
AFS investments:						
Debt securities:						
Government	–	**31,631,237**	**9,548,713,413**	–	–	**9,580,344,650**
Private	–	**128,949,103**	**4,104,108,118**	–	–	**4,233,057,221**
	–	**160,580,340**	**13,652,821,531**	–	–	**13,813,401,871**
Equity securities:						
Quoted	**41,830,000**	**305,772,373**	**1,282,326,757**	**23,608,326,105**	–	**25,238,255,235**
Unquoted	–	**23,605,700**	**687,671**	–	–	**24,293,371**
	41,830,000	**329,378,073**	**1,283,014,428**	**23,608,326,105**	–	**25,262,548,606**
	41,830,000	**489,958,413**	**14,935,835,959**	**23,608,326,105**	–	**39,075,950,477**
Held to maturity investments	–	**57,006,693**	–	**1,077,759,585**	**2,743,443,378**	**3,878,209,656**
Receivables:						
Trade receivables	**4,021,645,112**	**18,825,052,506**	**1,190,477,613**	**2,270,869,372**	**528,385,047**	**26,836,429,650**
Finance receivables	**648,028,853**	**6,105,462,562**	**3,553,042,371**	**13,835,045,477**	**22,421,302,199**	**46,562,881,462**
Due from related parties	**1,315,333,252**	**3,464,762**	**98,712,835**	–	–	**1,417,510,849**
Interest receivable	**153,379,197**	**252,184,026**	**351,630,011**	–	–	**757,193,234**
Other receivables	**692,972,269**	**832,605,996**	**118,639,437**	–	–	**1,644,217,702**
	6,831,358,683	**26,018,769,852**	**5,312,502,267**	**16,105,914,849**	**22,949,687,246**	**77,218,232,897**
Refundable security deposits	**7,240,035**	**16,106,444**	**10,598,643**	**299,571,580**	**388,358,803**	**721,875,505**
Other Current Assets	–	–	–	–	–	–
	₱28,062,618,053	**₱47,851,409,711**	**₱35,976,117,810**	**₱41,091,572,119**	**₱26,081,489,427**	**₱179,098,967,932**

	2016					
	On Demand	**Up to 3 Months**	**4 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')	**₱16,103,568,618**	**₱17,425,567,745**	**₱8,751,203,461**	**₱544,320,629**	**₱1,911,686,040**	**₱44,736,346,493**
Short-term debt	**–**	**30,826,688,773**	**31,468,105,354**	**–**	**–**	**62,294,794,127**
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**	**15,349,040,957**	**9,428,793,502**	**4,817,729,266**	**3,908,763**	**61,268,466,741**
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	**136,118,258**	**–**	**–**	**–**	**–**	**136,118,258**
Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	**525,132,237**	**248,624,698**	**997,198,681**	**1,476,918,169**	**785,584,181**	**4,033,457,966**
Long-term debt (including current portion)	**–**	**1,276,164,221**	**3,661,742,495**	**93,118,218,594**	**94,045,704,321**	**192,101,829,631**
Derivative liabilities	**–**	**–**	**5,947,386**	**–**	**–**	**5,947,386**
	₱48,435,513,366	**₱65,126,086,394**	**₱54,312,990,879**	**₱99,957,186,658**	**₱96,746,883,305**	**₱364,578,660,602**

	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

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

	2016		2015	
	Undiscounted	**Discounted**	Undiscounted	Discounted
Receive (Asset)*	**₱271,942,783**	**₱270,862,277**	₱263,472,770	₱259,632,248
Pay (Liability)**	**(145,326,380)**	**(144,678,581)**	(224,837,974)	(222,273,291)
	₱126,616,403	**₱126,183,696**	₱38,634,796	₱37,358,957

** 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, 2016, 2015 and 2014, approximately 32.0%, 33.6% and 27.5%, 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, 2016 and 2015, 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, 2016 and 2015:

	2016		
	US Dollar	**Other Currencies***	**Total**
Assets			
Cash and cash equivalents	**₱11,997,049,530**	**₱5,656,460,603**	**₱17,653,510,133**
Financial assets at FVPL	**13,463,988,825**	**–**	**13,463,988,825**
AFS investments	**3,945,928,928**	**–**	**3,945,928,928**
Receivables	**4,773,353,726**	**6,938,950,885**	**11,712,304,611**
Derivative assets	**35,760,812**	**26,800,472**	**62,561,284**
Other noncurrent assets	**29,250,904**	**–**	**29,250,904**
	34,245,332,725	**12,622,211,960**	**46,867,544,685**
Liabilities			
Accounts payable and accrued expenses	**16,197,543,846**	**11,145,748,284**	**27,343,292,130**
Short-term debt	**28,841,311,035**	**1,431,890,655**	**30,273,201,690**
Long-term debt (including current portion)	**69,020,188,041**	**31,366,592,785**	**100,386,780,826**
Other noncurrent liabilities	**224,413,504**	**–**	**224,413,504**
	114,283,456,426	**43,944,231,724**	**158,227,688,150**
Net Foreign Currency-Denominated Liabilities	**(₱80,038,123,701)**	**(₱31,322,019,764)**	**(₱111,360,143,465)**

**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*

	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*

The exchange rates used to convert the Group's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2016 and 2015 follow:

	2016	2015
US dollar-Philippine peso exchange rate	**₱49.72 to US$1.00**	₱47.06 to US$1.00

The following table sets forth the impact of the range of reasonably possible changes in the US dollar, NZ Dollar and AU 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, 2016, 2015 and 2014:

	2016		
Reasonably Possible Changes in Foreign Currency-Philippine Peso Exchange Rates	**US Dollar**	**NZ Dollar**	**AUD**
4.0%	**(₱3,255,152,581)**	**(₱529,908,348)**	**(₱683,699,895)**
(4.0)	**3,255,152,581**	**529,908,348**	**683,699,895**

	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

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 2016, 2015 and 2014, 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 ₱25.1 million, ₱14.1 million and ₱43.5 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 ₱369.9 million, ₱590.6 million and ₱773.0 million as of December 31, 2016, 2015 and 2014, 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:

2016

	<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$61,059,188**	**US$60,350,674**	**US$60,534,350**	**US$60,401,871**	**US$61,338,081**	**US$190,739,033**	**US$494,423,197**	**₱24,582,721,362**	**₱–**	**₱24,582,721,362**	**₱24,830,050,134**
Interest rate (London Interbank Offered Rate (LIBOR) plus margin)											
New Zealand Dollar loans	**NZ$–**	**NZ$–**	**NZ$420,000,000**	**NZ$–**	**NZ$–**	**NZ$–**	**NZ$420,000,000**	**14,466,505,197**	**154,827,284**	**14,311,677,913**	**12,765,477,192**
Interest rate (NZ BKBM+1.60%)											
Australian Dollar loans											
Interest rate (BBSY BID+1.25%)	**AUD–**	**AUD–**	**AUD–**	**AUD–**	**AUD484,224,000**	**AUD–**	**AUD484,224,000**	**17,344,295,962**	**289,381,090**	**17,054,914,872**	**14,228,578,841**
								₱56,393,522,521	**₱444,208,374**	**₱55,949,314,147**	**₱51,824,106,167**

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 (PDST-R1 +0.75%)	₱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

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	
	2016	2015
+150 basis points (bps)	**(₱2,132,665,376)**	(₱1,612,532,701)
-150 bps	**2,132,665,376**	1,612,532,701

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.

		2016	
	Reasonably Possible Changes in Market Prices	**Change in Income Before Income Tax**	**Change in Equity**
FVPL	1.5%	**₱250,069,871**	**₱–**
	(1.5)	**(250,069,871)**	**–**
AFS	1.5	**–**	**54,156,482**
	(1.5)	**–**	**(54,156,482)**

		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)

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 ₱2.3 billion in 2016, ₱2.1 billion in 2015 and ₱1.8 billion in 2014, 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.

In employing the historical simulation method, RBC assumes a 260 historical data (approximately 1 year), 99.50% confidence level and 1-day holding period. On August 17, 2016, RBC implemented new assumptions in the model, specifically the use of 500 historical data (approximately 2 years) and 99.00% confidence level, with the holding period still at 1-day.

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):

	January – August 2016			
	Average	**High**	**Low**	**August 16**
Instruments sensitive to local interest rates	**₱3.0005**	**₱20.6307**	**₱0.1707**	**₱2.5533**
Instruments sensitive to foreign interest rates	–	–	–	–

	August - December 2016*			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	**₱4.2745**	**₱7.8317**	**₱0.0222**	**₱0.0225**
Instruments sensitive to foreign interest rates	**0.0002**	**0.0158**	**–**	**–**

**based on new VaR assumptions*

	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

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):

	2016			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	**₱71.65**	**₱154.18**	**₱1.08**	**₱121.35**
Instruments sensitive to foreign interest rates	**0.04**	**0.09**	**0.01**	**0.09**

	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

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.

	2016		
		Profit or loss	**Other comprehensive income**
+10% USD appreciation	USD	**(₱416,372,261)**	**₱394,119,655**
	Other Foreign Currencies*	**20,666,562**	−
-10% USD depreciation	USD	**416,372,261**	**394,119,655**
	Other Foreign Currencies*	**(20,666,562)**	−

**significant positions held in EUR and AUD*

	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*

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 2.3% to 5.8% in 2016 and 1.7% to 5.6% in 2015.

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
Biological assets are measured at their fair values less costs to sell. The fair values of Level 2 biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit while Level 3 are determined based on cost plus reasonable profit margin or replacement cost as applicable. 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.

The Group has determined that the highest and best use of the sucklings and weanlings is finishers while for other biological assets is their current use.

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 2016 and 2015.

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 2016 and 2015.

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, 2016				
	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	**₱9,719,180,330**	**₱9,719,180,330**	**₱–**	**₱–**	**₱9,719,180,330**
Government	**1,722,743,531**	**–**	**1,722,743,531**	**–**	**1,722,743,531**
	11,441,923,861	**9,719,180,330**	**1,722,743,531**	**–**	**11,441,923,861**
Equity securities:					
Quoted	**2,779,265,343**	**2,779,265,343**	**–**	**–**	**2,779,265,343**
	14,221,189,204	**12,498,445,673**	**–**	**–**	**14,221,189,204**
Derivatives financial assets not designated as accounting hedges	**478,956,361**	**478,956,361**	**–**	**–**	**478,956,361**
Derivative financial assets designated as accounting hedges	**26,800,472**	**26,800,472**	**–**	**–**	**26,800,472**
	505,756,833	**13,004,202,506**	**–**	**–**	**505,756,833**
AFS investments:					
Debt securities:					
Government	**9,580,344,650**	**–**	**9,580,344,650**	**–**	**9,580,344,650**
Private	**4,233,057,221**	**4,233,057,221**	**–**	**–**	**4,233,057,221**
	13,813,401,871	**4,233,057,221**	**9,580,344,650**	**–**	**13,813,401,871**
Equity securities:					
Quoted	**25,238,255,235**	**25,238,255,235**	**–**	**–**	**25,238,255,235**
	39,051,657,106	**29,471,312,456**	**9,580,344,650**	**–**	**39,051,657,106**
Held-to-maturity investment	**3,549,900,604**	**2,877,873,255**	**724,431,818**	**–**	**3,602,305,073**
Biological assets	**1,383,379,248**	**–**	**140,714,789**	**1,242,664,459**	**1,383,379,248**

	December 31, 2016				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**
Assets for which fair values are disclosed					
Receivables:					
Trade receivables	**₱26,241,233,096**	**₱–**	**₱–**	**₱25,926,164,694**	**₱25,926,164,694**
Finance receivables	**38,004,283,010**	**–**	**–**	**39,430,369,944**	**39,430,369,944**
Other receivables	**1,455,520,148**	**–**	**–**	**1,450,445,746**	**1,450,445,746**
Refundable deposits	**721,073,925**	**–**	**–**	**726,140,884**	**726,140,884**
Investment properties	**75,416,372,370**	**–**	**–**	**175,063,056,484**	**175,063,056,484**
	₱200,550,365,544	**₱54,973,960,635**	**₱10,338,987,122**	**₱243,838,842,211**	**₱301,360,465,216**
Deposit liabilities	**₱57,364,495,943**	**₱–**	**₱–**	**₱57,467,829,433**	**₱57,467,829,433**
Derivative liabilities	**5,947,386**	**–**	**5,947,386**	**–**	**5,947,386**
Customer's deposits	**4,033,457,966**	**–**	**–**	**3,055,829,774**	**3,055,829,774**
Long-term debt	**159,187,755,600**	**–**	**–**	**161,155,374,885**	**161,155,374,885**
	₱220,591,656,895	**₱–**	**₱5,947,386**	**₱221,679,034,092**	**₱221,684,981,478**

	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	–	495,309,319	1,062,485,627	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

In 2016 and 2015, 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
Biological assets	Cost plus reasonable profit margin	Reasonable profit margin
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.
Reasonable profit margin	Mark up of biological assets at different stages of development.

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 and 2016, other supplementary businesses also include equity in the net earnings of Meralco and GBPC, respectively (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, 2016, 2015 and 2014. Core earnings pertain to income before income tax excluding market valuation gains (losses) on financial assets at FVPL and impaired AFS investments, market valuation gains (losses) on derivative financial instruments and foreign exchange gains (losses).

The Group's operating segment information follows:

	December 31, 2016							
	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	₱112,611,969,799	₱61,899,278,892	₱22,750,417,221	₱29,070,077,332	₱3,412,187,119	₱551,082,564	₱–	₱230,295,012,927
Intersegment revenues	–	–	37,495,297	889,958,295	–	–	(927,453,592)	–
	112,611,969,799	61,899,278,892	22,787,912,518	29,960,035,627	3,412,187,119	551,082,564	(927,453,592)	230,295,012,927
Dividend income (Note 28)	12,813,084	–	–	–	6,917,794	2,013,048,726	(1,199,410)	2,031,580,194
Equity in net earnings of associates and joint ventures (Note 14)	(166,719,320)	178,308,843	2,790,366,394	–	–	5,376,658,316	(2,088,117)	8,176,526,116
Total revenue	112,458,063,563	62,077,587,735	25,578,278,912	29,960,035,627	3,419,104,913	7,940,789,606	(930,741,119)	240,503,119,237
Cost of sales and services (Note 30)	76,403,953,654	34,262,194,205	11,011,098,421	22,753,221,449	696,840,597		(1,033,072,080)	144,094,236,246
Gross income	₱36,054,109,909	₱27,815,393,530	₱14,567,180,491	₱7,206,814,178	₱2,722,264,316	₱7,940,789,606	₱102,330,961	₱96,408,882,991
General and administrative expenses (Note 31)								43,498,208,309
Impairment losses and others (Note 34)								640,717,050
Operating income								52,269,957,632
Financing cost and other charges (Note 35)								(7,461,996,870)
Finance income (Note 27)								1,161,245,053
Other operating income (Note 29)								(487,955,842)
Core earnings								45,481,249,973
Market valuation gains (losses) on financial assets								(15,036,945,759)
Foreign exchange gains (losses)								(2,638,787,064)
Income before income tax								27,805,517,150
Provision for income tax (Note 38)								5,437,906,633
Net income								₱22,367,610,517
Net income attributable to equity holders of the Parent Company	₱7,172,181,138	₱6,558,182,350	₱6,294,414,833	₱5,125,794,521	₱153,989,567	(₱14,320,812,966)	(₱65,770,518)	₱10,917,978,925
EBIT	₱15,420,543,171	₱12,429,507,028	₱8,276,963,246	₱5,813,705,056	₱384,998,860	₱9,944,240,271	₱–	₱52,269,957,632
Depreciation and amortization (Notes 15, 16, 18 and 33)	5,549,349,133	5,998,695,417	3,774,153,608	1,318,457,917	290,172,266	70,941,305	–	17,001,769,646
EBITDA	₱20,969,892,304	₱18,428,202,445	₱12,051,116,854	₱7,132,162,973	₱675,171,126	₱10,015,181,576	₱–	₱69,271,727,278
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱10,144,972	₱–	₱ 4,673	₱–	₱138,969,094	₱300,000,000	₱–	₱449,118,739
Inventory obsolescence and market decline (Note 12)	175,449,919	–	–	–	–	–	–	175,449,919
Impairment losses on other assets	–	–	–	–	16,148,392	–	–	16,148,392
	₱185,594,891	₱–	₱4,673	₱–	₱155,117,486	₱300,000,000	₱–	₱640,717,050

	December 31, 2015							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱112,004,706,553	₱56,501,654,516	₱20,298,039,549	₱26,780,296,575	₱2,968,940,306	₱558,258,619	₱–	₱219,111,896,118
Intersegment revenues	–	–	32,563,971	964,757,683	–	–	(997,321,654)	–
	112,004,706,553	56,501,654,516	20,330,603,520	27,745,054,258	2,968,940,306	558,258,619	(997,321,654)	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	22,838,088,942	27,745,054,258	2,969,190,064	8,399,738,073	(996,577,553)	229,271,653,013
Cost of sales and services (Note 30)	75,285,872,510	33,251,909,025	9,374,307,866	23,439,025,606	615,766,210	–	(1,103,234,875)	140,863,646,342
Gross income	₱36,493,213,705	₱23,285,163,989	₱13,463,781,076	₱4,306,028,652	₱2,353,423,854	₱8,399,738,073	₱106,657,322	₱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 gains (losses) on financial assets								(2,690,064,305)
Foreign exchange gains (losses)								(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	₱3,155,702,482	₱64,002,113	₱2,663,457,053	(₱98,449,832)	₱22,610,016,306
EBIT	₱17,767,941,555	₱9,735,639,303	₱7,923,848,911	₱3,191,887,809	₱239,896,904	₱10,493,329,396	₱–	₱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	1,016,593,005	219,954,653	41,962,769	–	14,439,766,645
EBITDA	₱22,614,300,701	₱14,847,183,028	₱11,127,202,258	₱4,208,480,814	₱459,851,557	₱10,535,292,165	₱–	₱63,792,310,523

(Forward)

	December 31, 2015							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on 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	–	–	–	–	14,449,730	–	–	14,449,730
	₱109,503,558	₱–	₱1,629,711	₱	₱259,146,533	₱–	₱7,786,052	₱378,065,854

	December 31, 2014							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱96,653,414,632	₱52,000,018,310	₱17,432,805,294	₱3,226,178,660	₱2,717,195,606	₱461,461,847	₱–	₱172,491,074,349
Intersegment revenues	–	–	22,217,906	574,809,040	–	–	(597,026,946)	–
	96,653,414,632	52,000,018,310	17,455,023,200	3,800,987,700	2,717,195,606	461,461,847	(597,026,946)	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	19,956,327,400	3,800,987,700	2,717,195,606	10,273,531,388	(610,355,966)	184,812,330,245
Cost of sales and services (Note 30)	66,167,992,138	36,548,411,792	8,368,197,079	4,072,426,320	559,820,713	–	(710,233,142)	115,006,614,900
Gross income	₱30,410,307,578	₱15,547,932,609	₱11,588,130,321	(₱271,438,620)	₱2,157,374,893	₱10,273,531,388	₱99,877,176	₱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 gains (losses) on financial assets								(3,585,392,524)
Foreign exchange gains (losses)								(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	(₱759,447,057)	₱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	(₱700,609,070)	₱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	299,638,813	168,412,070	38,600,632	–	11,759,608,063
EBITDA	₱19,115,300,131	₱8,535,188,099	₱9,238,573,060	(₱400,970,257)	₱398,134,522	₱12,348,426,074	₱–	₱49,234,651,629

(Forward)

	December 31, 2014							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on 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
Impairment losses on 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

Other information on the Group's operating segments follow:

December 31, 2016	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Investments in associates and joint ventures (Note 14)	**₱301,582,060**	**₱805,801,372**	**₱42,613,725,137**	**₱–**	**₱–**	**₱84,231,127,139**	**₱–**	**₱127,952,235,708**
Segment assets	**₱142,669,975,956**	**₱100,665,363,677**	**₱123,330,412,832**	**₱63,016,837,736**	**₱77,854,969,207**	**₱215,598,681,564**	**(₱56,824,924,086)**	**₱666,311,316,886**
Short-term debt (Note 23)	**₱5,985,992,111**	**₱–**	**₱16,010,000,000**	**₱6,982,613,256**	**₱–**	**₱32,905,909,210**	**₱–**	**₱61,884,514,577**
Long-term debt (Note 23)	**₱31,366,592,785**	**₱42,810,437,630**	**₱23,361,477,678**	**₱–**	**₱–**	**₱61,649,247,507**	**₱–**	**₱159,187,755,600**
Segment liabilities	**₱63,777,329,559**	**₱67,079,106,744**	**₱60,598,091,112**	**₱14,891,419,804**	**₱65,875,566,403**	**₱126,120,587,307**	**(₱44,814,639,244)**	**₱353,527,461,685**
Capital expenditures (Notes 15 and 16)	**₱7,657,219,437**	**₱19,126,054,236**	**₱12,731,165,668**	**₱1,973,324,669**	**₱317,506,229**	**₱47,758,548**	**₱–**	**₱41,853,028,787**

December 31, 2015	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Investments in associates and joint ventures (Note 14)	₱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	₱60,513,281,404	₱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	₱11,444,378,840	₱–	₱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	₱17,449,925,835	₱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	₱4,402,650,161	₱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	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	₱55,270,578,697	₱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	₱8,410,622,664	₱–	₱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	₱13,498,749,783	₱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	₱8,825,595,421	₱232,360,883	₱53,087,877	₱–	₱37,978,936,298

Reconciliation of Income Before Income Tax to EBITDA and Core Earnings

	2016	2015	2014
Income before income tax	**₱27,805,517,150**	₱37,164,385,163	₱30,274,049,899
Finance income	**(1,161,245,053)**	(1,367,392,486)	(1,347,723,538)
Financing cost and other charges	**7,461,996,870**	6,879,818,419	5,824,349,891
Other operating income	**487,955,842**	(151,214,790)	(1,219,853,247)
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**15,036,945,759**	2,690,064,305	3,585,392,524
Foreign exchange losses	**2,638,787,064**	4,136,883,267	358,828,037
EBIT	**52,269,957,632**	49,352,543,878	37,475,043,566
Depreciation and amortization	**17,001,769,646**	14,439,766,645	11,759,608,063
EBITDA	**₱69,271,727,278**	₱63,792,310,523	₱49,234,651,629

Income before income tax	**₱27,805,517,150**	₱37,164,385,163	₱30,274,049,899
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**15,036,945,759**	2,690,064,305	3,585,392,524
Foreign exchange losses	**2,638,787,064**	4,136,883,267	358,828,037
Core earnings	**₱45,481,249,973**	₱43,991,332,735	₱34,218,270,460

The table below presents the consolidated statement of financial position of the Group broken down between industrial and banking components:

	December 31, 2016			December 31, 2015		
	Industrial*	**Banks***	**Consolidated**	Industrial*	Banks*	Consolidated
ASSETS						
Current Assets						
Cash and cash equivalents	**₱23,288,706,821**	**₱20,121,435,146**	**₱43,410,141,967**	₱28,668,161,993	₱16,603,946,779	₱45,272,108,772
Financial assets at fair value through profit and loss	**14,697,498,896**	**2,650,398**	**14,700,149,294**	14,855,428,435	14,865,890	14,870,294,325
Available-for-sale investments	**3,705,074,227**	**11,762,550,145**	**15,467,624,372**	3,766,115,135	8,233,550,364	11,999,665,499
Receivables - net	**28,085,322,312**	**16,784,915,722**	**44,870,238,034**	22,526,670,979	9,645,285,717	32,171,956,696
Inventories - net	**49,702,679,594**	–	**49,702,679,594**	46,648,336,009	–	46,648,336,009
Biological assets - net	**920,226,312**	–	**920,226,312**	1,096,482,209	–	1,096,482,209
Other current assets	**12,911,848,176**	**123,457,025**	**13,008,504,729**	12,464,919,198	85,729,140	12,550,648,338
Total current assets	**133,311,356,338**	**48,795,008,436**	**182,106,364,774**	130,026,113,958	34,583,377,890	164,609,491,848
Noncurrent Assets						
Available-for-sale investments	**23,608,326,105**	–	**23,608,326,105**	35,628,682,620	–	35,628,682,620
Receivables - noncurrent	**2,799,254,419**	**22,048,530,776**	**24,847,785,195**	3,299,854,333	17,891,548,959	21,191,403,292
Held-to-maturity investments	–	**3,549,900,604**	**3,549,900,604**	–	2,749,295,603	2,749,295,603
Investments in associates and JVs - net	**127,952,235,708**	–	**127,952,235,708**	114,776,087,906	–	114,776,087,906
Investments properties - net	**75,124,309,829**	**292,062,541**	**75,416,372,370**	67,068,706,676	189,727,995	67,258,434,671
Property, plant and equipment - net	**175,159,768,712**	**502,944,750**	**175,662,713,462**	158,998,623,530	837,476,847	159,836,100,377
Biological assets - bearer	**463,152,936**	–	**463,152,936**	461,312,737	–	461,312,737
Goodwill - net	**31,778,856,937**	**244,327,006**	**32,023,183,943**	15,273,592,979	244,327,006	15,517,919,985
Intangibles - net	**12,797,827,284**	**1,361,176,209**	**14,159,003,493**	8,040,084,297	992,673,256	9,032,757,553
Other noncurrents assets	**5,461,259,411**	**1,061,018,885**	**6,522,278,296**	4,841,763,420	428,728,976	5,270,492,396
Total Noncurrent Assets	**455,144,991,341**	**29,059,960,771**	**484,204,952,112**	408,388,708,498	23,333,778,642	431,722,487,140
	₱588,456,347,679	**₱77,854,969,207**	**₱666,311,316,886**	₱538,414,822,456	₱57,917,156,532	₱596,331,978,988

**Balances are after elimination of intercompany balances between industrial and banking components*

	December 31, 2016			December 31, 2015		
	Industrial*	**Banks***	**Consolidated**	Industrial*	Banks*	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable and accrued expenses	**₱41,004,876,196**	**₱55,294,026,018**	**₱96,298,902,21**	₱34,540,946,298	₱37,398,837,101	₱71,939,783,399
Short-term debt	**61,884,514,577**	**–**	**61,884,514,577**	34,883,956,474	–	34,883,956,474
Current portion of long-term debt	**6,826,230,309**	**–**	**6,826,230,309**	22,915,756,938	–	22,915,756,938
Derivative liabilities	**–**	**5,947,386**	**5,947,386**	2,443,495,138	–	2,443,495,138
Income tax payable	**2,987,170,958**	**1,097,150**	**2,988,268,108**	4,189,121,856	9,280,144	4,198,402,000
Other current liabilities	**12,902,376,109**	**2,115,700**	**12,904,491,809**	11,407,482,746	2,100,725	11,409,583,471
Total current liabilities	**125,605,168,149**	**55,303,186,254**	**180,908,354,403**	110,380,759,450	37,410,217,970	147,790,977,420
Noncurrent liabilities						
Long-term debt - net of current portion	**152,361,525,291**	**–**	**152,361,525,291**	143,566,429,906	–	143,566,429,906
Deferred tax liabilities - net	**7,051,282,285**	**–**	**7,051,282,285**	4,939,196,544	185,953,492	5,125,150,036
Other noncurrent liabilities	**8,968,400,708**	**4,237,898,998**	**13,206,299,706**	8,211,912,404	4,311,847,864	12,523,760,268
Total noncurrent liabilities	**168,381,208,284**	**4,237,898,998**	**172,619,107,282**	156,717,538,854	,497,801,356	161,215,340,210
Total Liabilities	**293,986,376,433**	**59,541,085,252**	**353,527,461,685**	267,098,298,304	41,908,019,326	309,006,317,630
Stockholders' equity	**22,327,880,163**	**7,187,641,682**	**239,515,521,845**	216,069,100,770	7,321,428,823	223,390,529,593
Minority interest in consolidated subsidiaries	**68,476,572,234**	**4,791,761,122**	**73,268,333,356**	59,279,291,844	4,655,839,921	63,935,131,765
	₱594,790,828,830	**₱71,520,488,056**	**₱666,311,316,886**	₱542,446,690,918	₱53,885,288,070	₱596,331,978,988

**Balances are after elimination of intercompany balances between industrial and banking components*

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 2016, 2015 and 2014, 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, Vietnam, Myanmar, New Zealand and Australia.

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:

	2016	2015	2014
Domestic	**₱163,546,437,410**	₱152,281,564,567	₱134,050,181,455
Foreign	**76,956,681,827**	76,990,088,446	50,762,148,790
	₱240,503,119,237	₱229,271,653,013	₱184,812,330,245

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:

	2016	2015
Domestic	**₱312,019,819,454**	₱300,212,987,024
Foreign	**116,887,705,059**	79,491,293,403
	₱428,907,524,513	₱379,704,280,427

7. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	**₱2,115,114,050**	₱2,076,709,922
Cash in banks	**24,507,650,528**	18,456,304,537
Cash equivalents	**16,787,377,389**	24,739,094,313
	₱43,410,141,967	₱45,272,108,772

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 0.10% to 4.25%, from 0.10% to 3.0%, and from 0.5% to 4.63% in 2016, 2015 and 2014, 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, 2016 and 2015. The notional amount is the basis upon which changes in the value of derivatives are measured.

	December 31, 2016			
	Notional Amounts (in Millions)			
	US Dollar	**New Zealand Dollar**	**Derivative Assets**	**Derivative Liabilities**
Derivatives Not Designated as Accounting Hedges				
Freestanding:				
Commodity swaps*			**₱441,773,905**	**₱–**
Interest rate swaps	**USD 250.0**		**35,760,812**	**–**
Foreign currency swap	**USD 71.0**		**1,421,644**	**5,947,386**
			₱478,956,361	**₱5,947,386**
Derivatives Designated as Accounting Hedges (Note 13)				
Currency options		**NZD 28.2**	**₱26,800,472**	**₱–**
			₱26,800,472	**₱–**
Presented in the consolidated statements of financial position as:				
Current			**₱478,956,361**	**₱5,947,386**
Noncurrent			**–**	**–**

**Notional quantity amounted to 3,285,000 US barrels as of December 31, 2016*

	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 (Note 13)				
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*

Derivatives not designated as accounting hedges

The Group's derivatives not designated as accounting hedges include transactions to take positions for risk management purposes.

- 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, 2016 and 2015, 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, 2018.

  In 2016 and 2015, CAI recognized net changes in fair value of derivatives amounting to ₱1.6 billion gain and ₱2.9 billion loss, respectively under 'Market valuation gains (losses) on derivative financial instruments' account in 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, URC recognized gain amounting to ₱5.99 million upon settlement of the commodity option.

- Interest rate swap
  This pertains to the derivative of JGSPL that is dedesignated as a cash flow hedge and reclassified to 'Financial asset at fair value through profit or loss'. As of December 31, 2016, the positive fair value of the interest rate swap amounted to ₱35.8 million.

- 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, URC entered into a foreign currency forwards arrangement with notional amount of NZD322.3 million and recognized change in fair value of the instrument amounting to ₱578.1 million during the year. On April 6, 2016, URC settled the foreign currency forward with carrying value of NZD22.1 million (₱694.7 million). The Group recognized total mark-to-market gains of NZD27.2 million (₱847.0 million).

  In 2015, CAI pre-terminated all foreign currency derivative contracts, where the Group recognized realized gain of ₱14.6 million. In 2016, CAI entered into foreign currency forward contracts which were pre-terminated in the same year, where the Group recognized realized gain of ₱6.7 million. The realized gain is recognized under 'Market valuation gains (losses) on derivative financial instruments - net' account in the consolidated statements of comprehensive income.

Derivatives designated as accounting hedges
As part of its asset and liability management, the Group uses derivatives, particularly interest rate swaps and currency options, 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. As of December 31, 2015, the positive fair value of the interest rate swap amounted to ₱37.4 million with an outstanding notional amount of US$250 million.

  In October 2016, JGSPL prepaid the notes and dedesignated the interest rate swap as a cashflow hedge of the related notes. Accordingly, the changes in the fair value of the interest rate swap accumulated in other comprehensive income amounting to ₱34.2 million is recycled to profit or loss.

- Currency Options
  The Group's currency options have a total notional amount of NZD28.2 million with positive fair value amounting to NZD778.1 thousand (₱26.8 million) as of December 31, 2016. The swap is intended to hedge the foreign currency denominated future purchases and cash outflows of the Company.

Hedge Effectiveness Results

As of December 31, 2016, the positive fair value of the currency options amounted to NZ$778.1 thousand (₱26.8 million) with notional amount of NZ$28.2 million. As of December 31, 2015, the positive fair value of the interest rate swap amounted to ₱37.4 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 changes of derivatives designated as accounting hedges

The net movements in fair value of the Group's derivative financial instruments designated as accounting hedges follow:

	2016	2015
Beginning balance	**₱37,358,957**	₱154,607,326
Net changes shown in other comprehensive income (Note 36):		
Net changes in fair value of derivatives taken to other comprehensive income	**16,103,892**	(91,909,256)
Fair value of dedesignated derivative recycled to profit or loss	**(34,166,517)**	–
	(18,062,625)	(91,909,256)
Fair value of settled instruments	**7,504,140**	(25,339,113)
	(10,558,485)	(117,248,369)
	₱26,800,472	₱37,358,957

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 changes of 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:

	2016	2015
Balance at beginning of year:		
Derivative assets	**₱580,568,726**	₱–
Derivative liabilities	**(2,443,495,138)**	(2,271,027,283)
	(1,862,926,412)	(2,271,027,283)
Net gains (losses) from changes in fair value of derivatives taken to profit or loss	**1,734,360,262**	(2,353,076,578)
Fair value of settled instruments	**601,575,125**	2,761,177,449
	₱473,008,975	₱1,862,926,412
Balance at end of year:		
Derivative assets	**₱478,956,361**	₱580,568,726
Derivative liabilities	**₱5,947,386**	₱2,443,495,138

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:

	2016	2015
Debt securities:		
Private	**₱9,719,180,330**	₱10,052,606,697
Government	**1,722,743,531**	1,636,353,203
	11,441,923,861	11,688,959,900
Equity securities:		
Quoted	**2,779,265,343**	2,600,762,169
Unquoted	**3,729**	3,530
	2,779,269,072	2,600,765,699
Derivatives (Note 8)	**478,956,361**	580,568,726
	₱14,700,149,294	₱14,870,294,325

In 2016, 2015 and 2014, the Group recognized net market valuation losses on financial assets at FVPL (excluding derivatives) amounting to ₱57.7 million, ₱0.3 billion and ₱1.3 billion, respectively included in under 'Market valuation losses on financial assets at fair value through profit or loss' in the consolidated statements of comprehensive income.

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

	2016	2015	2014
Debt securities:			
Private	**₱528,821,679**	₱583,323,027	₱617,684,404
Government	**110,301,242**	142,739,992	150,577,258
	₱639,122,921	₱726,063,019	₱768,261,662

10. **Available-for-Sale and Held-to-Maturity Investments**

Available-for-Sale Investments

This account consists of investments in:

	2016	2015
Debt securities:		
Government	**₱9,580,344,650**	₱8,116,937,680
Private	**4,233,057,221**	2,542,001,775
	13,813,401,871	10,658,939,455
Equity securities:		
Quoted	**25,238,255,235**	36,945,115,293
Unquoted	**24,293,371**	24,293,371
	25,262,548,606	36,969,408,664
	₱39,075,950,477	₱47,628,348,119

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

	2016	2015
Current portion	**₱15,467,624,372**	₱11,999,665,499
Noncurrent portion	**23,608,326,105**	35,628,682,620
	₱39,075,950,477	₱47,628,348,119

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 ₱23.6 million and ₱35.6 billion as of December 31, 2016 and 2015, respectively.

In 2016, the Group recognized impairment losses on its AFS investments amounting to ₱16.7 billion. In 2015 and 2014, the Group did not recognize any impairment in value of its AFS investments.

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

	2016	2015	2014
Debt securities:			
Government	**₱331,913,646**	₱330,565,210	₱256,314,160
Private	**200,960,934**	169,913,035	233,158,043
	₱532,874,580	₱500,478,245	₱489,472,203

The movements in net unrealized gains on AFS investments follow:

	2016		
	Parent Company	**Non-controlling Interests**	**Total**
Balance at beginning of year	**(₱4,984,560,896)**	**(₱4,142,032)**	**(₱4,988,702,928)**
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	**(12,220,137,282)**	**(115,159,763)**	**(12,335,297,045)**
Realized loss (gain) on sale of AFS investments (Note 29)	**(452,510)**	**–**	**(452,510)**
Reclassification of unrealized loss to profit or loss due to impairment	**16,713,629,844**	**–**	**16,713,629,844**
	4,493,040,052	**(115,159,763)**	**4,377,880,289**
Share in net changes in fair value of AFS investments of an associate (Notes 14 and 36)	**(104,703,835)**	**–**	**(104,703,785)**
Balance at end of year	**(₱596,224,679)**	**(₱119,301,795)**	**(₱715,526,424)**

	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	(14,837,369,077)	(93,858,078)	(14,931,227,155)
Realized gain on sale of AFS investments (Note 29)	(898,183)	–	(898,183)
	(14,838,267,260)	(93,858,078)	(14,932,125,338)
Share in net changes in fair value of AFS investments of an associate (Notes 14 and 36)	(1,730,644)	–	(1,730,644)
Balance at end of year	(₱4,984,560,896)	(₱4,142,032)	(₱4,988,702,928)

	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	4,239,116,995	142,564,930	4,381,681,925
Realized gain on sale of AFS investments (Note 29)	(17,431)	–	(17,431)
	4,239,099,564	142,564,930	4,381,664,494
Share in 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

Held-to-Maturity Investment

As of December 31, 2016 and 2015, the HTM investment of the Group consists of investments in private debt securities and government securities with interest rate range of 4.70% to 6.15% in 2016 and 4.51% to 6.15% in 2015 and 1.10% to 3.53% in 2016 and 2.52% to 2.63% in 2015, respectively, which will mature on various dates from 2017 to 2026.

11. **Receivables**

This account consists of:

	2016	2015
Finance receivables	**₱38,928,503,801**	₱27,658,143,966
Trade receivables	**26,798,683,841**	24,056,425,064
Due from related parties (Note 40)	**1,417,510,849**	1,249,205,544
Interest receivable	**757,193,234**	660,751,456
Other receivables	**3,518,999,345**	1,356,566,997
	71,420,891,070	54,981,093,027
Less allowance for impairment losses	**1,702,867,841**	1,617,733,039
	₱69,718,023,229	₱53,363,359,988

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

	2016	2015
Current portion	**₱44,870,238,034**	₱32,171,956,696
Noncurrent portion	**24,847,785,195**	21,191,403,292
	₱69,718,023,229	₱53,363,359,988

Noncurrent receivables consist of:

	2016	2015
Trade receivables	**₱2,799,254,419**	₱3,299,854,333
Finance receivables	**22,048,530,776**	17,891,548,959
	₱24,847,785,195	₱21,191,403,292

Finance Receivables

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

	2016	2015
Receivables from customers:		
Commercial	**₱27,873,689,220**	₱19,545,752,654
Consumption	**4,938,320,453**	3,627,590,391
Real estate	**5,762,119,652**	3,880,334,171
Microfinance	**207,619,847**	–
Domestic bills purchased	**139,455,175**	606,548,470
Customer liabilities under acceptances	**38,298,006**	6,544,461
	38,959,502,353	27,666,770,147
Less unearned interest and discounts	**30,998,552**	8,626,181
	₱38,928,503,801	₱27,658,143,966

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):

	2016	2015	2014
Receivables from customers:			
Commercial	**₱1,025,633,504**	₱933,286,107	₱826,332,493
Consumption	**944,289,657**	716,822,261	765,778,798
Real estate	**314,683,992**	376,084,516	239,803,462
Domestic bills purchased	**37,002,187**	25,068,740	478,965
Sales contract receivable	**12,526,920**	7,628,865	8,074,849
Unquoted debt securities	**–**	–	14,987,550
	₱2,334,136,260	₱2,058,890,489	₱1,855,456,117

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, 2016 and 2015 amounted to ₱248.3 million and ₱257.3 million, respectively.

Trade Receivables
Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱7.5 billion and ₱8.1 billion as of December 31, 2016 and 2015. These are collectible in monthly installments over a period of between one year to five years and earn annual interest ranging from 12.0% to 21.0% computed on the diminishing balance of the principal. The title of the real estate property, which is the subject of the installment contract receivable due beyond 12 months, passes to the buyer once the receivable is fully paid. Revenue from real estate and hotels includes interest income earned from installment contract receivables amounting to ₱476.6 million, ₱541.4 million and ₱499.0 million in 2016, 2015 and 2014 and is recorded under the 'Sale of goods and services' of real estate segment on the consolidated statements of comprehensive income.

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, 2016 and 2015, claims receivables amounted to ₱2.0 billion and ₱339.6 million, respectively.

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

	December 31, 2016					
	Individual Assessment			Collective Assessment		
	Trade Receivables	Finance Receivables	Other Receivables	Trade Receivables	Finance Receivables	Total
Balance at beginning of year	₱527,395,204	₱547,805,633	₱218,499,715	₱32,561,291	₱291,471,196	₱1,617,733,039
Provision for impairment losses (Note 34)	10,045,564	68,344,598	300,104,081	–	70,624,496	449,118,739
Accounts written-off	(24,774,563)	(4,985,000)	(300,104,081)	–	–	(329,863,644)
Unrealized foreign exchange gains	14,919,839	–	–	–	–	14,919,839
Reclassification	–	(156,636,125)	–	–	107,595,993	(49,040,132)
Balance at end of year	₱527,586,044	₱454,529,106	₱218,499,715	₱32,561,291	₱469,691,685	₱1,702,867,841

	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

Provision for impairment losses on receivables for the year ended December 31, 2016, 2015 and 2014 amounted to ₱449.1 million, ₱259.4 million and ₱315.2 million, respectively.

12. **Inventories**

This account consists of inventories held as follows:

	2016	2015
At cost:		
Raw materials	**₱6,432,978,463**	₱4,996,991,960
Finished goods	**6,545,414,718**	5,661,803,409
Total	**12,978,393,181**	10,658,795,369
At NRV:		
Subdivision land, condominium and residential units for sale	**25,643,036,168**	25,999,400,711
Spare parts, packaging materials and other supplies	**7,582,920,709**	5,825,352,442
Work-in-process	**1,050,961,612**	913,860,273
By-products	**768,079**	4,519,029
	34,277,686,568	32,743,132,455
Materials in-transit	**2,446,599,845**	3,246,408,185
	₱49,702,679,594	₱46,648,336,009

Summary of the movements in real estate inventory follows:

	2016	2015
Balance at beginning of year	**₱25,999,400,711**	₱15,624,283,409
Acquisition of land use rights	**–**	10,458,421,808
Construction and development costs incurred	**3,782,144,704**	3,804,263,363
Costs of real estate sales (Note 30)	**(4,138,509,247)**	(3,250,836,782)
Transfers from (to) investment properties and property and equipment (Notes 15 and 16)	**–**	(636,731,087)
Balance at end of year	**₱25,643,036,168**	₱25,999,400,711

The amount recognized as 'Land use rights' amounting to ₱10.5 billion represents the total of the contract price and transaction costs. On September 18, 2015, RLC paid the Chinese Government a bid deposit amounting to ₱1.4 billion to join the bidding for the purchase of land rights located in Chengdu Province, China. On October 20, 2015, the Contract for Assignment of the Rights to the Use of State-Owned Land was awarded to RLC. In May 2016, the Masterplan had been completed which was submitted for approval to the Chinese government in the same month. The presentation of the 'Land use rights' in the consolidated financial statements was reclassified from intangible assets to inventories to conform with the presentation in the 2016 financial statements as laid out in the masterplan. The estimated time of approval from Chinese government will be in first quarter of 2017, and the project will take around 5 years to be completed.

Under the Contract, the Group is entitled to transfer, lease, mortgage all or part of the state-owned construction land use right to a third party. Upon receipt of the Certificate of State-owned Land Use Right Assignment, the land title will be subdivided into Individual Property Titles which will be issued to unit owners one year after completion of the development and turn-over of the units to the buyers. When all or part of the state-owned construction land use right is transferred, through sale of commercial units and high-rise condominium units to buyers, the rights and obligations specified in the Contract and in the land registration documents shall be transferred accordingly to the buyer. The use term will be the remaining years as of the date of transfer based on the original use term specified in the Contract.

Borrowing cost capitalized amounted to ₱376.0 million and ₱66.0 million in 2016 and 2015, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2016 and 2015 is 4.45% and 4.54%, respectively. This amount was included in the construction and development costs incurred.

Under the terms of agreements covering liabilities under trust receipts amounting to ₱4.6 billion and ₱4.1 billion as of December 31, 2016 and 2015, respectively, inventories of equivalent amount with the liabilities under trust receipts have been released to the Group in trust for the creditor banks (see Note 23). The Group is accountable to the banks for the value of the trusteed inventories or their sales proceeds.

Inventory written down as expense (included under 'Cost of sales and services' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱726.0 million, ₱598.3 million and ₱400.9 million in 2016, 2015 and 2014, respectively.

The Group recognized inventory obsolescence and market decline included under 'Impairment losses and others' amounting to ₱175.4 million, ₱104.2 million and ₱104.3 million in 2016, 2015 and 2014, respectively (see Note 34).

As of December 31, 2016 and 2015, the Group does not have inventories that were pledged as collaterals.

13. **Other Current Assets**

This account consists of:

	2016	2015
Input value-added tax (VAT)	**₱4,650,668,245**	₱5,195,225,539
Advances to suppliers	**4,413,834,474**	3,632,188,592
Advances to lot owners	**1,636,442,295**	567,811,119
Prepaid expenses	**1,377,863,336**	1,129,348,503
Restricted cash	**81,436,823**	129,602,038
Derivative asset under hedge accounting (Note 8)	**26,800,472**	–
Utility deposits	**7,261,546**	5,484,127
Deposit to counterparties	**5,516,245**	1,124,551,325
Others	**835,481,765**	766,437,095
	₱13,035,305,201	₱12,550,648,338

Input VAT
As of December 31, 2016 and 2015, the gross amount of output VAT deducted from input VAT amounted to ₱12.7 billion and ₱11.6 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 to contractors related to construction activities and for the purchase of various aircraft parts and service maintenance. These are applied against progress billings which occur within one year from the date the advances arose.

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. The application is expected to be within twelve (12) months after the reporting date.

Prepaid Expenses
This account consists of prepayments on the following:

	2016	2015
Rent	**₱457,778,072**	₱440,772,920
Insurance	**251,561,735**	226,134,810
Taxes	**138,088,511**	16,619,494
Office supplies	**116,000,530**	110,498,524
Others	**414,434,488**	335,322,755
	₱1,377,863,336	₱1,129,348,503

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

Restricted cash
RLC and EHI 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 ₱817.5 million and ₱606.0 million as of December 31, 2016 and 2015, respectively.

14. Investments in Associates and Joint Ventures

Details of this account follow:

	2016	2015
Acquisition cost:		
Balance at beginning of year	**₱94,487,165,622**	₱93,853,195,466
Additional investments	**12,682,408,823**	638,970,156
Return of investment from an associate	**–**	(5,000,000)
Balance at end of year	**107,169,574,445**	94,487,165,622
Accumulated equity in net earnings:		
Balance at beginning of year	**20,452,778,905**	18,455,083,182
Equity in net earnings	**8,176,526,116**	7,311,563,176
Dividends received	**(8,337,315,829)**	(5,313,867,453)
Balance at end of year	**20,291,989,192**	20,452,778,905

(Forward)

	2016	2015
Share in net unrealized gains (losses) on AFS investments of an associate:		
Balance at beginning of year	**₱1,491,244**	₱3,221,888
Share in net changes in fair value of AFS investments of an associate (Notes 10 and 36)	**(104,703,835)**	(1,730,644)
Balance at end of year	**(103,212,591)**	1,491,244
Share in remeasurements of the net defined benefit liability of associates:		
Balance at beginning of year	**624,084**	624,084
Share in net changes in remeasurements of the net defined benefit liability of associates	**524,522,485**	–
	525,146,569	624,084
Cumulative translation adjustment of associates	**366,188,490**	131,478,448
	128,249,686,105	115,073,538,303
Less allowance for impairment losses	**297,450,397**	297,450,397
	₱127,952,235,708	₱114,776,087,906

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	
	2016	2015	**2016**	2015
			(In Million Pesos)	
Associates				
Foreign:				
United Industrial Corp., Limited (UICL)	**37.03**	37.00	**₱42,613.7**	₱39,823.4
Domestic:				
Manila Electric Company (Meralco)	**27.10**	27.10	**71,243.8**	73,323.6
Global Business Power Corporation	**30.00**	–	**12,180.5**	–
OPMC	**19.40**	19.40	**731.0**	650.6
Cebu Light Industrial Park, Inc. (CLIPI)	**20.00**	20.00	**72.0**	71.6
Air Black Box (ABB)	**15.00**	–	**43.7**	–
Sterling Holdings and Security Corporation (SHSC)	**49.00**	49.00	**–**	–
Bauang Private Power Corporation (BPPC)/First Private Power Corporation (FPPC)	**18.66**	18.66	**–**	–
			126,884.7	113,869.2
Joint Ventures				
Domestic:				
SIA Engineering (Philippines) Corp. (SIAEP)	**23.53**	23.53	**365.3**	181.1
Aviation Partnership (Philippines) Corp. (APPC)	**32.95**	32.95	**230.6**	207.3
Philippine Academy for Aviation Training (PAAT)	**33.62**	33.62	**166.1**	137.1
Hunt-Universal Robina Corporation (HURC)	**27.63**	27.91	**93.4**	93.0
MPIC-JGS Airport Holdings, Inc.	**41.25**	41.25	**3.8**	3.8
Foreign:				
Calbee - URC, Inc. (CURCI)	**27.63**	27.91	**231.1**	280.2
Danone Universal Robina Beverages, Inc. (DURBI)	**27.63**	27.91	**(28.0)**	4.4
Vitasoy-URC, Inc (VURCI)	**27.63**	–	**5.0**	–
			1,067.3	906.9
			₱127,952.2	₱114,776.1

Investment in Meralco

On December 11, 2013, the Parent Company completed the acquisition of 305,689,397 common shares of Manila Electric Company (Meralco) from San Miguel Corporation, San Miguel Purefoods Company, Inc., and SMC Global Power Holdings, Inc. (collectively referred to as "Sellers") for a total cost of ₱71.9 billion. The shares acquired represented 27.1% of Meralco's total outstanding common shares.

Investment in GBPC
On June 30, 2016, the Parent Company acquired 577,206,289 common shares of Global Business Power Corporation (GBPC) from Meralco Powergen Corporation (153,921,676 shares) and GT Capital Holdings, Inc (423,284,613 shares) for a total cost of ₱11.8 billion. The acquisition represents 30.0% of GBPC's total outstanding common shares.

In 2016, the Parent Company engaged the services of a third party valuer to perform a purchase price allocation of the Parent Company's investment in GBPC among the identifiable assets and liabilities based on fair values. Based on the provisional purchase price allocation, the difference of ₱4.2 billion between the Parent Company's share in the carrying values of GBPC'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 GBPC's specific and identifiable assets and liabilities as follows: ₱2.8 billion for intangible assets; ₱442.3 million for property, plant and equipment; ₱4.2 million for long term receivables; ₱333.3 million for long term debt and the remaining balance of ₱1.3 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 2016 and 2015, the Group elected to receive 5,670,381 and 4,711,042 ordinary shares, respectively, under the UIC Scrip Dividend Scheme in lieu of cash dividend at the issue price of S$2.75 per share and S$3.28 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, 2016 and 2015, the Group's investments in the following listed investee companies have fair values of:

	Exchange Listed	**2016**	2015
UICL	Singapore Exchange Limited	**₱50,043,570,192**	₱49,684,672,893
OPMC	Philippine Stock Exchange	**426,890,219**	388,082,017
Meralco	Philippine Stock Exchange	**81,007,690,205**	97,820,607,040

As of December 31, 2016 and 2015, the breakdown of the total fair market value of the Group's investment in OPMC follows:

	2016	2015
Class A Common Stock	**₱99,115,847**	₱90,105,315
Class B Common Stock	**327,774,372**	297,976,702
	₱426,890,219	₱388,082,017

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, 2016 and 2015, the Group has deposit for future stock subscription in CLIPI amounting to ₱10.0 million. These represents 20.0% of CLIPI's proposed increase in authorized capital stock.

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

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). On December 7, 2016, the Group sold its investment in JCB shares.

Investment in SHSC

The investment in SHSC is fully provided with allowance amounting to ₱113.4 million as of December 31, 2016 and 2015.

Investment in Air Black Box

In May 2016, CAI entered into Value Alliance Agreement with other low cost carriers (LCCs), namely, Scoot Pte. Ltd, Nok Airlines Public Company Limited, CEBGO, and Vanilla Air Inc. The alliance aims to increase passenger traffic by creating interline partnerships and parties involved have agreed to create joint sales and support operations to expand services and products available to passengers. This is achieved through LCCs' investment in Air Black Box (ABB).

In November 2016, CAI acquired shares of stock in ABB amounting to ₱43.7 million. ABB is an entity incorporated in Singapore in 2016 to manage the ABB settlement system, which facilitates the settlement of sales proceeds between the issuing and carrying airlines, and of the transaction fee due to ABB. The investment in ABB is accounted under equity method.

The investment gave CAI a 15% shareholding proportion to ABB which is classified as an investment in an associate and is accounted for at equity method as the Group has the ability to exercise significant influence over the investment because of its representation in the board of directors of ABB. However, since ABB is still non-operational as of December 31 2016, the investment is recognized at cost and is subject to any remeasurement within the measurement period.

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, 2016 and 2015:

	2016				2015		
	Meralco	**GBPC**	**UICL**	**OPMC**	Meralco	UICL	OPMC
Current assets	**₱88,008,000,000**	**₱23,593,444,341**	**₱46,444,482,783**	**₱931,372,343**	₱95,295,000,000	₱43,901,679,875	₱2,554,944,925
Noncurrent assets	**208,030,000,000**	**55,055,906,714**	**249,991,477,419**	**3,588,239,548**	186,944,000,000	239,489,134,914	1,545,877,420
Current liabilities	**104,602,000,000**	**10,719,239,976**	**50,308,105,990**	**26,440,400**	93,215,000,000	28,733,019,384	31,963,027
Noncurrent liabilities	**116,290,000,000**	**35,519,247,861**	**4,247,430,935**	**87,802,636**	108,163,000,000	29,596,256,248	77,886,767
Equity	**₱75,146,000,000**	**₱32,410,863,218**	**₱241,880,423,277**	**₱4,405,368,855**	₱80,861,000,000	₱225,061,539,157	₱3,990,972,551
Group's carrying amount of the investment	**₱71,243,849,662**	**₱12,180,494,451**	**₱42,613,725,137**	**₱731,013,829**	₱73,323,616,739	₱39,823,358,743	₱650,620,940

As of December 31, 2016 and 2015, the Group's share in Meralco's net assets amounted to ₱20.4 billion and ₱21.9 billion, 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, 2016, the Group's share in GBPC's net assets amounted to ₱9.7 billion. The excess of the Group's share in the carrying value of GBPC's net assets over the carrying value of the investment is attributable to the notional goodwill and the difference between the fair value and carrying value of GBPC's net assets.

As of December 31, 2016 and 2015, the Group's share in UICL's net assets amounted to ₱89.6 billion and ₱83.3 billion, 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, 2016 and 2015, the Group's share in OPMC's net assets amounted to ₱854.6 million and ₱774.2 billion, 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, 2016, 2015 and 2014:

	2016				2015		
	Meralco	**GBPC**	**UICL**	**OPMC**	Meralco	UICL	OPMC
Revenue	**₱261,186,000,000**	**₱9,026,093,325**	**₱35,839,290,575**	**₱656,345,619**	₱261,110,000,000	₱27,842,938,298	₱676,701,906
Expenses	**233,151,000,000**	**5,863,240,155**	**25,237,685,045**	**288,951,142**	235,018,000,000	18,301,964,391	348,246,035
Finance costs	**1,343,000,000**	**1,008,892,704**	**316,620,895**	**–**	1,216,000,000	416,876,275	–
Profit before tax	**26,692,000,000**	**2,153,960,466**	**10,284,984,635**	**367,394,477**	24,876,000,000	9,124,097,632	328,455,871
Income tax expense	**7,352,000,000**	**26,610,580**	**1,704,881,742**	**–**	5,687,000,000	1,300,987,718	1,199,154
Profit for the year (continuing operations)	**₱19,340,000,000**	**₱2,127,349,886**	**₱8,580,102,893**	**₱367,394,477**	₱19,189,000,000	₱7,823,109,914	₱327,256,717
Total comprehensive income for the year (continuing operations)	**₱22,573,000,000**	**₱2,127,349,886**	**₱8,167,401,797**	**₱367,394,477**	₱18,384,000,000	₱8,020,572,396	₱327,256,717
Group's share of profit for the year	**₱4,980,696,000**	**₱356,430,766**	**₱2,790,366,394**	**₱37,617,071**	₱4,959,558,000	₱2,507,485,422	₱39,363,870

	2014		
	Meralco	UICL	OPMC
Revenue	₱268,149,000,000	₱25,262,486,374	₱1,001,498,860
Expenses	240,242,000,000	15,765,760,859	817,734,049
Finance costs	1,439,000,000	273,962,540	–
Profit before tax	26,468,000,000	9,222,762,975	183,764,811
Income tax expense	8,337,000,000	1,414,672,882	–
Profit for the year (continuing operations)	₱18,131,000,000	₱7,808,090,093	₱183,764,811
Total comprehensive income for the year (continuing operations)	₱17,940,000,000	₱201,138,822	₱183,764,811
Group's share of profit for the year	₱4,676,363,000	₱2,501,304,200	₱23,463,645

Investment in Joint Ventures

APPC and SIAEP

APPC and SIAEP are jointly controlled entities which were established for the purpose of providing line, light and heavy 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 CAI's 60.0% investment in shares of the joint venture. However, the joint venture agreement between CAI and CAE International Holdings Limited (CAE) states that CAI is entitled to 50.0% share on the net income/loss of PAAT. As such, CAI recognizes equivalent 50.0% share in net income and net assets of the joint venture.

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. PAAT was formally incorporated on January 27, 2012 and started commercial operations in December 2012.

As of December 31, 2016 and 2015, CAI's investment in PAAT amounted to ₱166.1 million and ₱137.1 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 2016 and 2015, URC contributed an additional cash of ₱103.3 million and ₱129.0 million, respectively, to DURBI and maintained its 50% ownership.

VURCI

On October 4, 2016, URC entered into a joint venture agreement with Vita International Holdings Limited, a corporation duly organized in Hong Kong to form VURCI, a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "Vitasoy" brand name, which is under exclusive license to VURCI in the Philippines.

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

- Summarized statements of financial position of material joint ventures as of December 31, 2016 and 2015:

	2016					
	APPC	**HURC**	**SIAEP**	**PAAT**	**CURCI**	**DURBI**
Current assets	**₱795,460,819**	**₱438,300,049**	**₱698,461,242**	**₱286,174,849**	**₱493,257,685**	**₱407,899,346**
Noncurrent assets	**155,159,767**	**357,790**	**1,664,971,439**	**804,157,578**	**160,325,333**	**15,417,496**
Current liabilities	**479,957,656**	**251,834,046**	**384,081,485**	**78,688,833**	**191,319,343**	**477,373,247**
Noncurrent liabilities	**–**	**–**	**935,588,667**	**679,361,939**	**–**	**1,866,944**
Equity	**₱470,662,930**	**₱186,823,793**	**₱1,043,762,529**	**₱332,281,655**	**₱462,263,675**	**(₱55,923,349)**
Group's carrying amount of the investment	**₱230,629,736**	**₱93,411,897**	**₱365,316,886**	**₱166,140,827**	**₱231,131,838**	**(₱27,961,675)**

	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

As of December 31, 2016, the Group's share in APPC's net assets amounted to ₱155.1 million. The excess of the carrying value over the Group's share in APPC's net assets is only attributable to the difference between the fair value and carrying value of APPC's's net assets.

As of December 31, 2016, the Group's share in HURC's net assets amounted to ₱51.6 million. The excess of the Group's share in the carrying value of HURC's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of HURC's net assets.

As of December 31, 2016, the Group's share in SIAEP's net assets amounted to ₱245.6 million. The excess of the Group's share in the carrying value of SIAEP's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of SIAEP's net assets.

As of December 31, 2016, the Group's share in PAAT's net assets amounted to ₱111.7 million. The excess of the Group's share in the carrying value of PAAT's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of PAAT's net assets.

As of December 31, 2016, the Group's share in CURCI's net assets amounted to ₱127.7 million. The excess of the Group's share in the carrying value of CURCI's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of CURCI's net assets.

As of December 31, 2016, the Group's share in DURBI's net assets amounted to (₱15.5 million). The excess of the Group's share in the carrying value of DURBI's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of DURBI's net assets.

- Summarized statements of comprehensive income of material joint ventures as of December 31, 2016, 2015 and 2014:

	2016					
	APPC	**HURC**	**SIAEP**	**PAAT**	**CURCI**	**DURBI**
Revenue	**₱987,094,549**	**₱707,220,646**	**₱969,132,649**	**₱305,467,453**	**₱205,599,743**	**₱619,676,101**
Expenses	**653,807,786**	**659,159,088**	**937,444,460**	**193,942,399**	**309,928,028**	**898,391,495**
Other income (expenses)	**62,291,042**	**4,576,603**	**(18,573,663)**	**(46,126,617)**	**7,785,901**	**7,348,323**
Profit before tax	**395,577,805**	**52,638,161**	**13,114,526**	**65,398,437**	**(96,542,384)**	**(271,367,071)**
Income tax expense	**96,535,066**	**16,860,509**	**5,200,863**	**7,382,199**	**1,557,180**	**(250,343)**
Profit for the year (continuing operations)	**₱299,042,739**	**₱35,777,652**	**₱7,913,663**	**₱58,016,238**	**(₱98,099,564)**	**(₱271,116,728)**
Total comprehensive income for the year (continuing operations)	**₱299,042,739**	**₱35,777,652**	**₱7,913,663**	**₱58,016,238**	**(₱98,099,564)**	**(₱271,116,728)**
Group's share of profit for the year	**₱146,530,942**	**₱17,888,826**	**₱2,769,782**	**₱29,008,119**	**(₱49,049,782)**	**(₱135,558,364)**

	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)

As of December 31, 2016 and 2015, 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, 2016 and 2015, the Parent Company has the following percentage ownership of shares in its wholly-owned and partially-owned subsidiaries as follows:

Name of Subsidiaries	Country of Incorporation	Effective Percentage of Ownership **December 31, 2016**	 December 31, 2015
Food			
Universal Robina Corporation and Subsidiaries	Philippines	**55.25**	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
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, 2016**	December 31, 2015
Universal Robina Corporation (URC)	Philippines	**44.75**	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	**2016**	2015
URC	**₱34,800,613,250**	₱30,031,472,075
RLC	**24,656,704,510**	22,894,940,314
CPAIR	**10,978,040,752**	8,176,598,156
JGSCSC	**4,656,693,545**	4,655,839,921

- Profit allocated to material non-controlling interest:

Name of Subsidiary	**2016**	2015
URC	**₱5,910,692,782**	₱6,262,072,222
RLC	**2,240,325,255**	2,323,166,528
CPAIR	**3,195,953,844**	1,437,479,559
JGSCSC	**102,659,711**	42,668,075

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, 2016:

	URC	**RLC**	**CPAIR**	**JGCSC**
Current assets	**₱51,812,773,909**	**₱39,635,922,449**	**₱15,151,909,742**	**₱53,427,977,127**
Noncurrent assets	**90,857,202,047**	**83,694,490,383**	**85,513,453,935**	**25,460,415,467**
Current liabilities	**27,794,826,668**	**29,096,687,075**	**28,274,482,126**	**61,900,871,242**
Noncurrent liabilities	**35,982,502,891**	**31,490,105,325**	**38,804,624,618**	**4,250,204,954**

- 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	27,009,193,481	41,750,585,985
Noncurrent liabilities	26,392,283,804	29,809,817,208	33,280,751,525	4,507,744,827

- Summarized statements of income for 2016:

	URC	RLC	CPAIR	JGSCSC
Revenue	**₱112,458,063,518**	**₱22,875,513,363**	**₱59,909,327,246**	**₱3,830,510,373**
Profit for the year from continuing operations	**13,082,873,919**	**5,744,373,694**	**9,745,687,660**	**298,777,409**
Total comprehensive income	**13,232,239,647**	**5,613,769,735**	**9,753,535,488**	**6,929,890**
Dividends paid to non-controlling interests	**3,203,718,761**	**575,177,717**	**397,082,599**	**–**

- Summarized statements of income for 2015:

	URC	RLC	CPAIR	JGSCSC
Revenue	₱111,779,086,215	₱20,371,237,379	₱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	(316,052,601)
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	–

15. Investment Properties

Movements in this account follow:

	2016			
	Land and Land Improvements	**Buildings and Improvements**	**Construction In-Progress**	**Total**
Cost				
Balance at beginning of year	**₱28,900,492,180**	**₱55,614,107,941**	**₱5,191,790,071**	**₱ 89,706,390,192**
Additions	**1,405,006,727**	**3,583,300,768**	**6,100,656,140**	**11,088,963,635**
Retirements/disposals	**(26,328,645)**	**–**	**–**	**(26,328,645)**
Transfers/other adjustments	**85,311,921**	**6,706,071,389**	**(6,574,584,491)**	**216,798,819**
Balance at end of year	**30,364,482,183**	**65,903,480,098**	**4,717,861,720**	**100,985,824,001**
Accumulated Depreciation and Amortization				
Balance at beginning of year	**218,253,576**	**22,227,011,026**	**–**	**22,445,264,602**
Depreciation and amortization	**64,213,326**	**3,083,925,983**	**–**	**3,148,139,309**
Transfers/other adjustments	**(115,012,295)**	**60,641,099**	**–**	**(54,371,196)**
Balance at end of year	**167,454,607**	**25,371,578,108**	**–**	**25,539,032,715**
Allowance for Impairment Losses				
Balance at beginning of year	**2,690,919**	**–**	**–**	**2,690,919**
Provision for impairment losses	**16,148,392**	**–**	**–**	**16,148,392**
Transfers/other adjustments	**11,579,605**	**–**	**–**	**11,579,605**
Balance at end of year	**30,418,916**	**–**	**–**	**30,418,916**
Net Book Value at End of Year	**₱30,166,608,660**	**₱40,531,901,990**	**₱4,717,861,720**	**₱75,416,372,370**

	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

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.

Construction in progress amounting to ₱4.7 billion and ₱5.2 billion as of December 31, 2016 and 2015, respectively, represents the cost of ongoing construction and development of malls and office buildings for lease.

Borrowing Costs

Borrowing costs capitalized amounted to ₱0.4 billion and ₱0.9 billion in 2016 and 2015, 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 2016 and 2015 were 4.45% and 4.54%, 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 ₱10.7 billion, ₱9.6 billion and ₱8.2 billion in 2016, 2015 and 2014, respectively.

Direct Operating Expenses

Direct operating expenses pertaining to rental operations (included under 'Cost of sales and services' in the consolidated statements of comprehensive income) amounted to ₱4.3 billion, ₱3.5 billion and ₱3.2 billion in 2016, 2015 and 2014, respectively.

Depreciation and Amortization

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

	2016	2015	2014
Depreciation and amortization expense included under:			
Cost of services (Note 30)	**₱3,087,950,727**	₱2,668,560,740	₱2,419,249,565
General and administrative expenses (Note 31)	**60,188,582**	17,031,688	20,218,948
	₱3,148,139,309	₱2,685,592,428	₱2,439,468,513

Collaterals

As of December 31, 2016 and 2015, 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, 2016							
	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	**₱5,882,980,325**	**₱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**
Additions	**156,437,164**	**1,770,345,824**	**3,745,359,329**	**1,083,931,526**	**10,430,364,773**	**11,228,547,868**	**1,025,488,294**	**29,440,474,778**
Additions from acquisition of a subsidiary (Note 44)	–	**186,272,233**	**1,686,772,953**	–	–	**498,424,492**	–	**2,371,469,678**
Acquisition of assets that qualified as a business (Note 44)	**304,217,000**	**197,496,500**	**473,847,117**	**348,029,757**	–	–	–	**1,323,590,374**
Disposals and other adjustments	**422,108,178**	**1,299,112,541**	**9,849,814,759**	**(744,936,473)**	**(3,462,505,968)**	**(13,413,110,502)**	**(584,608,006)**	**(6,634,125,471)**
Balance at end of year	**6,765,742,667**	**26,852,152,074**	**115,044,806,328**	**9,332,218,575**	**90,798,387,471**	**20,163,665,563**	**1,794,350,119**	**270,751,322,797**
Accumulated Depreciation and Amortization								
Balance at beginning 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**
Depreciation and amortization	**176,680,352**	**1,338,565,895**	**5,479,811,045**	**948,119,530**	**5,762,601,231**	–	–	**13,705,778,053**
Disposals, transfers and other adjustments	**61,204,499**	**312,517,383**	**1,030,034,769**	**66,474,323**	**(4,501,212,753)**	–	–	**(3,030,981,779)**
Balance at end of year	**918,194,444**	**11,425,573,747**	**52,030,829,341**	**6,357,201,741**	**24,339,093,589**	–	–	**95,070,892,862**
Allowance for impairment losses	–	–	**17,716,473**	–	–	–	–	**17,716,473**
Net Book Value at End of Year	**₱5,847,548,223**	**₱15,426,578,327**	**₱62,996,260,514**	**₱2,975,016,834**	**₱66,459,293,882**	**₱20,163,665,563**	**₱1,794,350,119**	**₱175,662,713,462**

	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
Disposals, transfers 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	–	–	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

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, 2016 and 2015, the Group's capitalized pre-delivery payments as construction in-progress amounted to ₱14.5 billion and ₱10.4 billion, respectively.

URC

Construction in-progress amounting to ₱3.5 billion as of December 31, 2016 and 2015 represents costs of ongoing expansion and constructions of plants.

JGSOC

Construction in-progress amounting to ₱0.8 billion and ₱6.8 billion as of December 31, 2016 and 2015, 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 ₱1.2 billion and ₱0.8 billion as of December 31, 2016 and 2015, respectively, represents the expansion and rehabilitation of PE and PP plant.

Depreciation and Amortization

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

	2016	2015	2014
General and administrative expenses (Note 31)	**₱6,849,226,440**	₱5,667,790,503	₱5,011,421,009
Cost of sales (Note 30)	**6,170,348,732**	5,475,444,437	3,866,114,378
Cost of services (Note 30)	**686,202,881**	534,792,607	440,955,006
	₱13,705,778,053	₱11,678,027,547	₱9,318,490,393

Property, Plant and Equipment Pledged as Collateral

Passenger aircraft held as securing assets under various loans

CAI entered into various ECA loans and commercial loan facilities to finance the purchase of its aircraft and engines. As of December 31, 2016, CAI has four Airbus A319 aircraft, seven Avion de Transport Regional (ATR) 72-500 turboprop aircraft, and ten Airbus A320 aircraft under ECA loans, and nineteen Airbus A320 aircraft, two ATR72-600 turbo pop, one Airbus A330 and five engines under commercial loans.

Under the terms of the ECA loan and commercial loan facilities (Note 23), 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, 2016 and 2015, the carrying amounts of the securing assets (included under the 'Property and equipment' account) amounted to ₱56.9 billion and ₱53.0 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 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 statements of comprehensive income (see Note 29).

In 2016, CAI delivered the remaining four out of six airbus A319 aircraft to Allegiant and recognized ₱962.6 million loss on sale recorded under 'Other expenses' in the consolidated statements of comprehensive income (see Note 29).

In 2016, CAI signed another forward sale agreement with Allegiant covering the last remaining four A319 aircraft. The aircraft are scheduled for delivery on various dates in 2017 and 2018.

Operating Fleet

As of December 31, 2016 and 2015, the Group's operating fleet follows:

	2016	2015
Owned (Note 23):		
Airbus A319	**4**	8
Airbus A320	**29**	26
Airbus A330	**1**	–
ATR 72-500	**8**	8
ATR 72-600	**2**	–
Under operating lease (Note 42):		
Airbus A320	**7**	7
Airbus A330	**6**	6
	57	55

Loss on sale or retirement of property, plant and equipment amounted to ₱361.7 million, ₱19.5 million and ₱9.8 million in 2016, 2015 and 2014, respectively.

As of December 31, 2016 and 2015, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to ₱2.4 billion and ₱2.1 billion, respectively.

17. **Biological Assets**

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

	2016	2015
Current portion	**₱920,226,312**	₱1,096,482,209
Noncurrent portion	**463,152,936**	461,312,737
	₱1,383,379,248	₱1,557,794,946

These biological assets consist of:

	2016	2015
Swine		
Commercial	**₱897,048,298**	₱1,067,699,892
Breeder	**411,356,528**	409,205,103
Poultry		
Commercial	**23,178,014**	28,782,317
Breeder	**51,796,408**	52,107,634
	₱1,383,379,248	₱1,557,794,946

The rollforward analysis of this account follows:

	2016	2015
Balance at beginning of year	**₱1,557,794,946**	₱1,711,012,655
Additions	**2,752,445,408**	2,922,958,775
Disposals	**(2,831,264,288)**	(3,019,217,493)
Loss arising from changes in fair value less estimated costs to sell	**(95,596,818)**	(56,958,991)
	₱1,383,379,248	₱1,557,794,946

As of December 31, 2016 and 2015, the Group has about 229,582 and 249,666 heads of swine, respectively, and about 443,635 and 427,679 heads of poultry, respectively.

18. **Intangible Assets**

The composition and movements in this account follow:

	2016						
	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**	**₱1,718,744,748**	**₱157,039,729**	**₱5,198,501,291**	**₱425,000,000**	**₱1,885,972,092**	**₱9,937,589,612**
Additions	**–**	**44,600,000**	**555,048,596**	**–**	**–**	**–**	**599,648,596**
Additions due to business combination (Note 44)	**–**	**–**	**–**	**4,365,959,961**	**–**	**315,309,073**	**4,681,269,034**
Disposals/others	**–**	**–**	**2,357,482**	**–**	**–**	**–**	**2,357,482**
Balance at end of year	**552,331,752**	**1,763,344,748**	**714,445,807**	**9,564,461,252**	**425,000,000**	**2,201,281,165**	**15,220,864,724**
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	**552,331,752**	**–**	**96,057,927**	**201,524,581**	**–**	**54,917,799**	**904,832,059**
Amortization	**–**	**–**	**91,433,676**	**–**	**–**	**56,418,608**	**147,852,284**
Disposals/reclassifications	**–**	**–**	**1,992,382**	**–**	**–**	**7,184,506**	**9,176,888**
Balance at end of year	**552,331,752**	**–**	**189,483,985**	**201,524,581**	**–**	**118,520,913**	**1,061,861,231**
Net Book Value at End of Year	**₱–**	**₱1,763,344,748**	**₱524,961,822**	**₱9,362,936,671**	**₱425,000,000**	**₱2,082,760,252**	**₱14,159,003,493**

	2015						
	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	₱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	–	–	–	44,928,168
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	9,937,589,612
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	₱9,032,757,553

<u>Technology Licenses</u>

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.

<u>Bank Licenses and Others</u>

Bank licenses pertain to RBC's bank licenses amounting to ₱911.2 million and ₱866.6 million in 2016 and 2015, 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.

Bank licenses and others include other assets representing costs to establish brand and market opportunities under the strategic alliance with Cebgo, Inc. amounting to ₱852.2 milion (see Note 44).

Trademarks, Product Formulation, Brands and Customer Relationships
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, 2016. 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 3.43% - 9.97%. The following assumptions were also used in computing the value in use:

Growth rate estimates - growth rates include long-term and terminal growth rates that are 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.

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying values of goodwill and intangibles assets arising from the Group's acquisitions to materially exceed their recoverable amounts.

19. **Goodwill**

Movements in the Group's goodwill account follow:

	2016	2015
Cost		
Balance at beginning of year	**₱15,771,272,280**	₱15,771,272,280
Additions due to business combinations (Note 44)	**16,505,263,958**	–
Balance at end of year	**32,276,536,238**	15,771,272,280
Accumulated Impairment Losses		
Balance at beginning and end of year	**253,352,295**	253,352,295
Net Book Value at End of Year	**₱32,023,183,943**	₱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, (f) the acquisition of Cebgo, Inc. (formerly Tiger Airways Philippines (TAP)) and NZSFHL in 2014, (g) acquisition of Balayan Sugar Mill and Snack Brands Australia in 2016.

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

Acquisition of Snack Brands Australia/ Griffin's Food Limited
Goodwill arising from the acquisition of CSPL and Griffin's is mainly attributable to synergies formed between URC and CSPL, and URC and NZSFHL, respectively.

Acquisition of Cebgo
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:

	2016	2015
Deferred tax assets (Note 38)	**₱2,070,533,318**	₱2,330,888,155
Advances to suppliers - net of current portion	**941,864,046**	455,658,690
Security and miscellaneous deposits	**847,186,323**	746,173,273
Utility deposits	**616,948,137**	511,864,493
Advances to lot owners - net of current portion	**190,078,577**	190,078,577
Derivative asset under hedge accounting (Note 8)	–	37,358,957
Others	**1,855,667,895**	998,470,251
	₱6,522,278,296	₱5,270,492,396

Security Deposits
Security deposits include deposits provided to lessors and maintenance providers for aircraft under operating lease.

Advances to Suppliers
Advances to suppliers pertain to RLC's advance payments to suppliers or contractors which will be applied against the final billing.

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 deposits to various joint venture partners, prepaid rent and repossessed chattels.

21. **Accounts Payable and Accrued Expenses**

This account consists of:

	2016	2015
Deposit liabilities	**₱53,176,102,052**	₱35,645,024,911
Trade payables	**19,099,938,293**	13,211,425,184
Accrued expenses	**16,180,422,862**	14,946,192,270
Airport and other related fees payable	**2,434,975,392**	1,709,712,693
Output VAT	**416,976,865**	408,939,139
Withholding taxes payable	**289,365,215**	214,581,731
Dividends payable	**248,503,402**	14,149,049
Due to related parties (Note 40)	**136,118,258**	283,572,118
Other payables	**4,316,499,875**	5,506,186,304
	₱96,298,902,214	₱71,939,783,399

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, 2016 and 2015, 51.02% and 42.82% respectively, are subject to periodic interest repricing. Remaining deposit liabilities of the RBC and LBC incur interest at annual fixed rates of 0.0% to 2.9% for both years.

On March 27, 2014, the BSP through Circular 830 approved the 1.00% increase in reserve requirements effective April 11, 2014, thereby increasing the reserve requirements on non-FCDU deposit liabilities of RBC and LSB from 18.00% to 19.00% and 6.00% to 7.00% respectively. As mandated by the Circular, only demand deposit accounts maintained by the bank with the BSP are eligible for compliance with reserve requirements, thereby excluding government securities and cash in vault as eligible reserves. Further, deposits maintained with the BSP in compliance with the reserve requirement shall no longer be paid interest. On May 8, 2014, the BSP, through BSP Circular 832, approved the 1.00% increase in reserve requirement effective May 30, 2014, thereby further increasing the reserve requirements on non-FCDU deposit liabilities of RBC and LSB from 19.00% to 20.00% and from 7.00% to 8.00%, respectively.

As of December 31, 2016 and 2015, the liquidity and statutory reserves of RBC and LSB amounted to ₱11.7 billion in 2016 and P9.9 billion in 2015.

As of December 31, 2016 and 2015, 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):

	2016	2015	2014
Savings	**₱327,306,744**	₱287,391,613	₱254,029,523
Time	**319,618,028**	274,848,318	258,935,202
Demand	**1,938,352**	1,785,501	2,393,628
	₱648,863,124	₱564,025,432	₱515,358,353

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, and unpaid billings from suppliers and contractors related to construction activities, are also charged to this account.

Accrued Expenses

This account consists of accruals for the following:

	2016	2015
Advertising and promotions	**₱4,605,661,535**	₱4,085,931,821
Landing and take-off, navigational charges, and other aircraft-related expenses	**2,454,928,921**	2,536,253,197

(Forward)

	2016	2015
Compensation and benefits	**₱2,416,449,248**	₱1,832,283,449
Accrued interest payable	**2,018,859,767**	1,941,249,479
Import bills payable	**1,132,410,067**	1,192,742,648
Rental expense	**1,003,369,623**	614,077,148
Contracted services	**970,430,471**	691,326,791
Freight and handling costs	**493,055,041**	475,093,791
Taxes and licenses	**489,361,168**	922,815,110
Utilities	**284,420,702**	282,919,951
Insurance	**99,427,394**	107,148,715
Royalties	**11,125,092**	10,004,658
Other accrued expenses	**200,923,833**	254,345,512
	₱16,180,422,862	₱14,946,192,270

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 Mactan-Cebu International Airport and Manila International Airport Authority arising from aviation security, terminal fees and travel taxes.

Other Payables
As of December 31, 2016 and 2015, 'Other payables' consist of management bonus and other 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 12).

22. Other Current Liabilities

This account consists of:

	2016	2015
Unearned transportation revenue	**₱8,141,752,727**	₱6,971,754,697
Deposits from real estate buyers (Note 24)	**1,838,572,591**	1,641,009,277
Deposit from lessees (Notes 24 and 42)	**1,770,955,616**	2,055,695,674
Advances from agents and others	**676,600,363**	594,568,902
Customer's deposits	**474,910,512**	144,854,921
Redeemable preference shares	**1,700,000**	1,700,000
	₱12,904,491,809	₱11,409,583,471

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. This account also includes commitment fees received for the sale and purchase agreement of aircraft.

23. **Short-term and Long-term Debts**

Short-term Debts

Short-term debts consist of:

	2016	2015
Parent Company:		
Philippine Peso - with interest rate of 2.50% in 2016	**₱13,167,000,000**	₱–
	13,167,000,000	–
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 1.33% to 4.39% in 2016 and 0.72% to 2.25% in 2015	**30,273,201,690**	22,019,625,874
Philippine Peso - with interest rates of 1.85% to 2.5% in 2016 and 0.96% to 2.7% in 2015	**18,444,312,887**	12,864,330,600
	48,717,514,577	34,883,956,474
	₱61,884,514,577	₱34,883,956,474

As of December 31, 2016 and 2015, short-term debt of certain subsidiaries denominated in foreign currency and peso include trust receipts payable amounting to ₱11.5 billion and ₱11.9 billion, respectively. The trust receipts payable are secured by the trusteed inventories for the same amount (see Note 12).

In 2016, 2015 and 2014, the Group has incurred interest expense on short-term notes amounting to ₱407.4 million, ₱268.5 million and ₱633.0 million, respectively (see Note 35).

Long-term Debts

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

	Maturities	Interest Rates	2016	2015	Condition
Parent Company:					
Fixed Rate Retail Bonds:					
₱30.0 billion Fixed Rate Retail Bonds					
₱24.5 billion bonds	2019	5.23%	**₱24,404,360,690**	₱24,359,343,438	Unsecured
₱5.3 billion bonds	2021	5.24%	**5,281,565,626**	5,274,975,424	Unsecured
₱0.2 billion bonds	2024	5.30%	**175,080,780**	174,940,362	Unsecured
Term Loans					
₱9.0 billion Term Loan	2019	4.50%	–	4,853,325,434	Unsecured
₱7.5 billion Term Loan	2016	PDST-R1+0.75%	–	7,482,052,675	Unsecured
			29,861,007,096	42,144,637,333	

(Forward)

	Maturities	Interest Rates	2016	2015	Condition
Subsidiaries:					
Foreign currencies:					
JGSPL					
US$750.0 million guaranteed notes	2023	4.375%	**₱31,788,240,411**	₱30,713,744,430	Guaranteed
US$250.0 million guaranteed notes	2018	US$ LIBOR plus 2.2% margin	**–**	11,658,870,211	Guaranteed
CAI					
ECA loans (Note 15)	2024	2-6%; 1-2% (US$ Libor)	**12,402,011,468**	15,151,924,788	Secured
Commercial loans from foreign banks	2025	3-6%; 1-2% (US$ Libor)	**24,829,936,162**	21,437,060,704	- do -
URC					
NZ$420.0 million term loan	2019	NZ BKBM+1.60%	**14,311,677,913**	13,316,480,667	Guaranteed
AU$484.2 million term loan	2021	AU 3.04% (BBSY BID+1.25%)	**17,054,914,872**	–	- do -
NZ$322.3 million term loan	2019	NZ BKBM+1.60%	**–**	10,219,011,046	- do -
			100,386,780,826	102,497,091,846	
Philippine Peso:					
RLC					
₱10.6 billion loan facility	2022	4.80%	**10,560,505,235**	10,546,768,904	Unsecured
₱1.4 billion loan facility	2025	4.93%	**1,354,882,882**	1,353,502,066	- do -
₱9.0 billion loan facility	2019	5.04%	**–**	8,945,009,381	- do -
₱1.0 billion loan facility	2019	5.04%	**–**	995,177,314	- do -
₱6.5 billion loan facility	2021	3.83%	**6,469,690,891**	–	- do -
₱5.0 billion loan facility	2023	3.89%	**4,976,398,670**	–	- do -
CAI					
Commercial loans	2026	2-3% (PDST-R2)	**5,578,490,000**	–	Guaranteed
			28,939,967,678	21,840,457,665	
			159,187,755,600	166,482,186,844	
Less current portion			**6,826,230,309**	22,915,756,938	
			₱152,361,525,291	₱143,566,429,906	

The foreign exchange rate used to revalue the foreign currency borrowings was ₱49.72 to US$1.00 and ₱47.06 to US$1.00 as of December 31, 2016 and 2015, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱634.6 million and ₱606.8 million as of December 31, 2016 and 2015, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱277.5 million and ₱414.9 million as of December 31, 2016 and 2015, respectively.

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

	2016	2015
Due in:		
2016	**₱–**	₱23,288,223,561
2017	**7,040,253,460**	6,108,110,296
2018	**5,962,465,277**	–
Thereafter	**147,097,131,332**	138,107,567,972
	₱160,099,850,069	₱167,503,901,829

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

<u>Subsidiaries' Foreign Currency Loans</u>

JGSPL 4.375% Senior Unsecured Notes Due 2023

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

JGSPL 5-year Guaranteed Notes

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

In October 2016, JGSHPL prepaid the notes under Clause 7.1 of the underlying Term Loan Facility Agreement. Total payment amounted to US$251.8 million (₱12.5 billion).

CAI Commercial Loans From Foreign Banks
On various dates from 2007 to 2016, CAI entered into a commercial loan facility to partially finance the purchase of 19 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 SPEs, namely ILL, PTALL, PTHALL, SAALL, SBALL and SCALL, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to a: (a) 10-year finance lease arrangement for the Airbus A320 aircraft, (b) six-year finance lease arrangement for the engines and (c) five-year finance lease arrangement for the QEC Kit. The quarterly and semi-annual rental payments of CAI to those SPEs correspond to the principal and interest payments made by these SPEs to the commercial lenders and are guaranteed by CAI. CAI has the option to purchase the aircraft, the engines and the QEC Kit for a nominal amount at the end of such leases.

The terms of the CAI commercial loans from foreign banks follow:

- Term of 10 years starting from the delivery date of each aircraft.
- Term of six years starting from the delivery date of each ATR 72-500 turboprop aircraft.
- Combination of annuity style and equal principal repayments made on a quarterly and semi-annual basis for the two aircraft, engines and the QEC Kit.
- Interest on loans are a mix of fixed and variable rates. Interest rate ranges from 1.0% to 6.0%.
- The facilities provide for material breach as an event of default, upon which, 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
On various dates from 2005 to 2012, CAI entered into ECA-backed loan facilities to partially finance the purchase of ten Airbus A319 aircraft, seven ATR 72-500 turbopop aircraft and ten Airbus A320 aircraft. The security trustee of the ECA loans established SPEs, namely CALL, BLL, SLL, SALL, VALL and POALL, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to (a) ten-year finance lease arrangement for the ATR 72-500 turbopop aircraft and (b) twelve-year finance lease arrangement for the Airbus A319 and A320 aircraft. The quarterly and semi-annual rental payments made by CAI to these SPEs correspond to the principal and interest payments made by the SPEs to the ECA-backed lenders. The quarterly and semi-annual lease rentals to the SPEs 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 2016 and 2015, CAI exercised the option to purchase four and two of the ten Airbus A319 aircraft, respectively 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 sold Airbus A319 aircraft. The total amount of loans paid amounted to ₱870.5 million and ₱534.5 million in 2016 and 2015, respectively. The breakage cost for the related loan prepayments amounted to ₱45.6 million and ₱26.7 million in 2016 and 2015, respectively.

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 are a mix of fixed and variable rates. Fixed annual interest rates ranges from 2.00% to 6.00% and variable rates are based on US dollar LIBOR 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, the Group, JGSHI 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.

CAI 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 ₱31.9 billion and ₱34.5 billion in 2016 and 2015, respectively.

URC NZ Finance Company Limited NZD420 Million Term Loan due 2019
On November 13, 2014, URC New Zealand Holding Finance Company, Ltd. (URC NZ Finco) entered into a secured term loan facility agreement payable in five (5) years, amounting to NZD420.0 million (₱12.6 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.

URC Oceania Company Limited NZD322 Million Term Loan due 2019
On November 13, 2014, URC Oceania entered into a secured term loan facility agreement payable in five (5) years, amounting to NZD322.0 million (₱9.6 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.

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.

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.

URC Australia Finance Company Limited Term Loan US$484.2 Million
On September 30, 2016, URC AU FinCo entered into a secured syndicated term loan facility agreement payable in five (5) years, amounting to AU$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, CSPL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on September 30, 2021.

<u>Parent Company's Philippine Peso Loans</u>
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.

On June 10, 2016, the Parent Company partially prepaid the ₱2.0 billion of the ₱7.5 billion term loan facility. The Parent Company paid ₱2.05 billion representing ₱2.0 billion for principal and ₱48.6 million for interest. On December 10, 2016, the Parent Company settled the remaining ₱5.5 billion term loan facility. The Parent Company paid ₱5.5 billion representing ₱5.5 billion for principal and ₱36.1 million for interest.

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. The Parent Company paid ₱4.2 billion representing ₱4.1 billion for principal, ₱26.1 million for interest and ₱41.0 million as prepayment fee.

On May 20, 2016, the Parent Company prepaid the remaining balance of ₱4.9 billion. The Parent Company paid ₱4.98 billion representing ₱4.9 billion for principal, ₱53.3 million for interest and ₱24.5 million as prepayment fee. The related loss on the derecognition of the loan that was partially prepaid was included under "Financing Cost and Other Charges" in the consolidated statements of comprehensive income.

Subsidiaries' Philippine Peso Loans

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. On October 17, 2016, RLC pre-terminated the outstanding balance of the ₱10.0 billion loan and paid a prepayment charge amounting to ₱147 million.

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.

RLC ₱6.5 Billion Term Loan due in July 2021
On July 8, 2016, RLC borrowed ₱6.5 billion under Term Loan Facility Agreements with BDO Unibank, Inc.

The loan was released on July 8, 2016 amounting to ₱3.0 billion and on September 27, 2016 amounting to ₱3.5 billion with interest rate at 3.8327% 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.

RLC ₱5.0 Billion Term Loan due in August 2023
On August 10, 2016, RLC borrowed ₱5.0 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The ₱5.0 billion loan was released on August 10, 2016 with interest rate at 3.8900% per annum and shall be payable quarterly, computed on the basis of a 360-day year and on the actual number of days elapsed.

CAI's Philippine Peso Commercial Loans
In 2016, CAI entered into a Philippine peso commercial loan facility to partially finance the acquisition of two ATR 72-600 aircraft and one Airbus A330 aircraft.

The terms of the commercial loans follow:
- Term of ten years starting from the delivery date of each aircraft.
- Forty equal consecutive principal repayments made on a quarterly basis
- Interests on loans are variable rates. Interest rates ranges from 2.00% to 3.00%.
- The facilities provide that, upon event of default, the outstanding amount of loan will be payable, including interest accrued. The lenders will foreclose mortgaged assets, namely the aircraft.

In 2016, 2015 and 2014, total interest expense on long-term debt amounted to ₱6.4 billion, ₱6.1 billion and ₱4.9 billion, respectively (see Note 35).

In 2016, 2015 and 2014, the Group recognized amortization of bond issue costs amounting to ₱209.3 million, ₱147.2 million and ₱125.6 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 and ₱7.5 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, ₱10.0 Billion Term Loan due in July 2019, ₱6.5 Billion Term Loan due in July 2021 and ₱5.0 Billion Term Loan due in August 2023, 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 2018, 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 and AU 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, 2016 and 2015.

24. Other Noncurrent Liabilities

This account consists of:

	2016	2015
Deposit liabilities - net of current portion	**₱4,188,393,891**	₱4,274,024,909
ARO	**2,606,050,631**	1,344,571,000
Deposit from lessees - net of current portion (Note 42)	**2,262,502,350**	2,328,399,617
Accrued rent expense	**1,577,720,784**	1,445,148,519
Pension liabilities (Note 37)	**1,275,276,439**	1,248,213,455
Retention payable	**550,535,803**	628,405,572

(Forward)

	2016	2015
Deposits from real estate buyers - net of current portion	**₱296,427,485**	₱594,206,310
Accrued maintenance cost	–	224,413,504
Others	**449,392,323**	436,377,382
	₱13,206,299,706	₱12,523,760,268

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 ₱88.1 million, ₱63.9 million and ₱78.3 million in 2016, 2015 and 2014, respectively (Note 30). The deposits from lessees were discounted using PDST-F rate plus 2.0% spread.

The unearned rental income (included under 'Deposit from lessees') amounted to ₱281.0 million and ₱249.0 million as of December 31, 2016 and 2015, respectively. The rental income on amortization of unearned rental income amounted to ₱83.0 million, ₱62.5 million and ₱77.0 million in 2016, 2015 and 2014, respectively.

Deposit Liabilities

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

ARO

CAI 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).

URC also has obligations to restore the leased manufacturing sites, warehouses and offices at the end of the respective lease terms. These provisions are calculated as the present value of the estimated expenditures required to remove any leasehold improvements. These costs are currently capitalized as part of the cost of the plant and equipment and are amortized over the shorter of the lease term and the useful life of assets.

The rollforward analysis of the Group's ARO follows:

	2016	2015
Balance at beginning of year	**₱1,344,571,000**	₱586,069,196
Provision for return cost	**1,261,479,631**	863,960,835
Payment of restorations during the year	–	(105,459,031)
Balance at end of year	**₱2,606,050,631**	₱1,344,571,000

In 2016, 2015 and 2014, ARO expenses included as part of repairs and maintenance under 'Cost of Sales and Services' amounted to ₱1.1 billion, ₱864.0 million and ₱476.0 million, respectively. In 2014, CAI 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 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, 2016 and 2015 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:

Capital stock:	
Common shares - ₱1 par value	₱7,162,841,657
Preferred voting shares - ₱0.01 par value	40,000,000
	7,202,841,657
Additional paid-in capital	23,553,025,157
Total paid-up capital	₱30,755,866,814

Movements in the total number of common shares issued and outstanding as of December 31, 2016 and 2015 follows:

	2016		2015	
	Shares	**Amount**	Shares	Amount
Issued shares:				
Balance at beginning of year	**7,162,841,657**	**₱7,162,841,657**	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**	7,162,841,657	₱7,162,841,657

Issuance of Common Shares Through Top-Up Placement

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.

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, 2016, 2015 and 2014:

	2016	2015	2014
Common shares	**1,043**	1,054	1,089
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:

	2016	2015
(a) Gross debt		
Short-term debt (Note 23)	**₱61,884,514,577**	₱34,883,956,474
Current portion of long-term debt (Note 23)	**6,826,230,309**	22,915,756,938
Long-term debt, net of current portion (Note 23)	**152,361,525,291**	143,566,429,906
Derivative liabilities (Note 8)	**5,947,386**	2,443,495,138
Redeemable preferred shares (Note 22)	**1,700,000**	1,700,000
	₱221,079,917,563	₱203,811,338,456
(b) Capital	**₱312,783,855,201**	₱287,325,661,358
(c) Debt-to-capital ratio (a/b)	**0.71:1**	0.71:1

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, 2016 and 2015 follows:

	2016	2015
Common Equity Tier 1 Capital	**₱10,270**	₱5,024
Additional Tier 1 Capital	–	5,663
Tier 1 capital	**10,270**	10,687
Tier 2 capital	**318**	242
Gross qualifying capital	**10,588**	10,929
Less required deductions	–	–
Total qualifying capital	**₱10,588**	₱10,929
Credit RWA	**₱38,931**	₱28,044
Market RWA	**223**	104
Operational RWA	**4,224**	3,632
Total RWA	**₱43,378**	₱31,780
Common Equity Tier 1 Ratio 1	**23.68%**	15.81%
Additional Tier 1 Ratio	**0.00%**	17.82%
Tier 1 capital ratio	**23.68%**	33.63%
Tier 2 capital ratio	**0.73%**	0.76%
Risk-based capital adequacy ratio	**24.41%**	34.39%

As of December 31, 2016 and 2015, RBC was in compliance with the required capital adequacy ratio (CAR).

As part of its capital build-up program, 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. 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 July 9, 2015, RBC's BOD approved the increase in authorized capital stock amounting to ₱8.90 billion composed of 890.00 million common shares at 10.00 per share. Out of the ₱8.90 billion increase, ₱5.90 billion was paid-up and subscribed as follows:

Stockholder	No. of Shares Subscribed	Amount
JGSCSC	292,905,882	₱2,929,058,820
RRHI	297,094,118	2,970,941,180
Total	590,000,000	₱5,900,000,000

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, 2016 and 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 authorized capital stock from ₱6.10 billion divided into ₱43.68 million common shares, ₱356.32 million preferred shares A and ₱210.00 million preferred shares B of ₱10.00 par value each, to ₱12.00 billion divided into 633.64 million common shares, 356.32 million preferred shares A and 210.00 million preferred shares B of ₱10.00 par value each.

In 2016, RBC has issued 590.00 million common shares amounting to ₱5.90 billion in exchange for the deposits for future subscriptions.

In 2016, RBC removed all the other classes of shares, except common shares, and converted its ₱356.32 million preferred shares A and ₱210.00 million preferred shares B to ₱566.32 million common shares with ₱10.00 par value.

Retained Earnings
As of December 31, 2016 and 2015, the Group has a total retained earnings of ₱180.4 billion and ₱171.3 billion, respectively. Out of this, ₱114.1 billion and ₱103.7 billion were restricted as of December 31, 2016 and 2015, 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.

On November 20, 2016, the BOD approved the appropriation of retained earnings amounting to ₱10.4 billion.

As of December 31, 2016, the Parent Company's restricted retained earnings amounted to ₱97.0 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, 2016, the ₱97.0 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$ 3 or 6-month LIBOR plus 80bps or 12-month LIBOR plus 75 bps	JGSH Philippines, Limited	US$250.0 million	1 year maturing in 2017
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

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.

On September 27, 2016, the BOD approved the reversal of the previously appropriated retained earnings amounting to ₱1.0 billion, which has been used to complete portions of the snack foods and beverage business projects across branded foods group. On the same date, the BOD approved the additional appropriation of retained earnings amounting to ₱2.0 billion for capital expenditure commitments to expand capacities across branded consumer and commodity foods businesses, which are expected to be completed within the next two years.

RLC
On September 27, 2016, the BOD approved the reversal of the retained earnings it appropriated in 2015 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 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 ₱16.0 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 2016. These projects and acquisitions are expected to be completed in various dates in 2017 to 2021.

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 2016 to 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 2015 to 2017.

CAI
On November 10, 2016, December 3, 2015 and November 27, 2014, the CAI's BOD appropriated ₱6.6 billion, ₱1.0 billion and ₱3.0 billion, respectively, from its unrestricted retained earnings as of December 31, 2016 for purposes of the CAI's re-fleeting program. The appropriated amount will be used for the settlement of pre-delivery payments and aircraft lease commitments. As of December 31, 2016 and 2015, CAI has appropriated retained earnings totaling ₱14.5 billion and ₱7.9 billion, respectively.

RBC
As of December 31, 2016 and 2015, RBC's surplus reserve amounted to ₱112.3 million and ₱107.8 million, respectively, which were appropriated for self-insurance and for its trust operations.

In 2016 and 2015, RBC's BOD approved to appropriate reserves for self-insurance amounting to ₱3.60 million and for trust reserves amounting to ₱0.93 million and ₱2.62 million, respectively.

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 ₱71.6 billion, ₱58.8 billion and ₱56.3 billion as of December 31, 2016, 2015 and 2014, 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:

	2016	2015	2014
Date of declaration	**June 9, 2016**	June 10, 2015	June 16, 2014
Dividend per share	**₱0.25**	₱0.22	₱0.20

	2016	2015	2014
Total dividends	**₱1.8 billion**	₱1.6 billion	₱1.4 billion
Date of record	**June 29, 2016**	June 25, 2015	July 17, 2014
Date of payment	**July 25, 2016**	July 21, 2015	August 12, 2014

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

	2016	2015	2014
Date of declaration	**June 9, 2016**	June 10, 2015	June 16, 2014
Dividend per share	**₱0.0025**	₱0.0022	₱0.0020
Total dividends	**₱10.0 million**	₱8.8 million	₱8.0 million
Date of record	**June 29, 2016**	June 25, 2015	July 17, 2014
Date of payment	**July 25, 2016**	July 21, 2015	August 12, 2014

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

URC
Details of URC's dividend declarations follow:

	2016	2015	2014
Date of declaration	**February 9, 2016**	February 6, 2015	February 4, 2014
Dividend per share	**₱3.15**	₱3.00	₱3.00
Total dividends	**₱6.5 billion**	₱6.5 billion	₱6.5 billion
Date of record	**February 29, 2016**	February 26, 2015	February 26, 2014
Date of payment	**March 28, 2016**	March 24, 2015	March 24, 2014

RLC
Details of RLC's dividend declarations follow:

	2016	2015	2014
Date of declaration	**March 9, 2016**	April 29, 2015	May 12, 2014
Dividend per share	**₱0.36**	₱0.36	₱0.36
Total dividends	**₱1.5 million**	₱1.5 billion	₱1.5 billion
Date of record	**March 29, 2016**	May 14, 2015	May 29, 2014
Date of payment	**April 22, 2016**	June 9, 2015	June 25, 2014

CAI
Details of CAI's dividend declarations follow:

	2016	2015	2014
Date of declaration	**May 20, 2016**	June 24, 2015	June 26, 2014
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	**₱1.00**	₱0.50	₱–
Total dividends - special	**₱606.0 million**	₱303.0 million	₱–
Date of record	**June 9, 2016**	July 16, 2015	July 16, 2014
Date of payment	**July 5, 2016**	August 11, 2015	August 11, 2014

<u>Equity Reserve</u>
On September 27, 2016, URC reissued 22.7 million common shares previously held as treasury shares by way of block sale at a selling price of ₱193.45 per share, with a total selling price amounting to ₱4.4 billion, net of transaction costs amounting to ₱27.2 million. As a result of the sale, the equity interest of the Parent Company over URC changed from 55.83% to 55.25%. The

excess of the total consideration received over the carrying value of the interest transferred to the non-controlling interest is included under "Equity Reserve" in the 2016 consolidated statements of changes in equity.

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.

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

	2016	2015	2014
Beginning balance	**₱63,935,131,765**	₱53,994,117,270	₱49,690,842,347
Total comprehensive income:			
Net income attributable to non-controlling interests	**11,449,631,592**	10,065,386,384	7,579,654,820
Other comprehensive income attributable to non-controlling interests:			
Net gain (loss) on AFS investments (Note 10)	**(115,159,763)**	(93,858,078)	142,564,930
Cumulative translation adjustments	**(150,702,267)**	766,066,829	18,667,690
Remeasurements due to defined benefit liability (Note 37)	**24,244,127**	(27,639,789)	47,132,715
Gain (loss) on cashflow hedge	**8,634,742**	(1,362,560)	1,362,560
	11,216,648,431	10,708,592,786	7,789,382,715
Cash dividends paid to non-controlling interests	**(4,175,979,077)**	(3,922,800,371)	(3,752,970,864)
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
Decrease in subsidiaries' treasury shares	**2,292,532,237**	–	–
	₱73,268,333,356	₱63,935,131,765	₱53,994,117,270

Deposit for future subscription of shares by non-controlling interest in a subsidiary amounting to ₱3.2 billion pertain to the additional investment by Robinsons Retails Holding, Inc. in RBC.

26. Banking Revenue

This account consists of:

	2016	2015	2014
Interest income (Note 27)	**₱3,092,862,946**	₱2,705,799,538	₱2,434,157,658
Service fees and commission income	**174,216,102**	176,209,592	154,140,838
Trading and securities gains	**145,108,071**	86,931,176	128,897,110
	₱3,412,187,119	₱2,968,940,306	₱2,717,195,606

27. **Interest Income**

This account consists of:

	2016	2015	2014
Interest income from:			
Cash and cash equivalents	**₱574,695,922**	₱677,762,510	₱562,010,223
Finance receivables, unquoted debt securities and sales contract receivable (Note 11)	**2,334,136,260**	2,058,890,489	1,855,456,117
Financial assets at FVPL (Note 9)	**639,122,921**	726,063,019	768,261,662
AFS debt securities (Note 10)	**532,874,580**	500,478,245	489,472,203
HTM investments	**170,428,187**	109,230,854	103,971,784
Others	**2,850,129**	766,907	2,709,207
	₱4,254,107,999	₱4,073,192,024	₱3,781,881,196

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

	2016	2015	2014
Banking revenue (Note 26)	**₱3,092,862,946**	₱2,705,799,538	₱2,434,157,658
Finance income	**1,161,245,053**	1,367,392,486	1,347,723,538
	₱4,254,107,999	₱4,073,192,024	₱3,781,881,196

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 ₱1.8 billion, ₱2.6 billion and ₱3.2 billion in 2016, 2015 and 2014, 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:

	2016	2015	2014
Loss on sale of aircraft (Note 16)	**(₱962,608,741)**	(₱80,267,191)	₱–
Gain on insurance claims	**208,713,905**	20,410,473	–
Realized gain on sale of AFS investments (Note 10)	**452,510**	898,183	17,431
Others	**265,486,484**	210,173,325	1,219,835,816
	(₱487,955,842)	₱151,214,790	₱1,219,853,247

In 2016, CAI sold and delivered four Airbus A319 aircraft to a subsidiary of Allegiant Travel Company (Allegiant) which resulted to a loss of ₱962.6 million.

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 following the post-closing review of the accounts of Digitel amounting to ₱400.0 million as part of the SPA entered into by the Parent Company and PLDT. Others also include rent income and gain (loss) on sale of PPE.

30. Cost of Sales and Services

This account consists of:

	2016	2015	2013
Raw materials used	**₱68,279,316,336**	₱70,372,022,949	₱55,273,900,245
Direct labor	**4,913,509,312**	4,430,994,387	2,584,738,663
Overhead cost	**25,688,718,034**	20,439,793,971	16,914,550,399
Total manufacturing cost	**98,881,543,682**	95,242,811,307	74,773,189,307
Work-in-process	**(123,486,411)**	1,091,582,056	(362,986,500)
Cost of goods manufactured	**98,758,057,271**	96,334,393,363	74,410,202,807
Finished goods	**(633,954,248)**	1,287,269,878	(4,880,017,491)
Cost of sales	**98,124,103,023**	97,621,663,241	69,530,185,316
Cost of services	**45,970,133,223**	43,241,983,101	45,476,429,584
Cost of sales and services	**₱144,094,236,246**	₱140,863,646,342	₱115,006,614,900

Overhead costs consist of:

	2016	2015	2014
Utilities and fuel	**₱12,173,979,725**	₱8,433,616,204	₱8,022,086,207
Depreciation and amortization (Note 33)	**6,170,348,732**	5,475,444,437	3,866,114,378
Repairs and maintenance	**3,286,778,957**	2,778,894,150	2,202,248,930
Personnel (Note 32)	**2,505,254,937**	2,150,514,551	1,609,642,121
Rental	**722,979,186**	900,526,771	806,764,061
Handling and delivery charges	**147,726,876**	148,713,483	77,970,588
Research and development	**78,903,939**	68,809,570	77,191,082
Others	**602,745,682**	483,274,805	252,533,032
	₱25,688,718,034	₱20,439,793,971	₱16,914,550,399

Cost of services is composed of:

	2016	2015	2014
Air transportation	**₱34,262,194,205**	₱33,251,909,025	₱36,548,411,792
Real estate	**9,702,256,952**	8,053,837,238	7,185,985,589
Hotel operations	**1,308,841,469**	1,320,470,628	1,182,211,490
Banking	**696,840,597**	615,766,210	559,820,713
	₱45,970,133,223	₱43,241,983,101	₱45,476,429,584

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

	2016	2015	2014
Fuel and oil	**₱15,821,328,265**	₱17,659,066,442	₱23,210,305,406
Maintenance costs	**5,878,097,172**	4,550,586,937	3,856,318,673

	2016	2015	2014
Personnel (Note 32)	**₱ 4,935,226,272**	₱4,192,828,456	₱ 3,605,293,170
Cost of real estate sales (Note 12)	**4,138,509,247**	3,250,836,782	3,043,254,449
Depreciation and amortization (Note 33)	**3,774,153,608**	3,203,353,347	2,860,204,571
Landing and take-off	**3,158,774,262**	2,832,246,339	2,339,991,606
Ground handling charges	**2,105,087,686**	1,887,062,871	1,518,884,645
Reservation costs	**1,522,455,857**	1,266,652,869	1,149,515,280
Property operations and maintenance costs	**780,823,807**	665,699,155	661,647,417
Film rentals expense - amusement services	**751,257,456**	746,273,093	602,625,787
Interest expense (Note 21)	**648,863,124**	564,027,213	515,358,353
Contracted services	**368,352,704**	144,634,858	248,138,199
Cost of food and beverage - hotel operations	**346,871,025**	239,910,716	186,558,215
Interrupted/delayed trips expense	**229,268,417**	121,345,627	77,917,257
Passenger liability insurance	**215,957,012**	320,065,462	320,144,303
Passenger food and supplies Travel	**193,893,235**	204,018,446	32,473,008
and transportation	**140,327,683**	80,970,363	65,179,291
Pilot and crew meals	**52,521,078**	44,490,913	47,451,084
Service charges and commission expense	**47,919,379**	51,738,997	44,462,360
Customs, immigration and duties	**30,562,641**	147,512,446	145,281,800
Others	**829,883,293**	1,068,661,769	945,424,710
	₱45,970,133,223	₱43,241,983,101	₱45,476,429,584

31. General and Administrative Expenses

This account consists of:

	2016	2015	2014
Outside services	**₱8,766,844,452**	₱7,816,265,383	₱5,804,491,300
Advertising and promotions	**8,658,542,014**	7,942,500,312	6,928,900,886
Depreciation and amortization (Note 33)	**7,057,267,306**	5,760,968,861	5,033,289,114
Personnel (Note 32)	**6,531,533,067**	5,502,889,794	4,267,493,609
Aircraft and engine lease	**4,253,724,294**	4,024,599,732	3,503,484,521
Rental	**1,901,708,524**	1,536,638,847	899,467,861
Travel and transportation	**1,183,698,971**	1,028,625,335	987,851,912
Taxes, licenses and fees	**1,072,903,748**	854,093,884	896,468,667
Sales commission	**738,284,393**	951,090,219	668,273,801
Utilities and supplies	**645,701,612**	586,457,081	497,505,507
Insurance	**511,265,268**	588,958,297	589,551,456
Repairs and maintenance	**498,762,284**	467,983,749	431,152,302
Communication	**277,733,808**	240,500,923	190,154,952
Entertainment, amusement and recreation (Note 38)	**198,317,165**	129,884,589	141,406,495
Others	**1,201,921,403**	1,245,939,933	914,472,397
	₱43,498,208,309	₱38,677,396,939	₱31,753,964,780

Others

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

32. Personnel Expenses

This account consists of:

	2016	2015	2014
Salaries and wages	**₱11,443,919,120**	₱9,678,699,199	₱7,665,497,840
Other employee benefits	**2,218,938,468**	1,833,467,599	1,612,382,762
Pension expense	**309,156,688**	334,066,003	300,883,221
	₱13,972,014,276	₱11,846,232,801	₱9,578,763,823

The breakdown of personnel expenses follows:

	2016	2015	2014
Cost of sales and services (Note 30)	**₱7,440,481,209**	₱6,343,343,007	₱5,214,935,291
General and administrative expenses (Note 31)	**6,531,533,067**	5,502,889,794	4,267,493,609
Construction in progress	**–**	–	96,334,923
	₱13,972,014,276	₱11,846,232,801	₱9,578,763,823

33. Depreciation and Amortization

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

	2016	2015	2014
Cost of sales and services (Notes 15, 16 and 30)	**₱9,944,502,340**	₱8,678,797,784	₱6,726,318,949
General and administrative expenses (Notes 15, 16, and 18)	**7,057,267,306**	5,760,968,861	5,033,289,114
	₱17,001,769,646	₱14,439,766,645	₱11,759,608,063

34. Impairment Losses and Others

This account consists of:

	2016	2015	2014
Provision for impairment losses on:			
Receivables (Note 11)	**₱449,118,739**	₱259,413,258	₱315,236,015
Other noncurrent assets	**16,148,392**	14,449,730	151,961,639
Goodwill (Note 19)	**–**	–	5,212,591
Inventory obsolescence and market decline (Note 12)	**175,449,919**	104,202,866	104,296,754
	₱640,717,050	₱378,065,854	₱576,706,999

35. Financing Costs and Other Charges

This account consists of:

	2016	2015	2014
Interest expense	**₱7,298,442,812**	₱6,682,291,317	₱5,713,260,142
Bank charges and others	**163,554,058**	197,527,102	111,089,749
	₱7,461,996,870	₱6,879,818,419	₱5,824,349,891

Details of interest expense follow:

	2016	2015	2014
Long-term debt (Note 23)	**₱6,409,344,480**	₱6,130,913,522	₱4,877,081,685
Short-term debt (Note 23)	**407,350,305**	268,472,042	633,044,995
Advances from affiliates	**–**	32,054,925	29,451,784
Others	**272,481,139**	103,652,014	48,055,728
	7,089,175,924	6,535,092,503	5,587,634,192
Amortization of debt issuance costs (Note 23)	**209,266,888**	147,198,814	125,625,950
	₱7,298,442,812	₱6,682,291,317	₱5,713,260,142

36. Components of Other Comprehensive Income

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

	2016		
	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	**(₱12,220,137,282)**	**(₱115,159,763)**	**(₱12,335,297,045)**
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	**(452,510)**	**–**	**(452,510)**
Reclassification of unrealized loss to profit or loss due to impairment	**16,713,629,844**	**–**	**16,713,629,844**
	4,493,040,052	**(115,159,763)**	**4,377,880,289**
Net changes in fair value of AFS investments of an associate	**(104,703,835)**	**–**	**(104,703,835)**
	4,388,336,217	**(115,159,763)**	**4,273,176,454**
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	**(26,697,367)**	**8,634,742**	**(18,062,625)**
	4,361,638,850	**(106,525,021)**	**4,255,113,829**
Cumulative translation adjustments	**29,518,399**	**(150,702,267)**	**(121,183,868)**
Remeasurements due to defined benefit liability, net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	**28,230,597**	**24,244,127**	**52,474,724**
Share in remeasurements of net DBL of associates	**524,522,485**	**–**	**524,522,485**
	₱4,943,910,331	**(₱197,750,454)**	**₱4,710,927,170**

	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	(₱14,837,369,077)	(₱93,858,078)	(₱14,931,227,155)
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

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

	2016		
	Before tax	**Tax benefit**	**Net of tax**
Net gains on AFS investments of Parent Company and its subsidiaries	**₱4,377,880,289**	**₱–**	**₱4,377,880,289**
Cumulative translation adjustments	**(121,183,868)**	**–**	**(121,183,868)**

(Forward)

	2016		
	Before tax	**Tax benefit**	**Net of tax**
Net movement in cash flow hedge	**(₱18,062,625)**	**₱–**	**(₱18,062,625)**
Remeasurements due to defined benefit liability	**599,486,376**	**(22,489,167)**	**576,997,209**
Net changes in fair value of AFS investments of an associate (Note 10)	**(104,703,835)**	**–**	**(104,703,835)**
	₱4,733,416,337	**(₱22,489,167)**	**₱4,710,927,170**

	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

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:

	2016	2015
Present value of defined benefit obligation	**₱4,098,485,361**	₱3,821,647,448
Fair value of plan assets	**2,823,208,922**	2,573,433,993
Pension liabilities	**₱1,275,276,439**	₱1,248,213,455

Changes in net defined benefit liability of funded funds in 2016 and 2015 follows:

	2016		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability/(asset)**
Balance at beginning of year	**₱3,821,647,448**	**₱2,573,433,993**	**₱1,248,213,455**
Net benefit cost in consolidated statement of income:			
Current service cost	**347,001,937**	–	**347,001,937**
Net interest cost	**190,476,269**	**127,824,448**	**62,651,821**
Subtotal	**537,478,206**	**127,824,448**	**409,653,758**
Benefits paid	**(177,975,816)**	**(147,111,611)**	**(30,864,205)**
Remeasurements in other comprehensive income:			
Return on plan assets	–	**(42,335,053)**	**42,335,053**
Actuarial changes arising from experience adjustments	**82,718,416**	–	**82,718,416**
Actuarial changes arising from changes in financial/demographic assumptions	**(165,382,893)**	–	**(165,382,893)**
Subtotal	**(82,664,477)**	**(42,335,053)**	**(40,329,424)**
Contributions paid		**311,397,145**	**(311,397,145)**
Balance at end of year	**₱4,098,485,361**	**₱2,823,208,922**	**₱1,275,276,439**

	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	–	34,082,027
Actuarial changes arising from changes in financial/demographic assumptions	14,258,744	–	14,258,744
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

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

	2016	2015
ASSETS		
Cash and cash equivalents	**₱2,322,421,302**	₱536,062,204
Debt instruments	**332,493,436**	1,902,911,056
Available-for-sale investments	**71,747,005**	69,243,386
Receivable	**31,588,500**	–
Accrued interest receivable receivables	**6,232,553**	4,260,996
Prepayments	**179,905**	–
Land	**91,448,525**	91,448,525
	2,856,111,226	2,603,926,167
LIABILITY		
Current liabilities	**32,902,304**	30,492,174
	₱2,823,208,922	₱2,573,433,993

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, 2016 is 18.74 years.

The Group expects to contribute ₱337.1 million into the pension fund in 2017.

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

	2016			
	Retirement Age	**Average Remaining Working Life (in years)**	**Salary Rate Increase**	**Discount Rate**
Parent Company	**60**	**14**	**5.7%**	**5.16%**
URC	**60**	**9**	**5.7%**	**5.26%**
RLC	**60**	**15**	**5.0%**	**3.93 to 4.85%**
CAI	**60**	**11 - 18 years**	**5.5%**	**5.44 to 5.60%**
RBC	**60**	**6**	**5.7%**	**5.27%**
JGSPC	**60**	**10**	**5.7%**	**5.40%**
Unicon	**60**	**18**	**5.7%**	**5.62%**
LSB	**60**	**10**	**5.7%**	**5.54%**

	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%
LSB	60	11	5.0%	5.09%

	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%

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, 2016 and 2015, assuming if all other assumptions were held constant:

	2016							
	Parent Company	**URC**	**RLC**	**CAI**	**RBC**	**LSB**	**JGSPC**	**Unicon**
Discount rates								
+1.00%	**₱27,562,377**	**₱2,046,618,113**	**(₱41,523,152)**	**₱876,336,520**	**₱116,194,738**	**₱3,936,763**	**₱148,770,921**	**₱4,352,050**
(-1.00%)	**34,521,378**	**2,405,643,412**	**48,094,773**	**1,084,771,639**	**137,576,236**	**5,294,508**	**179,773,132**	**5,913,595**
Future salary increases								
+1.00%	**34,688,010**	**2,417,016,459**	**44,969,563**	**1,089,891,204**	**138,240,060**	**5,315,427**	**180,635,089**	**5,935,611**
(-1.00%)	**27,366,842**	**2,033,571,105**	**(39,848,946)**	**870,361,689**	**115,434,562**	**3,909,854**	**147,785,389**	**4,322,236**

	2015							
	Parent Company	URC	RLC	CAI	RBC	LSB	JGSPC	Unicon
Discount rates								
+1.00%	₱25,626,082	(₱147,811,641)	(₱29,238,214)	(₱636,565,188)	₱108,265,697	₱2,468,738	(₱12,640,396)	₱8,336,375
(-1.00%)	32,717,299	171,527,023	33,636,983	833,003,746	135,616,094	3,331,185	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	3,345,002	14,285,044	9,971,527
(-1.00%)	25,455,829	(142,534,297)	(28,504,312)	(568,368,766)	107,595,704	2,451,390	(12,285,579)	8,281,306

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

	2016	2015
Less than 1 year	**₱340,259,831**	₱689,467,003
More than 1 years to 5 years	**1,233,837,108**	1,157,480,253
More than 5 years to 10 years	**2,477,623,576**	1,964,689,244
More than 10 years to 15 years	**3,057,851,827**	3,188,896,196
More than 15 years to 20 years	**3,244,848,254**	2,661,281,008
More than 20 years	**8,719,979,909**	6,962,674,883

38. **Income Taxes**

Provision for income tax from continuing operations consists of:

	2016	2015	2014
Corporate	**₱4,598,138,288**	₱5,631,658,297	₱3,627,997,751
Final	**137,761,179**	143,694,114	20,975,761
Deferred	**702,007,166**	(1,286,369,938)	800,271,777
	₱5,437,906,633	₱4,488,982,473	₱4,449,245,289

The Group recognized benefit (provision) for income tax in 'Other comprehensive income' for 'Other comprehensive income items' amounting to (₱22.5 million), ₱52.7 million and (₱82.7 million) in 2016, 2015 and 2014, 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 ₱198.3 million, ₱129.9 million and ₱141.4 million in 2016, 2015 and 2014, 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):

	2016	2015
Deferred tax assets on:		
Unfunded pension liabilities of Foreign subsidiaries	**₱458,453,212**	₱289,635,426
Unrealized forex loss	**1,408,847,720**	1,071,895,759
Allowance for impairment losses of receivables and property and equipment	**312,572,463**	256,190,548
MCIT carryforward	**350,196,959**	225,186,903
Net operating loss carry-over	**1,588,489,361**	1,768,050,781
Others	**1,239,713,633**	1,593,937,660
Total	**5,358,273,348**	5,204,897,077
Deferred tax liabilities on:		
Unrealized profit on excess of market value over cost of hog markets	**(115,563,150)**	(144,242,195)
Double depreciation	**(2,624,040,175)**	(2,512,429,449)
Others	**(548,136,705)**	(217,337,278)
	(3,287,740,030)	(2,874,008,922)
Net deferred tax asset	**₱2,070,533,318**	₱2,330,888,155

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

	2016	2015
Deferred tax assets on:		
Unfunded pension benefits	**₱101,560,016**	₱102,248,365
Allowance for impairment losses on receivables and property, plant and equipment	**14,302,980**	14,113,908
MCIT carryforward	**2,709,020**	1,111,424
Unrealized foreign exchange loss	**–**	11,295,346
Others	**688,558,648**	680,941,803
Total	**807,130,664**	809,710,846
Deferred tax liabilities on:		
Intangibles	**(3,222,461,373)**	(1,794,893,453)
Unamortized capitalized interest	**(1,691,225,616)**	(1,419,649,598)
Accelerated depreciation	**(434,349,328)**	(331,421,689)
Borrowing cost	**(71,832,394)**	(71,832,394)
Excess of financial GP over taxable GP	**(1,320,956,069)**	–
Others	**(1,117,588,169)**	(2,317,063,748)
	(7,858,412,949)	(5,934,860,882)
Net deferred tax liability	**(₱7,051,282,285)**	(₱5,125,150,036)

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

	2016	2015
NOLCO	**₱2,239,424,709**	₱6,218,650,888
Allowance for impairment losses	**1,613,720,165**	3,756,674,974
Unrealized loss on AFS	**562,948,094**	–
Unrealized foreign exchange losses	**100,702,598**	182,395,730
Excess MCIT over RCIT	**82,770,619**	36,421,286
Net pension liability	**41,076,082**	112,664,073
Depreciation of investment properties and repossessed chattels	**20,095,457**	18,417,284
Difference between cost and NRV of inventories	**19,346,572**	64,488,572
Unearned income	**15,594,527**	9,044,108
Unamortized contribution of past service costs	**9,165,367**	37,192,794
Accrued rent	**3,556,937**	919,372
	₱4,708,401,127	₱10,436,869,081

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	(333,410,350)	1,028,184,259	2019
2015	955,474,545	–	955,474,545	2020
	₱4,575,756,914	(₱2,592,098,110)	₱1,983,658,804	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Year
2013	₱45,518,668	(₱45,518,668)	₱–	2016
2014	61,319,704	–	61,319,704	2017
(Forward)				
2015	117,297,005	–	117,297,005	2018
2016	148,442,253	–	148,442,253	2019
	₱372,577,630	(₱45,518,668)	₱327,058,962	

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
2011	₱461,346,433	(₱461,346,433)	₱–	2016
2012	1,305,854,856	(199,411,786)	1,106,443,070	2017
2013	853,571,166	–	853,571,166	2018
2014	685,506,938	–	685,506,938	2019
	₱3,306,279,393	(₱660,758,219)	₱2,645,521,174	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Year
2015	₱8,632,361	₱–	₱8,632,361	2018
2016	14,152,299	–	14,154,315	2019
	₱22,784,660	₱–	₱22,786,676	

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, 2016 and 2015, 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:

	2016	2015
Deferred tax assets on:		
NOLCO	**₱1,388,753,997**	₱1,372,727,074
Unrealized loss on net derivative liability	–	733,048,541
Unrealized foreign exchange loss – net	**1,154,300,719**	597,768,972
ARO – liability	**739,701,340**	420,073,060
MCIT	**349,843,621**	224,135,377
Accrued retirement costs	**170,630,795**	151,876,449
Deferred revenue - Customer Loyalty Program	**113,088,138**	–
Allowance for credit losses	**99,398,977**	74,742,533
	4,015,717,587	3,574,372,006
Deferred tax liabilities on:		
Double depreciation	**2,624,040,175**	2,512,429,449
Business combination (Note 44)	**185,645,561**	185,645,561
Unrealized gain on net derivative assets	**132,532,172**	–
	2,942,217,908	2,698,075,010
Net deferred tax assets (liabilities)	**₱1,073,499,679**	₱876,296,996

Movement in accrued retirement cost amounting ₱3.4 million and ₱21.1 million in 2016 and 2015, 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 December 31, 2016, CEBGO has recognized its previously unrecognized deferred tax assets arising from deductible temporary differences, NOLCO and MCIT. Details follow:

NOLCO	**₱3,306,279,393**
Allowance for credit losses	**67,268,308**
Retirement benefit obligation	**40,225,883**
MCIT	**8,632,361**
Customer loyalty program	**3,554,623**
	₱3,425,960,568

As of December 31, 2015, CAI has the following gross deductible temporary differences, NOLCO and MCIT, for which no deferred tax assets have been recognized.

Deductible temporary difference:	
NOLCO	₱3,306,279,393
Allowance for credit losses	67,268,308
Retirement benefit obligation	40,225,883
MCIT	8,632,361
	₱3,422,405,945

The related deferred tax asset on the deductible temporary differences is ₱97.3 million and ₱80.5 million as of December 31, 2016 and 2015, respectively.

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

	2016	2015	2014
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Dividend income	**(2.19)**	(2.30)	(5.03)
Equity in net earnings of affiliates	**(8.82)**	(5.90)	(7.18)
Nontaxable income	**(3.27)**	(1.55)	(3.38)
Changes in unrecognized deferred tax assets	**3.91**	0.12	(0.45)
Income subjected to lower tax rates	**(2.71)**	(1.41)	(0.51)
Board of Investments (BOI) tax credits and others	**(15.37)**	(5.45)	(0.67)
Nondeductible expense	**18.94**	0.18	0.19
Others	**(0.93)**	(1.61)	1.73
Effective income tax rate	**19.56%**	12.08%	14.70%

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

	2016	2015	2014
Income attributable to equity holders of the Parent Company	**₱10,917,978,925**	₱22,610,016,306	₱18,245,149,790
Less: Dividends on preferred shares (Note 25)	**10,000,000**	8,800,000	8,000,000
Income attributable to holders of common shares of the Parent Company	**₱10,907,978,925**	₱22,601,216,306	₱18,237,149,790
Weighted average number of common shares	**7,162,841,657**	7,162,841,657	7,017,191,657
Basic/diluted earnings per share	**₱1.52**	₱3.16	₱2.60

There were no potential dilutive common shares in 2016, 2015 and 2014.

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:

2016						
			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	**(₱300,376,218)**	**₱894,987,005**	**₱–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	**4,117,582**	**27,901,283**	–		
	Rent income	**178,757,461**	–	**178,757,461**		
	Other income	**57,450,321**	–	**57,450,321**		
	Rent expense	**34,715,145**	–	**34,715,145**		
Due to related parties	Advances	**444,690,266**	**14,228,263,539**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	**102,074,286**	–	**102,074,286**		
	Interest expense	–	–	–	Interest bearing	
Cash in bank	Deposits	**105,014**	**139,700**	–	On demand	Unsecured
Cash equivalents	Money market placements	**313,700,837**	**313,700,837**	–	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured
	Interest income	**446,201**	–	–	2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%	
Dividends	Dividend receivable	**52,857,500**	**208,255,465**	–	On demand	Unsecured
	Dividend income	**5,642,292,262**	–	**5,642,292,262**		
Associate:						
Due from related parties	Advances	**161,566**	**469,286**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Dividend income	**7,666,690,077**	–	**7,666,690,077**		
	Rent income	**560,813**	–	**560,813**		
	Rent receivable	**(46,528)**	**160,258**	–		
	Utilities expense	**7,561,361**	–	**7,561,361**		

(Forward)

2016						
			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	Settlement of advances	**(₱1,531,274)**	**₱424,468,802**	**₱–**	On demand; Non-interest bearing	
	Rent income	**33,160,257**	–	**33,160,257**		
Due to related parties	Advances	**(477,995)**	**₱1,420,177**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	**9,749,802**	**29,594,431**	–		
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	**8,440,000**	–	**8,440,000**		

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	(6,145,199)	23,783,701	–		
	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		
	Rent receivable	206,785	206,786			
	Utilities expense	7,232,952	–	7,232,952		
Other Related Parties:						
Due from related parties	Advances	78,355,034	426,000,076	–	On demand; Non-interest bearing	
	Rent income	35,171,374	–	35,171,374		

(Forward)

2015

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance: Statement of Financial Position	Outstanding Balance: Statement of Comprehensive Income	Terms	Conditions
Due to related parties	Advances	(₱1,687,715,748)	₱1,898,172	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	6,902,049	19,844,629	–		
	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 receivable	(20,692,026)	17,638,602	–		
	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		

2014						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
Associate:						
Due from related parties	Advances	₱–	₱1,184,968	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Dividend income	3,778,320,947	–	3,778,320,947		
	Rent income	138,472	–	138,472		
	Utilities expense	4,069,306	–	4,069,306		
Other Related Parties:						
Due from related parties	Advances	–	334,228,711	–	On demand; Non-interest bearing	
	Management fees	14,195,768	–	14,195,768		
	Rent income	33,162,761	–	33,162,761		
Due to related parties	Advances	–	1,689,064,098	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	(9,542,834)	12,942,580	–		
	Interest expense	3,527,870	–	3,527,870		
Director’s fees (included under ‘Management and other professional fees’ account in the parent company statement of comprehensive income)	Expenses	4,845,000	–	4,845,000		

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 2016 and 2015. Interest expense incurred amounted to nil in 2016, ₱32.1 million in 2015 and ₱29.5 million in 2014.

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 ₱9.8 billion and ₱9.5 billion as of December 31, 2016 and 2015, 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

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:

	2016	2015	2014
Short-term employee benefits	**₱1,479,668,656**	₱1,373,236,381	₱1,214,321,181
Post-employment benefits	**131,512,625**	119,520,583	110,107,632
	₱1,611,181,281	₱1,492,756,964	₱1,324,428,813

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 ₱395.6 million, ₱179.0 million and ₱161.1 million in 2016, 2015 and 2014, respectively.

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

	2016	2015	2014
Within one year	**₱183,546,225**	₱75,583,986	₱71,984,748
After one year but not more than five years	**734,184,901**	302,335,942	287,938,993
Five years or more	**520,915,202**	–	–
	₱1,438,646,328	₱377,919,928	₱359,923,741

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 ₱69.6 million, ₱50.6 million and ₱57.2 million in 2016, 2015 and 2014, 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 2016, 2015 and 2014.

Future minimum lease receivables under noncancellable operating leases of the URC Group that are due within one year amounted to ₱61.1 million, ₱51.4 million and ₱56.8 million in 2016, 2015 and 2014, 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 ₱34.1 million, ₱22.5 million and ₱23.3 million in 2016, 2015 and 2014, 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 ₱203.4 million, ₱203.9 million and ₱153.0 million in 2016, 2015 and 2014, respectively.

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

	2016	2015	2014
Within one year	**₱85,742,828**	₱75,875,322	₱60,225,464
After one year but not more than five years	**404,875,129**	382,304,085	274,917,570
Over five years	**6,389,039,513**	6,472,894,986	5,477,062,851
	₱6,879,657,470	₱6,931,074,393	₱5,812,205,885

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 ₱10.7 billion, ₱9.6 billion and ₱8.2 billion in 2016, 2015 and 2014, respectively. Total percentage rent recognized as income amounted to ₱2.8 billion, ₱2.5 billion and ₱2.2 billion in 2016, 2015 and 2014, respectively.

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

	2016	2015	2014
Within one year	**₱4,909,033,101**	₱5,308,666,374	₱4,252,470,638
After one year but not more than five years	**8,407,304,291**	10,472,321,498	5,915,813,342
Over five years	**941,463,464**	1,024,342,237	437,292,732
	₱14,257,800,856	₱16,805,330,109	₱10,605,576,712

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, 2016 follow:

	2016	
	Minimum Lease Payments	**Present Value of Minimum Lease Payments**
Within one year	**₱1,666,378,049**	**₱1,633,532,609**
After one year but not more than five years	**753,609,549**	**683,817,209**
Over five years	**8,495,591**	**7,107,586**
Total minimum lease payments	**₱2,428,483,189**	**₱2,324,457,404**

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 ₱31.3 million, ₱28.5 million and ₱29.5 million in 2016, 2015 and 2014, respectively.

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

	2016	2015	2014
Within one year	**₱16,523,039**	₱11,090,677	₱9,386,226
After one year but not more than five years	**30,628,459**	29,388,722	12,633,062
	₱47,151,498	₱40,479,399	₱22,019,288

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:

	2016	2015
Within one year	**₱158,615**	₱107,729
After one year but not more than five years	**108,869**	220,013
	₱267,484	₱327,742

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 Expiry
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	A330 MSN 1552 Limited and A330 MSN 1602 Limited*	2	12 years with pre-termination option

**New lessors per Deed of Novation and Amendment signed on August 2014 and March 2015*

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, 2016, CAI has six (6) Airbus A330 aircraft under operating lease (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:

	2016		2015		2014	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso equivalent
Within one year	**US$88,821,146**	**₱4,416,187,364**	US$90,260,208	₱4,247,645,406	US$88,551,265	₱3,960,012,577
After one year but not more than five years	**345,847,247**	**17,195,525,129**	309,193,470	14,550,644,708	314,017,649	14,042,869,274
Over five years	**206,018,543**	**10,243,241,938**	332,977,141	15,669,904,258	395,380,828	17,681,430,645
	US$640,686,936	**₱31,854,954,431**	US$732,430,819	₱34,468,194,372	US$797,949,742	₱35,684,312,496

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 ₱4.3 billion, ₱4.0 billion and ₱3.5 billion in 2016, 2015 and 2014, 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:

	2016	2015	2014
Within one year	**₱167,226,528**	₱135,299,739	₱127,970,825
After one year but not more than five years	**710,187,772**	564,977,120	539,700,300
Over five years	**3,477,917,440**	2,433,712,858	2,065,948,495
	₱4,355,331,740	₱3,133,989,717	₱2,733,619,620

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 ₱625.8 million, ₱488.6 million and ₱337.1 million in 2016, 2015 and 2014, 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 ₱274.3 million, ₱228.31 million and ₱187.6 million in 2016, 2015 and 2014, respectively.

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

	2016	2015	2014
Within one year	**₱252,450,190**	₱212,898,691	₱155,319,477
After one year but not more than five years	**496,308,714**	476,759,239	406,835,950
Over five years	**7,789,314**	34,966,519	45,394,754
	₱756,548,218	₱724,624,449	₱607,550,181

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 ₱16.9 million, ₱8.2 million and ₱11.6 million as of December 31, 2016, 2015 and 2014, respectively. Moreover, RLC has contractual obligations amounting to ₱1.2 million and ₱1.3 million as of December 31, 2016 and 2015, 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 ₱114.3 billion and ₱93.8 billion as of December 31, 2016 and 2015, respectively, which are payable over the following periods:

	December 31, 2016		December 31, 2015	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent
Within one year	**US$483,178,223**	**₱24,023,621,236**	US$294,434,836	₱13,856,103,384
After one year but not more than five years	**1,886,172,565**	**93,780,499,949**	1,698,714,532	79,941,505,899
	US$2,369,350,788	**₱117,804,121,185**	US$1,993,149,368	₱93,797,609,283

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, 2016, the Group will take delivery of 30 Airbus A321 NEO aircraft and 14 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, 2016.

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. Specific services from SIAEC are Base Maintenance, Fleet Technical Management (FTM), Inventory Technical Management (ITM) and C&E for Line Maintenance Services for the A319 and A320.

These agreements remained in effect as of December 31, 2016.

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:

	2016	2015
Trust and investment group accounts	**₱15,507,740,556**	₱12,469,302,106
Contingent - foreign currency swap	**5,681,648,084**	1,436,253,682
Spot exchange - foreign currency	**2,338,846,500**	1,695,757,500
Domestic standby letters of credit	**479,316,335**	177,541,995
Inward bills for collection	**288,993,938**	318,563,274
Outward bills for collection	**253,379,120**	593,739,709
Guarantees issued	**81,382,715**	81,520,580
Committed credit lines	**22,000,000**	11,801,754,681
Late deposit/payment received	**11,795,810**	32,743,405
Trade related guarantees	**4,547,391**	–
Other contingent accounts	**278,508**	278,293
Items held for safekeeping	**47,997**	35,088

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 the final 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, 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

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 in 2014.

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

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.

Acquisition of Balayan Sugar Mill
On February 4, 2016, URC entered into an Asset Purchase Agreement with Batangas Sugar Mill, Inc. (BSCI) for the acquisition of Balayan sugar mill for a total consideration of ₱1.6 billion. URC engaged the services of a third party valuer to conduct the final purchase price allocation.

The fair values of the identifiable net assets at the date of acquisition follow:

Purchase consideration transferred	₱1,600,000,000
Fair value of identifiable net assets	
Inventories	264,000,000
Property, plant and equipment (Note 16)	1,323,590,374
Total fair value of identifiable net assets	1,587,590,374
Goodwill	₱12,409,626

From the date of acquisition, the Balayan sugar mill has contributed net sales of ₱636.7 million and net income of ₱85.2 million to the Group. If the business combination had taken place at the beginning of 2016, net sales and net income of the Group in 2016 would have been ₱240.6 billion and ₱22.4 billion, respectively.

Acquisition of Snack Brands Australia
On August 16, 2016, URC AU FinCo, a wholly-owned subsidiary of URCICL, entered into a Share Sale Agreement with Toccara Securities Pty Ltd and Hopkins Securities Pty Ltd for the acquisition of 100% equity interest in CSPL, which trades under the company name Snack Brands Australia (SBA), one of the leading snack food companies in Australia, subject to the approval of the Australian Foreign Investment Review Board (FIRB). The total consideration of the acquisition is approximately AU$584.5 million (₱21.6 billion).

On September 14, 2016, the Australian FIRB approved the acquisition of SBA. Following the approval, the transaction was completed on September 30, 2016.

The Group engaged the services of a third party valuer to conduct the purchase price allocation.

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

Purchase consideration transferred	₱21,579,202,907
Fair value of identifiable assets	
Cash	₱419,944,622
Receivables	1,608,193,555
Inventories	369,121,737
Other current assets	68,764,464

(Forward)

Property, plant and equipment (Note 16)	₱2,371,469,678
Intangibles (Note 18)	4,681,269,034
Deferred tax assets	310,964,989
Total Assets	9,829,728,079
Fair value of identifiable liabilities	
Accounts payable and other accrued liabilities	3,103,596,275
Deferred tax liabilities	1,514,713,029
Other noncurrent assets	125,070,200
Total Liabilities	4,743,379,504
Total fair value of identifiable net liabilities	5,086,348,575
Goodwill	₱16,492,854,332

Goodwill arising from the acquisition of AU Group is allocated entirely to the operations of Snack Brands. None of the goodwill recognized is expected to be deductible for income tax purposes. From the date of acquisition, the AU Group has contributed net sales of ₱2.6 billion and net income of ₱0.3 billion to the Group. If the business combination had taken place at the beginning of the year, net sales and net income of the Group in 2016 would have been ₱248.3 billion and ₱22.4 billion, respectively.

45. Subsequent Events

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

- On March 10, 2017, CAI entered into a novation agreement with DVB Bank SE Singapore Branch, in order to amend the terms of the lease agreements for two (2) Airbus A320 aircraft held under ILL.

- On February 2017, the Parent Company subscribed to 2,499,989 shares of Merbau Corporation (Merbau).

- In 2017, HTM investments of the Bank amounting to ₱10.0 million matured. The remaining HTM amounting to ₱300.0 million with maturity date on January 24, 2024 was disposed by the Bank in 2017. The 'gain and disposal of the HTM investments' recorded under 'Trading gains or losses - HTM' amounted to ₱8.9 million. As a result of this transaction, the Bank is tainted and thus, not allowed to classify any financial assets under HTM category until December 31, 2019.

46. Supplemental Disclosures to Cash Flow Statements

In 2016, the total cash paid, net of cash received from the Group's acquisition of subsidiaries amounted to ₱21.2 billion (see Note 44).

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 to ₱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. In 2014, CAI paid ₱488.6 million for the acquisition of CEBGO. Cash flows used to acquire CEBGO, after the cash attributable to the business combination of ₱256.7 million, amounted to ₱231.8 million.

c. Movements in the cumulative translation adjustment amounted to (₱1.9 billion), ₱1.7 billion and ₱55.1 million in 2016, 2015 and 2014, respectively.

d. In 2016, 2015 and 2014, the Group foreclosed some assets, which are recorded under 'Investment properties' in the consolidated statements of financial position, amounting to ₱91.4 million, ₱65.4 million and ₱30.1 million, respectively.

e. In 2016, 2015 and 2014, the Group acquired additional investment in UICL through the script dividend schemed in lieu of cash dividends amounting to ₱529.9 million, ₱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 March 30, 2017.

Corporate Directory

Common Stock

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