

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2011
2. SEC Identification Number 184044
3. BIR Tax Identification No. 000-775-860
4. Exact name of registrant as specified in its charter JG Summit Holdings, Inc.
5. Pasig City, Philippines
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. 43rd Floor, Robinsons-Equitable Tower ADB Ave. corner Poveda Road, Pasig City 1600
Address of principal office Postal Code
8. (632) 633-7631
Registrant's telephone number, including area code
9. Not Applicable
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the RSC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	6,797,191,657
Long-term Debt	9,000,000,000

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

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

Philippine Stock Exchange
Common Stock

12. Check whether the registrant:

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

Yes [/] No []

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

Yes [/]

No []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within 60 days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

The aggregate market value of stocks held by non-affiliates is ₱146,392,175,250.

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Description of Business

(A) Business Development

JG Summit Holdings, Inc. (the Company), which is controlled by the Gokongwei Family, was incorporated in November 1990 as the holding company for a group of companies with substantial business interests in branded consumer foods, agro-industrial and commodity food products, property development and hotel management, telecommunications, air transportation, petrochemicals and international capital and financial services. In addition, the Company has business interests in other sectors, including power generation and insurance.

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

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

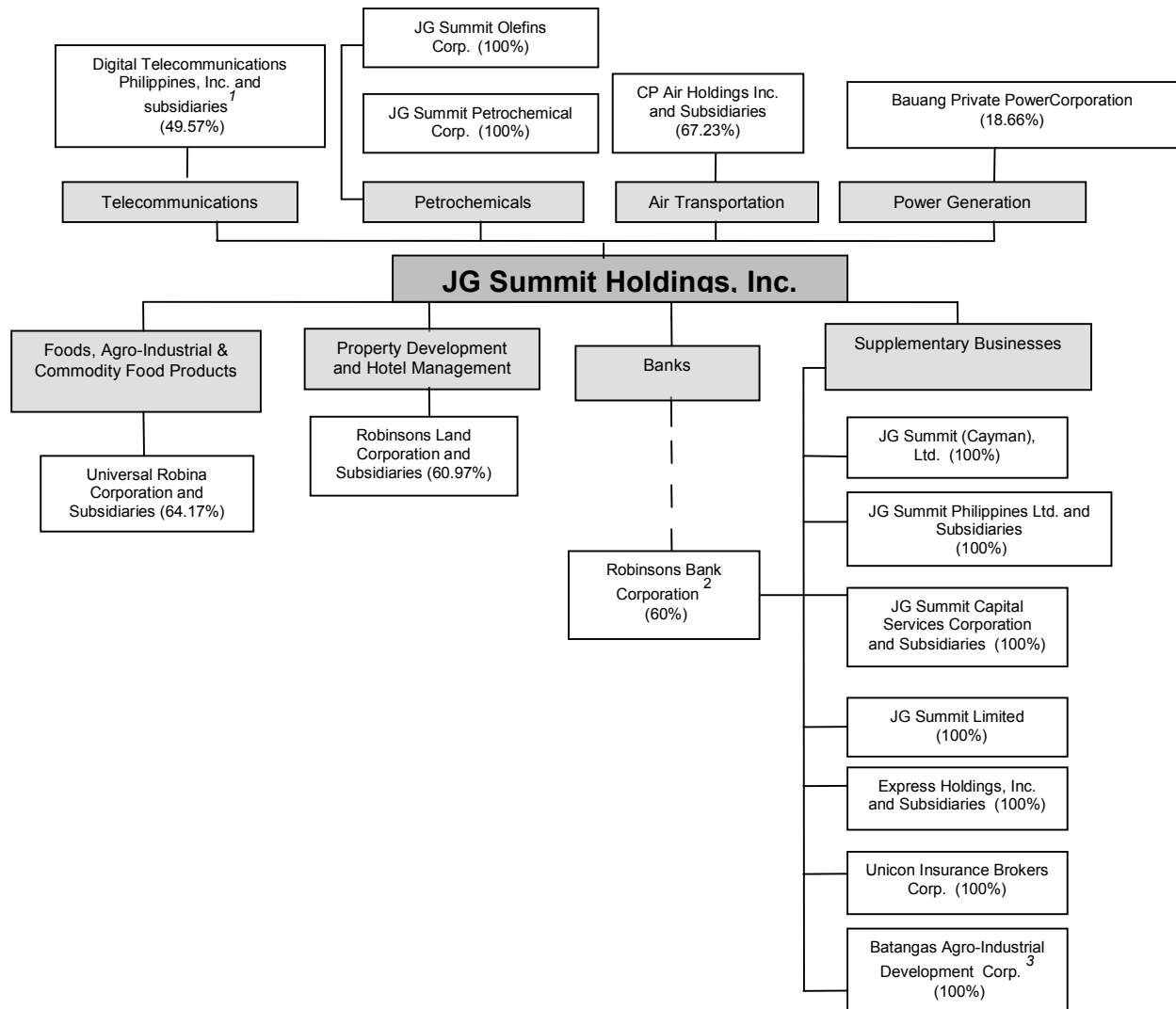
The Group also has a branded foods business in the People's Republic of China (PRC) and the ASEAN region and an interest in a property development company in Singapore.

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

The Gokongwei Family beneficially owns approximately 26.04% of the outstanding share capital of the Company. In addition, certain members of the Gokongwei Family are trustees of the Gokongwei Brothers Foundation, which holds interest in approximately 29.38% of the existing outstanding share capital of the Company.

(B) Business of Issuer

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



¹ On March 29, 2011, the Company executed a Sale and Purchase Agreement with Philippine Long Distance Telephone Company (PLDT) for the sale of its investments in shares of stock in Digital Telecommunications Philippines, Inc. (Digitel). On July 29, 2011 the SEC issued the confirmations of the valuation of the Assets and that the issuance of the PLDT common shares to the Company and the other seller-parties is exempt from the registration requirement of the SEC. The acquisition was completed on October 26, 2011 following the issuance by the Securities and Exchange Commission (SEC) and by the National Telecommunications Commission of its approval of the transfer of the JG Group's interest in Digitel.

² On May 25, 2011, the SEC approved the merger of Robinsons Savings Bank Corporation (RSBC) and Robinsons Bank Corporation (RBC), RBC having the commercial banking license, is now the surviving entity.

³ On May 27, 2011, the SEC approved the merger of Litton Mills, Inc., JG Cement Corporation (JG Cement) and Premiere Printing Company, Inc. with and into JG Summit Holdings, Inc.

⁴ On June 2011, the Company executed a share purchase agreement with Magellan Capital Holdings under which the Company has agreed to purchase 25 million shares of Batangas Agro-Industrial Development Corporation owned by Magellan Capital Holdings Corporation.

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

	REVENUES						Net Income attributable to Parent Co.					
	2009		2010		2011		2009		2010		2011	
	Peso	%	Peso	%	Peso	%	Peso	%	Peso	%	Peso	%
Food, Agro-Industrial and Commodity Food Products	50,478	54	57,746	55	67,193	55	2,483	32	5,014	32	2,975	35
Air Transportation	23,286	25	29,114	28	33,978	28	3,258	42	6,556	42	2,436	29
Real estate and hotels	13,279	14	13,230	12	14,632	12	4,865	62	4,819	31	4,461	53
Petrochemicals	6,135	7	3,872	4	5,773	4	(511)	(7)	(102)	(1)	(384)	(5)
Banks	1,135	1	1,735	2	2,360	2	203	2	298	2	272	3
Other Supplementary Businesses	186	-	68	-	118	-	(1,982)	(25)	(89)	-	722	9
Adjustments/elim	(564)	-1	(566)	(1)	(997)	(1)	(506)	(6)	(921)	(6)	(2,005)	(24)
Total from Continuing Operations	93,935	100	105,199	100	123,057	100	7,810	100	15,575	100	8,477	100

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

	2009		2010		2011	
	Amount	%	Amount	%	Amount	%
Domestic	65,647	70	73,358	70	83,493	68
Foreign	28,288	30	31,841	30	39,564	32
	93,935	100	105,199	100	123,057	100

a) BRANDED CONSUMER FOODS, AGRO-INDUSTRIAL AND COMMODITY FOOD PRODUCTS

Business Development

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

Principal Products or Services

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

Branded consumer foods (BCF), including URC's packaging division, is the largest segment contributing about 75.3% of revenues for the fiscal year ended September 30, 2011. Established in the 1960s, URC's BCF division manufactures and distributes a diverse mix of snack, chocolate, candy, biscuit, bakery, beverage, noodles and tomato based-products. The manufacture, distribution, sales and marketing activities for URC's consumer food products are carried out mainly through the branded consumer foods group consisting of snack foods, beverage and grocery divisions, although URC conducts some of its branded consumer foods operations through its wholly-owned or majority-owned subsidiaries and joint venture companies (e.g. Hunt-URC and Nissin-URC). URC established Packaging division to engage in the manufacture of polypropylene films for packaging companies. The bi-axially oriented polypropylene plant (BOPP), located in Batangas, began commercial operations in June 1998. URC also formed the Food Service and Industrial Division that supplies BCF products in bulk to certain institutions like hotels, restaurants and schools.

In 2004, URC introduced and manufactured ready to drink tea in PET bottles, C2. URC expanded the beverage product line to include functional beverages such as fitness and energy drinks. In 2006, URC supplied certain flexible packaging materials to BCF through its wholly-owned subsidiary, CFC Clubhouse Property, Inc. In 2007, URC acquired the water manufacturing facilities and trademark from Nestle Water Philippines Inc., to expand its water business. In 2008, URC acquired General Milling Corp.'s (GMC) Granny Goose brand and snacks line which further expanded its snacks product lines. In December 2009, URC likewise, acquired the coffee plant facilities of GMC to add capacities to its existing coffee business.

In 2000, URC expanded its BCF business more aggressively into other Asian markets primarily through its subsidiary, URC International and its subsidiaries in China: Shanghai Peggy Foods Co. Ltd., Panyu Peggy Foods Co. Ltd. and URC Hongkong Co. Ltd.; in Malaysia: URC Snack Foods (Malaysia) Sdn. Bhd. and Ricellent Sdn. Bhd.; in Thailand: URC (Thailand) Co. Ltd.; in Singapore: URC Foods (Singapore) Pte. Ltd.: Acesfood Network Pte, Ltd. in 2007 and Advanson International Pte, Ltd in 2008; in Indonesia: PT URC Indonesia. In 2006, URC started operations in Vietnam through its subsidiary URC Vietnam Company Ltd. and URC Hanoi Company, Ltd. in 2009. The Asian operations contributed about 28.6% of URC's revenues for the fiscal year ended September 30, 2011.

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

URC's agro-industrial products segment operates three divisions, which engage in hog and poultry farming (Robina Farms or "RF"), the manufacture and distribution of animal feeds, glucose and soya products (Universal Corn Products or "UCP"), and the production and distribution of animal health products (Robichem). This segment contributed approximately 10.5% of the sale of goods and services in fiscal 2011.

URC's commodity food products segment engages in sugar milling and refining through its Sugar divisions URSUMCO, CARSUMCO and SONEDCO and flour milling and pasta manufacturing through URC Flour division. In 2008, URC acquired PASSI I and II, which provided additional capacity to our existing sugar mills. In fiscal 2010, the segment contributed approximately 14.2% of aggregate sale of goods and services.

The percentage contribution to URC's revenues for the three years ended September 30, 2009, 2010 and 2011 by each of URC's principal business segments is as follows:

	<u>For the fiscal years ended September 30</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Branded Consumer Foods	77.6%	74.9%	75.3%
Agro-Industrial Products	11.6	12.4	10.5
Commodity Food Products	<u>10.8</u>	<u>12.7</u>	<u>14.2</u>
	<u>100.0</u>	<u>100.0%</u>	<u>100.0%</u>

The geographic percentage distribution of the Company's revenues for the period ended September 30, 2009, 2010 and 2011 is as follows:

	<u>For the fiscal years ended September 30</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Philippines	77.1%	74.7%	71.4%
ASEAN	21.6	23.6	26.6
China	<u>1.3</u>	<u>1.7</u>	<u>2.0</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Customers

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

Distribution, Sales and Marketing

URC has developed an effective nationwide distribution chain and sales network that it believes provide its competitive advantage. URC sells its branded food products primarily to supermarkets, as well as directly to top wholesalers, large convenience stores, large scale trading companies and regional distributors, which in turn sell its products to other small retailers and down line markets. URC's branded consumer food products are distributed to approximately 150,000 outlets in the Philippines and sold through its direct sales force and regional distributors. URC intends to enlarge its distribution network coverage in the Philippines by increasing the number of retail outlets that its sales force and distributors directly service.

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

URC believes that its emphasis on marketing, product innovation and quality, and strong brand equity has played a key role in its success in achieving leading market shares in the different categories where it competes. In particular, URC launched "Jack n' Jill" as a master umbrella brand in order to enhance customer recognition of its products. URC devotes significant expenditures to support advertising and branding to differentiate its products and further expand market share both in the Philippines and its overseas markets, including

funding for advertising campaigns, such as television commercials and radio and print advertisements, as well as promotions for new product launches by spending on average 5% of its branded consumer food division's net sales this year.

Competition

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

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

Competition in the Philippine food and beverage industry is expected to increase in the future with increased liberalization of trade by the Philippine government and the predicted accompanying growth in imports due to the World Trade Organization (WTO), and ASEAN Free Trade Area (AFTA). Under the WTO, tariff rates on food and agricultural items are being decreased and import quotas are being eliminated among member countries, including the Philippines. AFTA is a free trade area formed by 10 South East Asian countries, including the Philippines. Under AFTA, tariffs on manufactured goods, including processed agricultural products, are being minimized or eliminated over a 15-year period starting January 1, 1993, and non-tariff barriers will be subsequently phased out.

The day-old chicks market is cyclical, very competitive and principally domestic. URC believes that the principal competitive factors are chick quality, supply dependability, price, and breeder performance for broiler chicks. For layer chicks, competitive factors are egg productivity and disease resistance. Principal competitors are Danway Processing Corp., RFM Corp. and Math Agro for broiler chicks and Bounty Farms, Inc., Brookdale Farms and Heritage Vet Corp. for layer chicks.

The live hog market is highly fragmented, competitive and principally domestic. URC believes that the principal competitive factors are quality, reliability of supply, price and proximity to market. URC's principal competitors are San Miguel Corp. (Monterey) and Foremost Farms, Inc. The main competition is from backyard raisers who supply 62%-65% of the total pork requirement in the country. In 2011, the hog population decreased by 6% because of disease outbreaks and farm closure(s) due to high cost of inputs (Feeds) and lower live weight prices (due to lower consumer spending). It is expected that live weight prices will relatively be higher in the 1st half of 2011 that will encourage raisers, both backyard and commercial farms to start and expand their operations with the anticipated improvement in profitability.

The commercial animal feed market is highly fragmented and its products compete primarily with domestic feed producers. As of September 30, 2011, there were 150 registered feed mills in the Philippines, 25% of which sell commercial feeds. URC believes the principal competitive factors are quality, brand equity, credit term and price. URC's principal competitors are B-Meg and UNAHCO (Sarimanok & Thunderbird). A number of

multinationals including Cargil Purina Phils. Inc., CJ and Sun Jun of Korea, and New Hope of China are also key players in the market.

The animal health products market is highly competitive. The market is dominated by multinationals and URC is one of only a few Philippine companies in this market. Its principal competitors are Pfizer, Inc., UNAHCO (Univet), and Merial Limited, a company jointly owned by Merk and Co., Inc. and Aventis S. A. URC believes that the principal competitive factors are brand equity, price, product effectiveness and credit terms.

Enhancement and development of New Products

URC intends to continuously introduce innovative new products, product variants and line extensions in the snackfoods (snacks, biscuits, candies, chocolates and bakery), beverage and grocery (instant noodles and tomato-based) products. This fiscal year alone, URC's Branded Consumer Foods has introduced 59 new products, which contributed to 3% of its sales.

URC has selectively entered and expanded its presence in segments of the Philippine beverage market through the addition of branded beverage products designed to capture market share in niches that complement its existing branded snack food product lines. In 2004, URC introduced and manufactured ready to drink tea in PET bottles, C2. URC continues to expand the beverage product line to include functional beverages such as fitness and energy drinks. Over the last couple of years, URC has also acquired water manufacturing facilities from Nestle Water Philippines, Inc. and entered into licensing agreements to manufacture and sell bottled water carrying the "Nestle Pure Life" and "Hidden Spring" trademark in the Philippines. In December 2010, the licensing contract to carry the "Nestle Pure Life" trademark was rescinded. In December 2009, URC likewise, acquired the coffee plant facilities of GMC to add capacities to its existing coffee business.

Raw Materials/Suppliers

A wide variety of raw materials are required in the manufacture of URC's food products, including corn, wheat, flour, sugar, glucose and potatoes, some of which are purchased domestically and others URC imports. URC also obtains a major portion of its raw materials from its agro-industrial and commodity food products divisions, such as glucose, flour and sugar and pet bottles and flexible packaging materials from wholly owned subsidiary CFC Clubhouse Property, Inc. A portion of flexible packaging material requirement is also purchased both locally and from abroad (Korea and Japan), while Tetra-pak packaging is purchased from Singapore. URC's policy is to maintain a number of suppliers for its raw and packaging materials to ensure a steady supply of quality materials at competitive prices. However, the prices paid for raw materials generally reflect external factors such as weather conditions, commodity market fluctuations, currency fluctuations and the effects of government agricultural programs.

For its day-old chicks business, URC requires a number of raw materials, including parent stock for its layer chicks, grandparent stock for its broiler chicks and medicines and other nutritional products. URC purchases the parent stock for its layer chicks from Hendrix Genetics of France. URC purchases the grandparent stock for its broiler chicks from Cobb in the USA. URC obtains a significant amount of the vitamins, minerals, antibiotics and other medications and nutritional products used for its day-old chicks business from its Robichem division. URC purchases vaccines from various suppliers, including Merial, Intervet Philippines, Inc. (through authorized local distributor Castle Marketing and Vetaide Inc.) and Boehringer Ingelheim GmbH and Ceva.

For its live hog business, URC requires a variety of raw materials, primarily imported breeding stocks or semen. URC obtains all of the feeds it requires from its Universal Corn Products division and substantially all of the minerals and antibiotics for its hogs from its Robichem division. URC purchases vaccines, medications and nutritional products from a variety of suppliers based on the strengths of their products. Ample water supply is also available in its locations. URC maintains approximately one month of inventory of its key raw materials.

For its animal health products, URC requires a variety of antibiotics and vitamins, which it acquires from suppliers in Europe and Asia. For its commercial animal feed products, URC requires a variety of raw materials, including corn grains, soya beans and meals, feed-wheat grains, wheat bran, wheat pollard, rice bran, copra meal and fish meal. Tapioca starch and soya bean seeds, on the other hand, are required for its liquid glucose and soya bean products, respectively. Corn is generally sourced from local corn traders and imports feed-wheat from suppliers in China, North America and Europe. Likewise, soya seeds are imported from the USA. URC imports tapioca starch from a number of suppliers, primarily in Vietnam and Thailand. URC purchases solvents locally from Shell Chemicals Philippines through authorized local distributor Chemisol Inc. for use in the extraction of soya oil and other soya-products from soya beans. URC maintains approximately two months physical inventory and one month in-transit inventory for its imported raw materials.

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

Wheat, the principal raw materials for flour milling and pasta business, is generally purchased from suppliers in the United States, Canada and Australia.

URC maintains a number of suppliers for its raw materials to ensure a steady supply of quality materials at competitive prices. URC believes that alternative sources of supplies of the raw materials that it uses are readily available. The Company's policy is to maintain approximately 30 to 90 days of inventory.

Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract

URC owns a substantial number of trademarks registered with the Bureau of Trademarks of the Philippine Intellectual Property Office. In addition, certain of its trademarks have been registered in other Asian countries in which it operates. These trademarks are important in the aggregate because brand name recognition is a key factor in the success of many of URC's product lines. In the Philippines, URC's licensing agreements are registered with the Philippine Intellectual Property Office. The former Technology Transfer Registry of the Bureau of Patents, Trademarks and Technology Transfer Office issued the relevant certificates of registration for licensing agreements entered into by URC prior to January 1998. These certificates are valid for a 10-year period from the time of issuance which period may be terminated earlier or renewed for 10-year periods thereafter. After the Intellectual Property Code of the Philippines (R.A. No. 8293) became effective in January 1998, technology transfer agreements, as a general rule, are no longer required to be registered with the Documentation, Information and Technology Transfer Bureau of the Intellectual Property Office, but the licensee may apply to the Intellectual Property Office for a certificate of compliance with the Intellectual Property Code to confirm that the licensing agreement is consistent with the provisions of the Intellectual Property Code. In the event that the licensing agreement is found by the Intellectual Property Office to be not in compliance with the Intellectual Property Code, the licensor may obtain from the Intellectual Property Office a certificate of exemption from compliance with the cited provision.

URC also uses brand names under licenses from third parties. These licensing arrangements are generally renewable based on mutual agreement. URC's licensed brands include:

Swiss Miss milk shakes and cocoa mix for sale in the Philippines;
Nissin's Cup instant noodles for sale in the Philippines; and
Hunt's tomato and pork and bean products for sale in the Philippines

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

Regulatory Overview

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

URC's sugar mills are licensed to operate by the Sugar Regulatory Administration. The Company renews its sugar milling licenses at the start of every crop year.

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

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

Effects of Existing or Probable Governmental Regulations on the Business

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

Research and Development

URC develops new products and variants of existing product lines, researches new processes and tests new equipment on a regular basis in order to maintain and improve the quality of its food products. In Philippine operations alone, about ₱28 million was spent for research and development activities for fiscal year 2011 and approximately ₱40 million and ₱42 million for fiscal years 2010 and 2009, respectively.

URC has research and development staff for its branded consumer foods and packaging divisions of approximately 83 people located in its research and development facility in Metro Manila. URC conducts extensive research and development for new products, line extensions for existing products and for improved production, quality control and packaging as well as customising products to meet the local needs and tastes in the international markets.

URC has dedicated research and development staff for its agro-industrial business of approximately 41 persons. Its researchers are continually exploring advancements in breeding and farming technology.

URC also has a diagnostic laboratory that enables it to perform its own serology tests and offers its laboratory services directly to other commercial farms and some of its customers as a service at a minimal cost.

Transactions with Related Parties

URC, in its regular conduct of business, has engaged in transactions with the Company and the latter's affiliates. The Company provides URC Group with certain corporate center services including corporate finance, corporate planning, procurement, human resources, legal and corporate communications. The Company also provides URC with valuable market expertise in the Philippines as well as intra-group synergies.

Costs and Effects of Compliance with Environmental Laws

The operations of URC is subject to various laws enacted for the protection of the environment, including the Pollution Control Law (R.A. No. 3931 as amended by P.D. 984), the Solid Waste Management Act (R.A. No. 9003), the Clean Air Act (R.A. No. 8749), the Environmental Impact Statement System (P.D. 1586) and the Laguna Lake Development Authority (LLDA) Act of 1966 (R.A. No. 4850). URC believes that it has complied with all applicable environmental laws and regulations, an example of which is the installation of wastewater treatments in its various facilities. Compliance with such laws does not have, and in URC's opinion, is not expected to have, a material effect upon URC's capital expenditures, earnings or competitive position. As of September 30, 2011, URC has invested about ₱185 million in wastewater treatment in its facilities in the Philippines.

b) REAL ESTATE DEVELOPMENT AND MANAGEMENT

Business Development

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

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

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

In line with the foregoing, the Board of Directors also approved on February 16, 2011 a 1:2 stock rights offering to stockholders of record as of March 30, 2011 (ex – date March 25,

2011). Accordingly, RLC received subscriptions for 1,364,610,228 shares at an offer price of ₱10 per share on April 11-15, 2011.

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

Principal Products or Services

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

a.) Commercial Centers

RLC's Commercial Center Division develops, leases and manages shopping malls throughout the Philippines. As of September 30, 2011, it operated 29 shopping malls, comprising 6 malls in Metro Manila and 23 malls in other urban areas throughout the Philippines, and had another 7 new malls and 3 expansion projects that are in the planning and development stage scheduled for completion in the next two years.

b.) Residential

As of September 30, 2011, this division had completed 33 residential projects, 51 ongoing projects, and 7 projects awaiting the receipt of License to Sell (LS). It currently has several projects in various stages for future development that are scheduled for completion in the next one to five years.

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

- **Luxuria** - sells and develops prestigious residential developments in prime locations. Currently, there are nine (9) residential projects under the Luxuria portfolio, of which two (2) had been completed and seven (7) projects are under various stages of development.
- **Robinsons Residences** - are strategically located within business districts and emerging cities and mostly are mixed-use developments. As of September 30, 2011, Robinsons Residences segment had a portfolio of 23 residential projects, of which 13 had been completed and 10 projects are under various stages of development.
- **Robinsons Communities** - is the residential brand of RLC which offers community living by providing functional and compact condominium units with generous open spaces and amenities. It develops affordable to mid-cost residential developments in locations with proximity to major cities or central business districts. As of September 30, 2011, Robinsons Communities had completed ten (13) residential condominium projects and five (5) subdivision projects. It has various projects on-going in different stages that are scheduled for completion in the next one to four years.
- **Robinsons Homes** - offers choice lots in themed subdivisions with option for house construction to satisfy every Filipino's dream of owning his own home. As of September 30, 2011, Robinsons Homes has 30 projects in its portfolio. Twenty-three (23) of these projects are on-going, while seven (7) are awaiting for the receipt of License to Sell (LS) to launch. Among the on-going projects, seventeen (17) have been completed and substantially sold.

c.) Office Building

This division develops office buildings for lease. As of September 30, 2011, this division has completed eight office buildings, located in Metro Manila and Cebu City. These offices projects are primarily developed as investment properties, to be leased to tenants by the Company.

d.) Hotels

RLC's Hotels division owns and operates hotels within Metro Manila, Cebu City, Tagaytay City and Mandaluyong City. RLC's hotels division currently has a portfolio of five hotels, the Crowne Plaza Manila Galleria, Holiday Inn Manila Galleria, Summit Circle Cebu (formerly Cebu Midtown Hotel), Tagaytay Summit Ridge Hotel and Go Hotel.

The percentage contribution to RLC's revenues for the three years ended September 30, 2009, 2010 and 2011 by each of business segment is as follows:

	<u>For the fiscal years ended September 30</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Commercial Centers	39.2%	50.8%	46.7%
Residential Buildings	40.8%	28.5%	34.2%
Office Buildings	10.4%	10.5%	10.1%
Hotels	<u>9.6%</u>	<u>10.2%</u>	<u>9.0%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Competition

Commercial Centers Division

RLC has two major competitors in its commercial centers division. There are a number of other players in the shopping mall business in the Philippines, but they are significantly smaller and, because of the high barriers to entry into the business (which include cost, branding, reputation, scale and access to prime real estate).

Residential Division

- **Luxuria**
The Luxuria segment continues to develop projects that cater to the high-end market. It strives to compete with developers who have already established their names in tapping this slice of the market. RLC, being new in this segment of the market, continues to learn from the strong players.
- **Robinsons Residences**
RLC's close competitors under this segment target the same market and offers similar products. But because of the significant barriers to entry into the business, such as requirements for industry-specific technological know-how, the considerable capital expenditure required for the acquisition and development of land, the reputation needed to be able to adopt a pre-sale model and the requirement of a large and experienced sales and distribution network, RLC continues to be one of the leading choices of potential buyers.
- **Robinsons Communities**
RLC Robinsons Communities in particular, has numerous competitors in the middle income segment. This is in part a function of the fact that as compared to other business areas, RLC does not enjoy the same "early mover" advantage. Currently, Robinsons Communities' competitors include companies like Avida Land, Filinvest Land, SM Development Corporation and DMCI Homes. Based on public records and independent industry reports and its own market knowledge, the Company believes that it is among the top five middle-ranged condominium developers in the Philippines in terms of revenues from sales.
- **Robinsons Homes**
Robinsons Homes competes on the basis of location. It is a nationwide residential subdivision developer with projects in Laoag, Tarlac, Pampanga, Antipolo, Cavite,

Batangas, Cebu, Cagayan de Oro, Davao and General Santos. Robinsons Homes is creating not just subdivisions but is forming nurturing communities with lifestyle amenities and support developments in response to the changing lifestyle of Filipinos.

Office Buildings Division

RLC believes that competition for office space is principally on the basis of location, availability of space and quality of office space. It competes in this market on the basis of the strategic locations of its buildings, including their proximity to the Company's malls and residences as part of mixed-use developments, and has also began to design its office space with BPO and call center-specific requirements in mind, in order to better serve that market and make its office buildings more attractive to those potential tenants.

Hotel

Hotel occupancy trends in the Philippines are affected by a variety of factors, including the general levels of business and tourist travel to the Philippines, which are in turn influenced by general political and economic conditions within the country. Year 2011 poses a 12% growth in tourism arrival, continually driven by key feeder markets from Korea, US and Japan.

Raw Materials/Suppliers

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

Customers

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

Related Party Transactions

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

Regulatory Overview

Shopping Malls

Shopping mall centers are regulated by the local government unit of the city or municipality where the establishment is located. In line with this, mall operators must secure the required mayor's permit or municipal license before operating. In addition, no mall shall be made operational without complying first with the provisions of the fire code and other applicable

local ordinances. Furthermore, shopping malls with food establishments must obtain a sanitary permit from the Department of Health. It is also compulsory for shopping malls discharging commercial wastewater to apply for a wastewater discharge permit from the DENR and to pay the fee incidental to the permit.

Residential Condominium and Housing and Land Projects

Presidential Decree No. 957 as amended, is the principal statute which regulates the development and sale of real property as part of a condominium project or subdivision. Presidential Decree No. 957 covers subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes as well as condominium projects for residential or commercial purposes. The HLURB is the administrative agency of the Government which, together with local government units, enforces this decree and has jurisdiction to regulate the real estate trade and business. All subdivision plans and condominium project plans are required to be filed with and approved by the HLURB. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities.

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

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

Hotels

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

Zoning and Land Use

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

Special Economic Zone

The Philippine Economic Zone Authority (PEZA) is a government corporation that operates, administers and manages designated special economic zones (Ecozones) around the country. PEZA registered enterprises locating in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty free importation equipment, machinery and raw materials. Information technology (IT) enterprises offering IT services (such as call centers and business process outsourcing using electronic commerce) are entitled to fiscal and non-fiscal incentives if they are PEZA-registered locators. RLC actively seeks PEZA registration of its buildings, as this provides significant benefits to its tenants. As of fiscal September 2011, the Robinsons Pioneer mixed-use complex is in a PEZA Ecozone, the Robinsons Equitable Tower and Robinsons Summit Center are PEZA-registered buildings. A number of malls are also PEZA-registered.

United Industrial Corporation Limited

In May 1999, the Company, through a subsidiary, acquired a 23% stake in a Singapore listed company, United Industrial Corporation Limited (UIC) which is one of the largest property developers in Singapore owning various office buildings that are located in prime locations in Singapore and China. In December 2011, the Company's indirect interest in the shares of UIC increased to 36.09%. Other than the Company, the only significant stockholder in UIC is the United Overseas Bank Group of Singapore.

c) TELECOMMUNICATIONS

Business Development

The Company, through its subsidiary Digital Telecommunications Phils, Inc. (DIGITEL), provides voice and data services through wireless and wireline technology in the Philippine telecommunications industry. Digitel has expanded its interests in wireline services in recent years and currently provides wireless/mobile telecommunication services, wireline telecommunications, hi-speed data transmission and internet services and call cards. As of December 31, 2010, Digitel has approximately 14.03 million wireless subscribers (across its prepaid and postpaid options and its 2G and 3G networks) and over 450,000 subscribers across its data and wireline segments.

Wireless telecommunication services: In September 2001, Digitel established a wholly owned subsidiary, Digitel Mobile Phils.,Inc.(DMPI), to provide wireless telecommunication services in the Philippines. DMPI is one of the Philippines' leading mobile telecommunications companies. DMPI has operated its wireless mobile services under the 'Sun Cellular' brand since 2003. Sun Cellular uses Global Service for Mobile (GSM) technology to provide voice services (local, national, international calling), messaging services (short text or multimedia messaging), outbound and inbound international roaming, broadband wireless technology, and various value-added services.

Data transmission and internet services: Digitel's data division, the Enterprise Business Unit, offers consumer and corporate customers' access to high-speed data transmission and internet services through domestic and international leased line services, frame relay, and dedicated internet lines. Digitel provides enterprise grade services and solutions to some of the top enterprise customers in the Philippines, with customer

relationships in the banking, manufacturing, logistics, utilities, trading, business process outsourcing (BPO) companies, hospitality and real estate sectors,

Wireline telecommunication services: Digitel is one of the major providers of wireline communication systems in Luzon Island. Through over 600 regional and local exchanges, DIGITEL telephones are now available in 281 towns and cities throughout Luzon. As of December 31, 2010, the Group had a total of almost 600,000 installed lines and over 450,000 working lines. Digitel's voice products and value-added services include local call, national, and international toll services, payphones and prepaid phone cards.

Digitel has recently introduced the SunTel Wireless Landline to extend its landline coverage by employing GSM technology using Sun Cellular's network to provide an alternative last mile solution to traditional copper cable facilities.

On March 29, 2011, the Company executed a sale and purchase agreement with PLDT under which PLDT has agreed to purchase all the rights, title and interest in the assets of DTPI as follows: (i) 3,277,135,882 common shares of DTPI, representing approximately 51.55% equity share in DTPI; (ii) zero coupon convertible bonds due 2013 and 2014 issued DTPI and its subsidiaries to the Company which are assumed to be convertible into approximately 18.6 billion shares of DTPI by June 30, 2011; and (iii) intercompany advances of ₱34.1 billion made by the Company to DTPI and Subsidiaries.

The acquisition was completed on October 26, 2011 following the issuance by the Securities and Exchange Commission (SEC) on July 29, 2011 of the confirmations of the valuation of the Assets and that the issuance of the PLDT common shares to the Company and the other seller-parties is exempt from the registration requirement of the SRC.

d) AIR TRANSPORTATION

Business Development

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

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

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

CEB operates an extensive route network serving 53 domestic routes and 24 international routes with a total of 2,206 scheduled weekly flights. It operates from four hubs, including the Ninoy Aquino International Airport (NAIA) Terminal 3 located in Pasay City, Metro Manila; Mactan-Cebu International Airport located in Lapu-Lapu City, part of Metropolitan Cebu;

Diosdado Macapagal International Airport located in Clark, Pampanga; and Davao International Airport located in Davao City, Davao del Sur.

As of December 31, 2011, CEB operates a fleet of 37 aircraft which comprises of ten Airbus A319, 19 Airbus A320, and eight ATR 72-500 aircraft. It operates its Airbus aircraft on both domestic and international routes and operates the ATR 72-500 aircraft on domestic routes, including destinations with runway limitations. The average aircraft age of the CEB's fleet is approximately 3.6 years as of December 31, 2011.

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

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

For the years ended December 31

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Passenger Services	83.7%	84.8%	80.2%
Cargo Services	7.2%	7.2%	6.5%
Ancillary Services	<u>9.1%</u>	<u>8.0%</u>	<u>13.3%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

No material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business was made in the past three years. Cebu Air has not been subjected to any bankruptcy, receivership or similar proceeding in the said period.

Distribution Methods of Products or Services

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

- **Internet**

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

- **Booking Offices and Call Centers**

As of December 31, 2011, CEB has a network of seven booking offices located throughout the Philippines and one booking office located in Hong Kong. It directly operates these booking offices, which also handle customer service issues, such as customer requests for change of itinerary. In addition, it operates two in-house call centers, one in Manila and the other in Cebu. It also uses a third-party call centre outsourcing service to help accommodate heavy call traffic. Its employees who work as reservation agents are also trained to handle customer service inquiries and to convert inbound calls into sales. Purchases made through

call centers can be settled through various modes, such as credit cards, over the counter in banks, automated teller machines and payment centers.

- **Government/Corporate Client Accounts**

As of December 31, 2011, Cebu Air had government and corporate accounts for passenger sales. It provides these accounts with direct access to its reservation system and seat inventory as well as credit lines and certain incentives. Further, clients may choose to settle their accounts by post-transaction remittance or by using pre-enrolled credit cards.

- **Third Party Sales Outlets**

As of December 31, 2011, CEB had a network of distributors in the Philippines selling its domestic and international air services within an agreed territory or geographical coverage. Each distributor maintains and grows its own client base and can impose on their clients a service or transaction fee. Typically, a distributor's client base would include agents, travel agents or end customers. It also has a network of foreign general sales agents, wholesalers, and preferred sales agents who market, sell and distribute its air services in other countries.

Competition

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

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

Cebu Air's main competitor in the Philippines is Philippine Airlines ("PAL"), a full-service Philippine flag carrier. Most of its domestic and international destinations are also serviced by PAL. It also competes in the Philippines with Air Philippines Express, a domestic operator with relations to PAL. Certain smaller airlines, including Zest Air and South East Asian Airlines also compete with the Company domestically. According to Civil Aeronautics Board (CAB) data, Cebu Air is the leading domestic airline in the Philippines by passengers carried, with a market share of 46.0% for the year ended December 31, 2011.

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

AirAsia has been operating in the Philippines since 2005, with one daily flight between Kuala Lumpur and Clark, and one daily flight between Kota Kinabalu and Clark. In 2010, AirAsia set up a joint venture in the Philippines, and in March 2012, received its Air Operator

Certificate from the Civil Aviation Authority of the Philippines (CAAP). With the receipt of the certificate, AirAsia now has the permission to fly on Philippine airspace. It is set to fly from the DMIA to domestic destinations - specifically Davao and Kalibo. The Philippine joint venture operates out of Clark in Pampanga, currently with two Airbus A320 aircraft.

In 2010, Seair sealed a lease and marketing agreement with Tiger, where Seair taps Tiger's established internet booking system to distribute its seats. Seair operates Singapore flights to/from Clark using two 144-seater Airbus A319 aircraft leased from Tiger.

Raw Materials

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

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

Customers

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

Regulatory Overview

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

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

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

Publicly-Announced New Product or Service

Cebu Air continues to analyze its route network. It can opt to increase frequencies on existing routes or add new routes/destinations. It can also opt to eliminate unprofitable routes and redeploy capacity.

CEB plans to expand its fleet over the course of the next three years to 53 aircraft by the end of 2014 (net of redelivery of six leased aircraft). The additional aircraft will support Cebu Air's plans to increase frequency on current routes and to add new city pairs and destinations. It has increased frequencies on domestic routes such as Manila to Naga, Busuanga, Roxas; Cebu to Dumaguete, Ozamis, Puerto Princesa; and Davao to Iloilo and international routes such as Manila to Incheon and Bangkok. It also plans to launch services from Manila to Siem Reap, Cambodia and Kalibo to Hong Kong, and reinstate its Manila - Hanoi, Vietnam and Manila - Xiamen, China operations in 2012. CEB is also set to launch long-haul flights by the third quarter of 2013, eyeing routes to cities where there are significant Filipino communities. For this purpose, it has entered in to operating leases for four brand-new Airbus A330 aircraft

to be delivered between 2013 and 2014. Airbus A330 aircraft can carry up to 400 passengers and can allow CEB to embark on long-haul flights that are within 11 hours from the Philippines.

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

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

Effects of Existing or Probable Government Regulations on the Business

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

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

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

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

Cebu Air complies with and adheres to existing government regulations.

Category 2 Rating

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

Although CEB does not currently operate flights to the U.S. and Europe, the foregoing may adversely affect its ability to establish new routes to other countries that base their decision on flight access on the FAA and ASC's evaluation.

EO 28 and 29

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

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

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

e) PETROCHEMICALS

Business Development

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

Its primary purpose is to engage in, operate, conduct, maintain, manage and carry on the business of manufacturing, dealing and marketing of polyethylene and polypropylene and related petrochemical products or by-products, in all their forms, varieties and stages of production and preparation, or of any article or commodity consisting of, or partly consisting of petrochemicals. JGSPC constructed the Philippines' first integrated polypropylene and polyethylene complex on a site at Bgy. Simlong, Batangas City. The total project cost amounted to US\$300 million and the plant has the capacity to produce 180,000 tons of polypropylene and 175,000 tons of polyethylene annually.

Principal Products or Services

JGSPC manufactures polypropylene and polyethylene.

The percentage contribution to JGSPC's revenues for the three years ended September 30, 2009, 2010 and 2011 by each of its principal product categories is as follows:

	<u>For the years ended September 30</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Polypropylene	53.2%	58.1%	55.8%
Polyethylene	46.8%	41.9%	44.2%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

Distribution, Sales and Marketing

JGSPC has a rated capacity of 175,000 MT per year for polyethylene (PE) and 180,000 MT for Polypropylene (PP). JGSPC manufactures High Density and Linear Low Density polyethylene (HDPE and LLDPE) as well as Random Copolymer and Homopolymer polypropylene (PP) using the industry-renowned Unipol technology from Union Carbide Corporation. JGSPC sells directly to small, medium and large plastic converters in the Philippines through its sales group. It has taken a leading role in the markets it serves, providing 55% of total market requirements. Product distribution is handled directly by JGSPC in coordination with third party trucking services.

Competition

To be highly competitive, JGSPC commits to produce consistently good quality products using world-class technology and by employing highly competent plastics processing personnel. Continuous research and development is conducted in-house by the Product R&D and Technical Services Department, with the assistance of Univation, formerly a Union Carbide Corporation Company. Importation and smuggling of PE and PP resin goods are currently JGSPC's primary competition. Although there are two other local polyolefin plants only the PE plant of NPC Alliance Corp. formerly Bataan Polyethylene Corp., is currently operational and whose production is largely exported. Philippine Polypropylene Inc.'s PP plant formerly owned by Petrochemical Corp. of Asia and the Pacific (PetroCorp), has been decommissioned since 2003. And in 2010, Petron Corporation acquired a 40% stake in Petrochemical Asia (HK) Ltd. (PAHL), owner of Philippine Polypropylene Inc. (PPI) (formerly Petro Corp). Petron Corp. has entered into a technical services agreement with IRPC, an

affiliate of PTT Thailand, for the rehabilitation, commissioning and start-up of the PP plant. JGSPC now produces some 7 to 8 kt monthly of PP yarn, injection and BOPP film grades using C3 from Petron's FCC and also from imports. They currently sell wholly into the domestic market through direct sales and also through local traders.

Raw Materials/Suppliers

The principal raw materials used by JGSPC in the production of its products, namely olefins, are purchased internationally. Suppliers include Marubeni Corporation and Mitsui & Co. Ltd.

Customers

JGSPC aims to supply the majority of manufacturers of plastic-based products in the Philippines. It sells its products to internal and external parties. Internal parties include the Packaging Division of URC while some of our top external customers are Calypso Plastic, Chemvision Inc., Cofta Mouldings, Anson/Astrobag Group, Basic Packaging and Rolex Mfg. Loss of any one customer would not have a materially adverse effect upon JGSPC.

Related Party Transactions

JGSPC, in its regular conduct of business, has engaged in transactions with the Company and its affiliates. These transactions principally consist of sales, advances to and from these affiliated companies. JGSPC has also dollar advances from the Company that were used to finance the construction of its plant in Batangas, Philippines. These advances were converted into equity in 2003. Also, it obtains other advances for its operations from the Company.

Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract

JGSPC has existing technology and licensing agreements (Agreement) with a foreign company covering the construction, manufacture, use and sale of its PP and PE lines. In further consideration for the rights granted to JGSPC pursuant to the Agreement, JGSPC shall pay the foreign company a royalty fee equivalent to a certain percentage of net peso sales value of high-density PE and low-density PE and a certain percentage of net sales value based on Platts rate per metric ton of licensed homopolymer PP and random copolymer PP up to the end of the royalty terms. The contract was bought on July 7, 2011 for US\$14 million. As a result, accrual/payment for royalty was discontinued.

Regulatory Overview

The BOI implements policies which directly affect the petrochemical industry. Under the Philippine Investment Priorities Plan, the BOI also has the power to grant incentives to manufacturers establishing new plants or undertaking rehabilitation or expansion programs such as tax holidays and duty free importation of capital equipment, as well as tax credits on locally purchased equipment.

Costs and Effects of Compliance with Environmental Laws

JGSPC takes pride in consistently making efforts to preserve the environment. The safety of employees and the community is never compromised. JGSPC complies with all applicable laws on the environment and is committed to be environmentally responsible by having an effective Environmental Management System based on the requirements of ISO 14001:2004 certified by Certification International which is our accredited third party certifying body.

f) OLEFINS

JG SUMMIT OLEFINS CORP (JGSOC) is a company wholly-owned by JG Summit Holdings and is set-up to operate the Naphtha Cracker Project.

The naphtha cracker project is a back integration for the existing Polyethylene and Polypropylene plants of JG Summit Petrochemical Corporation (JGSPC). It will be constructed in Barangay Simlong, Batangas City, adjacent to the existing Polyethylene (PE) / Polypropylene (PP) Plant of JGSPC. The main feedstock, naphtha, will be sourced from local as well as overseas sources, with condensate as an alternative feedstock.

Principal Products or Services

The cracker will use the CB&I-Lummus (USA) technology and will be a simple cracker, to produce ethylene and propylene, and by-products. The project will be implemented basically via a cost-plus, turnkey project. Construction will be undertaken by Daelim Industrial Corporation of Korea.

The Plant will produce the following per annum:

Ethylene	:	320,000 MT
Propylene	:	190,000 MT
PyGas	:	216,124 MT

Ethylene (C₂H₄) is a colorless gas derived from the thermal cracking of hydrocarbon gases or naphtha. Freezing Point: -169 deg C; boiling point : -103.9 deg C. This will be the main feedstock for Polyethylene Production.

The existing downstream Polyethylene plant of JG Summit Petrochemical Corporation with a combined capacity of 200,000mty will also be de-bottlenecked/expanded using technology from Univation of the USA to be able to absorb all the ethylene production from JGSOC. As economics may dictate, ethylene will be directly exported rather than converted to PE.

Propylene (C₃H₆) - A colorless gas, freezing point: -185.2 deg C; boiling point: -47.7 deg C. Propylene is derived from the catalytic and thermal cracking of naphtha. Propylene is the primary feedstock for Polypropylene production

Production of propylene will be for local consumption.

Pyrolysis gasoline (Pygas) is a by-product that will be partially hydrogenated (treated with hydrogen) to make it relatively more stable, and then exported. Its use is as a feed to aromatics extraction units which produce toluene, benzene and xylene.

Other by-products of the Naphtha Cracker Plant are:

- Methane , CH₄ . It is an odorless, tasteless gas and in our case is a by-product of the cracking process. It is a severe fire and explosion hazard, and forms an explosive mixture with air. We will not be selling this product but instead will use it as part of our fuel gas system, together with LPG, to fire up our heaters.

- Pyrolysis Fuel Oil (PFO) represents the heavier fraction of the cracked materials from naphtha. It will not be sold, and instead will be used to fuel our boilers.

- Acid gases are waste gases and contain carbon dioxide and sulfides. They are caustic-washed to remove acidity and are exhausted. These are separated from the cracked gas and do not go back to the cracking process.

Methane, PFO and acid gases are either internally utilized or exhausted.

Customers

The ethylene and propylene output will be primarily sold / transferred to JGSPC's existing polyethylene and polypropylene plants. It is projected that the naphtha cracker will operate between 90% to 100% of capacity. Depending on the relative economics at various times of the petrochemical cycle, the Naphtha Cracker Plant will have the option of exporting ethylene and/or propylene if the netbacks are better by doing so.

Pyrolysis gasoline will be partially hydrogenated and sold to the export market, primarily as a feedstock for the production of benzene, toluene and xylene. It is expected that the Naphtha Cracker Plant will have product offtake agreements with one or more traders to ensure regular offtake of the product.

Pyrolysis fuel oil will be partially consumed by the existing power plant of JGSPC, with the bulk either sold off to local refinery operations for blending and subsequent sale as bunker fuel, or exported.

Registration with the Board of Investments (BOI)

The Company is registered with the BOI under the Omnibus Investments Code of 1987 (E.O. 226) on December 15, 2010 as a new producer of ethylene, propylene, py gas and other by-products produced by the Naphtha cracker project on a Pioneer status. Under its certificate of registration, the Company shall be entitled to certain tax and nontax incentives such as: (a) income tax holiday (ITH) for six (6) years from January 2014 or from actual start of commercial operations whichever comes first; only income generated from the registered activity shall be entitled to ITH incentives; additional deduction for from taxable income of fifty percent (50%) of wages corresponding to the increment of direct labor; (c) employment of foreign nationals, (d) tax credit for taxes and duties on raw materials and supplies and semi-manufactured products used on its export products and forming part thereof, among others; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW); (g) exemption from wharfage dues, export taxes, duties, imposts and fees on export products; (h) importation of consigned equipment.

g) BANKING SERVICES

Robinsons Savings Bank, a wholly-owned subsidiary of JG Summit Capital Services Corp. (JG Capital Services) was incorporated to engage in the business of savings and mortgage bank. It started commercial operations in November 1997.

In the second quarter of 2010, JG Capital Services (100%-owned subsidiary of the Company) and Robinsons Holdings Inc. (RHI) bought 100% of the shares of The Royal Bank of Scotland (Phils.). Then in December 2010, the BSP approved the merger of Robinsons Savings Bank and Robinsons Bank Corp. (formerly known as The Royal Bank of Scotland (Phils.)), with Robinsons Bank Corp. (RobinsonsBank) as the surviving entity, making the bank officially a commercial bank. JG Capital Services now owns only 60% of RobinsonsBank common stocks.

Principal Products or Services

As of December 2011, RobinsonsBank has a network of sixty (60) branches; twenty-eight (28) of which are strategically located in Metro Manila and thirty-one (32) others are situated in Luzon, Visayas and Mindanao. Moreover, thirty-one (31) of its branches are located inside malls, mostly in Robinsons' Malls, that are easily accessible and available six (6) days a week until Saturday. RobinsonsBank also has one hundred and fifteen (115) ATMs, which are part of the Bancnet consortium, all of which are within reach and available 24 hours a day 7 days a week. To date, the Bank has sixty-one (61) branches and a total one hundred and seventeen (117) ATMs.

RobinsonsBank started its operations as a savings bank on November 27, 1997. Through the years, the Bank is committed to position itself for further business growth and aims to be among the top big banks in the country. Having a decade-long track record in the banking industry and as JG Summit Group's major financial service arm, RobinsonsBank continuously strives to carry on its vision of leading the country to global-competitiveness through quality and innovative banking products and services. It provides a broad range of traditional banking services such as savings, current and time deposits, treasury products, unit investment trust funds and other trust products, and foreign-currency denominated deposits. It also offers commercial loans, housing, car, personal, jewelry loans, micro financing, motorcycle financing, cash management, trade financing and remittance, among others. And with the license upgrade, the Bank intends to offer a wider range of products and services that are permissible to a commercial bank.

In support to the bank's response to changing times and the challenges that come along with it, RobinsonsBank prides itself with a business portfolio of market leaders, a solid financial position, and a formidable management team.

The new commercial bank, RobinsonsBank, is now positioned not only to be more responsive in meeting the banking requirements of its retail customers and business partners, but also to fully serve the general banking public.

Strong Investor Base

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

Regulatory Overview

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

h) OTHER BUSINESS INTERESTS

The Company has foreign exchange and securities dealing operations and offshore financial subsidiaries.

To complement RSB's traditional banking activities, the Company put up JG Summit Capital Markets Corp. (JGSCMC) which is focused on foreign exchange fixed income and equity

markets. JGSCMC was incorporated in January 2000 under the supervision of the Securities and Exchange Commission.

The Company has an interest in insurance brokering and securities investments. The Company also holds interest in power generation, through its 20% ownership in First Private Power Corporation (FPPC).

On October 14, 2010, the BOD and stockholders of Bauang Private Power Corporation (BPPC), which used to be a 93.25%-owned subsidiary by FPPC, and FPPC approved a Plan of Merger where FPPC shall be merged into and be part of BPPC, and its separate corporate existence shall cease by operation of law. Subsequently, on December 13, 2010, the Philippine SEC approved the Certificate of Filing of the Articles and Plan of Merger. On December 15, 2010, the effective date of the Merger, FPPC transferred its assets and liabilities at their carrying values to BPPC. BPPC owns and operates a 215 MW diesel-fired power plant in Bauang, La Union.

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

Competition

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

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

Industry Segment	Principal Competitors
Branded Consumer Foods, Agro-Industrial and Commodity Food Products	Liwayway, Rebisco, Nissin Monde, Storck, Van Melle, Hersheys, Best Chemicals and Plastics, Vitarich Corp., Tyson Agro-Ventures, San Miguel Corporation, Central Azucarera de Bais and RFM Corporation
Telecommunications	Wireline: PLDT, Innove and Bayantel Wireless: Smart, Piltel and Globe
Banking and Financial Services	BDO, BPI, MetroBank, EastWest Bank, UnionBank, RCBC and PSBank
Petrochemicals	Imports
Air Transportation	Philippine Airlines, Air Philippines Express, Zest Air and Southeast Asian Airlines for Domestic flights. Air Asia, Tiger Airways, Jetstar Airways, Cathay Pacific, Singapore Airlines and Thai Airways, among others for International flights
Property Development and Hotel Management	SM Prime/Shoemart and Ayala Land Inc.

Publicly-Announced New Product or Service

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

Patents, Trademarks, Licenses, Franchises Concessions, Royalty Agreements

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

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

Effect of Existing or Probable Governmental Regulations on the Business

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

Cost and Effects of Compliance with Environmental Laws

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

Employees and Labor

The number of full-time employees employed by the Company and its operating subsidiaries as of December 31, 2011 is shown in the following table:

Company	No. of Employees
Branded Consumer Foods, Agro-industrial, & Commodity Food Products	10,132
Property Development and Hotel Management	1,539
Airlines	2,676
Petrochemicals	310
Finance	650
Supplementary Businesses	21
	<hr/>
	15,328

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

Working Capital

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

Item 2. Properties

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

URC operates manufacturing/farm facilities located in the following:

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

Location (Number of facilities)	Type of Facility	Owned/ Rented	Condition
Shiqiao Town, Guandong, China (1)	Branded consumer food plant	Owned	Good
Shanghai, China (1)	Branded consumer food plant	Owned	Good
Industrial Town, Indonesia (1)	Branded consumer food plant	Owned	Good
VSIP, Bin Duong Province, Vietnam (1)	Branded consumer food plant	Owned	Good

Sugar mill facilities in Kabankalan, Negros Occidental has a net book value of ₱2.042 billion in fiscal 2011 and ₱2.051 billion in fiscal 2010 of which ₱34 million and ₱47 million were used to secure the loan from Philippine Sugar Corporation in fiscals 2011 and 2010, respectively. (See Note 23 Long-Term Debt in the Consolidated Financial Statements for more details).

Annual lease payments for Calamba plant for fiscal year 2011 amounted to ₱52.6 million. Lease contract is renewable annually. Land in Taytay, Teresa and Antipolo, Rizal where farm's facilities are located, are owned by an affiliate and are rent-free.

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

Breakdown of RLC's properties is set forth below:

a) Land

Location	Use	Status
Antipolo Rizal	Residential	No encumbrances
Aurora Boulevard, Quezon City	Residential	No encumbrances
Aurora Boulevard, Quezon City	Mixed-use (mall/residential)	No encumbrances
Ayala Avenue, Makati City	Office Building	No encumbrances
Bacolod City	Mall	No encumbrances
Butuan, Agusan Del Norte	Mall	No encumbrances
Cabanatuan, Nueva Ecija	Mall	No encumbrances
Cagayan de Oro City	Residential	No encumbrances
Calasiao, Pangasinan	Mall	No encumbrances
Cebu	Mixed-use (mall/hotel/residential)	No encumbrances
Dasmariñas, Cavite	Mall	No encumbrances
Davao City, Davao del Sur	Mall	No encumbrances
Dumaguete City	Mixed-use (mall/hotel)	No encumbrances
EDSA, Mandaluyong City	Mixed-use (mall/hotel/residential)	No encumbrances
EDSA, Ortigas, Quezon City	Mixed-use (mall/hotel/ residential)	No encumbrances
Ermita, Manila	Mixed-use (mall/ residential)	No encumbrances
Fort Bonifacio, Taguig	Residential	No encumbrances
General Santos City, South Cotabato	Mall	No encumbrances
General Santos City, South Cotabato	Residential	No encumbrances

Location	Use	Status
General Trias, Cavite	Residential	No encumbrances
Horseshoe Village, Cubao, Quezon City	Residential	No encumbrances
Imus, Cavite	Mall	No encumbrances
Iloilo City	Mall	No encumbrances
Lipa City, Batangas	Mall	No encumbrances
Lipa City, Batangas	Residential	No encumbrances
Los Baños, Laguna	Mall	No encumbrances
Luisita, Tarlac City	Mall	No encumbrances
Malolos, Bulacan	Mall	No encumbrances
Naga City, Camarines Sur	Land bank	No encumbrances
Novaliches, Quezon City	Mixed-use (mall/residential)	No encumbrances
Ortigas, Pasig City	Mixed-use (mall/residential/hotel)	No encumbrances
Ortigas Center, Pasig City	Mixed-use (mall/residential/hotel)	No encumbrances
Ortigas, Pasig	Residential	No encumbrances
Ortigas, Pasig (formerly Uniwide)	Mall	No encumbrances
Paco, Manila	Mixed-use (mall/residential)	No encumbrances
Palawan	Mixed-use (mall/residential/hotel)	No encumbrances
Parañaque City	Residential	No encumbrances
Pinamucan, Ibaba, Batangas	Land bank	No encumbrances
Roxas Blvd., Pasay City	Residential	No encumbrances
San Isidro, Batangas City	Residential	No encumbrances
San Fernando, Pampanga	Mall	No encumbrances
San Fernando, La Union	Residential	No encumbrances
Santa Rosa, Laguna	Mall	No encumbrances
Soro-soro, Tanauan, Batangas	Residential	No encumbrances
Sucat, Muntinlupa City	Mixed-use (mall/residential)	No encumbrances
Tacloban City	Mall	No encumbrances
Tagaytay City, Cavite	Mixed-use (mall/hotel/residential)	No encumbrances
Taytay, Rizal	Land bank	No encumbrances

b) Building and Improvements

Location	Use	Status
Angeles City, Pampanga	Mall	No encumbrances
Ayala Avenue, Makati City	Office Building	No encumbrances
Bacolod City	Mall	No encumbrances
Cabanatuan, Nueva Ecija	Mall	No encumbrances
Cagayan De Oro City, Misamis Oriental	Mall	No encumbrances
Cainta, Rizal	Mall	No encumbrances
Fuente Osmena, Cebu City	Mixed-use (mall/hotel)	No encumbrances
Dasmariñas, Cavite	Mall	No encumbrances
Davao City	Mall	No encumbrances
Dumaguete City	Mall	No encumbrances
Don Gil Garcia, Cebu City	Mixed-use (mall/clinics/office)	No encumbrances
EDSA, Mandaluyong City	Mixed-use (mall/hotel/residential)	No encumbrances
EDSA, Ortigas, Quezon City	Mixed-use (mall/hotel/residential)	No encumbrances
Ermita, Manila	Mixed-use (mall/residential)	No encumbrances

Location	Use	Status
General Santos City	Mall	No encumbrances
Iloilo City	Mall	No encumbrances
Imus, Cavite	Mall	No encumbrances
Lipa City, Batangas	Mall	No encumbrances
Los Baños, Laguna	Mall	No encumbrances
Luisita, Tarlac City	Mall	No encumbrances
Novaliches, Quezon City	Mixed-use (mall/residential)	No encumbrances
Ortigas, Pasig City	Mixed-use (mall/hotel/residential)	No encumbrances
Paco, Manila	Mixed-use (mall/residential)	No encumbrances
Pulilan, Bulacan	Mall	No encumbrances
San Fernando, Pampanga	Mall	No encumbrances
San Nicolas, Ilocos Norte	Mall	No encumbrances
Santa Rosa, Laguna	Mall	No encumbrances
Tacloban City, Leyte	Mall	No encumbrances
Tagaytay City, Cavite	Mixed-use (mall/hotel)	No encumbrances

RLC owns all the properties where its existing commercial centers are located except for the following: Robinsons Place – Iloilo, Robinsons - Cagayan de Oro, Robinsons Cainta and Robinsons Pulilan. These four properties are leased at prevailing market rates. The leases for Iloilo and Cagayan de Oro properties are for 50 years each and commenced in October 2001 and December 2002, respectively. The leases for the Cainta and Pulilan properties are for 25 years and commenced in December 2003 and January 2008, respectively. Renewal options for Cainta and Pulilan are available to RLC. Total rent expense amounted to ₱165 million in 2011, ₱158 million in 2010 and ₱156 million in 2009.

JGSPC constructed its polypropylene and polyethylene complex on a site at Bo. Simlong, Batangas.

Item 3. Risks

The major business risks facing the Group are as follows:

a. Competition

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

b. Financial Market

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

management is employed to minimize effects of fluctuations in interest and currency rates.

c. Raw Materials

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

d. Cost and Availability of Fuel

Fuel prices have been subject to high volatility, fluctuating substantially over the past several years. Any increase in the cost of fuel or any decline in the availability of adequate supplies of fuel could have a material adverse effect on the Group's airline operations and profitability. The airline business implements various fuel management strategies to manage the risk of rising fuel prices including hedging.

e. Key Executives

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

f. Philippine Regulations

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

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

Item 4. Legal Proceedings

Certain consolidated subsidiaries are defendants to lawsuits or claims filed by third parties which have pending decisions by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the Company's consolidated financial position. Refer to Note 42 of the Consolidated Financial Statements attached to this report for a detailed description.

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

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

STOCK PRICES

	<u>High</u>	<u>Low</u>
<u>2011</u>		
First Quarter	P25.32	P18.22
Second Quarter	27.97	23.97
Third Quarter	26.87	20.30
Fourth Quarter	25.70	19.50
<u>2010</u>		
First Quarter	P11.00	P5.50
Second Quarter	16.75	9.30
Third Quarter	26.00	15.75
Fourth Quarter	26.55	19.60
<u>2009</u>		
First Quarter	P3.15	P1.80
Second Quarter	5.50	2.85
Third Quarter	6.60	4.10
Fourth Quarter	6.70	5.90

The stock price of the Company's shares as of April 12, 2012 is P31.25.

CASH DIVIDENDS PER SHARE

On July 7, 2011, the Company declared a regular cash dividend of P0.05 per share and a special cash dividend of P0.03 per share from the Unrestricted Retained Earnings as of December 31, 1997 to all stockholders of record as of July 27, 2011 and payable on August 22, 2011.

On June 28, 2010, the Company declared cash dividend of P0.05 per share from the Unrestricted Retained Earnings as of December 31, 1997 to all stockholders of record as of July 16, 2010 and payable on August 6, 2010.

On June 26, 2009, the Company declared cash dividend of P0.03 per share from the Unrestricted Retained Earnings as of December 31, 1997 to all stockholders of record as of July 24, 2009 and payable on August 19, 2009.

STOCK DIVIDENDS DECLARED

No stock dividend was declared in 2011, 2010 and 2009.

Retained earnings of the Company as of December 31, 2011 include undistributed earnings amounting to ₱46.4 billion representing accumulated equity in net earnings of consolidated and unconsolidated subsidiaries and affiliates which is not available for dividend declaration until received in the form of dividends from the investees.

RECENT SALES OF UNREGISTERED SECURITIES

Not Applicable.

The number of shareholders of record as of December 31, 2011 was 1,171. Total shares outstanding as of December 31, 2011 were 6,797,191,657 shares with a par value of P1.00.

Top 20 stockholders as of December 31, 2011:

<u>Name</u>	<u>No. of Shares Held</u>	<u>% to Total Outstanding</u>
1. Gokongwei Brothers Foundation, Inc.	1,997,076,451	29.38
2. PCD Nominee Corporation (Filipino)	1,089,134,417	16.02
3. RSB-TIG No. 030-46-000001-9	1,033,319,225	15.20
4. John Gokongwei, Jr.	866,509,465	12.75
5. PCD Nominee Corporation (Non-Filipino)	314,064,729	4.62
6. Express Holdings, Inc.	284,676,715	4.18
7. Lance Y. Gokongwei &/or Elizabeth Gokongwei	234,845,280	3.46
8. James L. Go	216,679,656	3.19
9. John Gokongwei &/or Lance Gokongwei	141,030,450	2.07
10. Gosotto & Co., Inc.	105,644,494	1.55
11. Robina Gokongwei Pe &/or Elizabeth Gokongwei	72,345,278	1.06
12. Universal Robina Corporation	57,663,430	0.85
13. Liza Yu Gokongwei &/or Elizabeth Gokongwei	54,200,000	0.80
14. Faith Gokongwei Ong &/or Elizabeth Gokongwei	36,100,000	0.53
14. Marcia Gokongwei Sy &/or Elizabeth Gokongwei	36,100,000	0.53
14. Hope Gokongwei Tang &/or Elizabeth Gokongwei	36,100,000	0.53
15. Nicris Development Corporation	36,073,252	0.53
16. Emma G. See	23,552,125	0.35
17. Pacred Service & Investment Corporation	18,733,226	0.28
18. Michael Seetekbeng	13,400,327	0.20
19. Olympia T. Gotao	8,767,730	0.13
20. Richard Yap	8,570,362	0.13
	<u>6,684,586,612</u>	<u>98.34</u>

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

The following discussion and analysis should be read in conjunction with the accompanying financial statements and the related notes as of December 31, 2011, 2010 and 2009, included elsewhere in this Annual Report. Our financial statements, and the financial information discussed below, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

2011 vs. 2010

I. CONSOLIDATED OPERATIONS

Results of Operations

JG Summit Holdings Inc.'s net income attributable to equity holders of the Parent Company reached a record level of ₱21.51 billion in 2011, a 31.8% increase from last year's ₱16.32 billion. Net profits from continuing operations plus profits arising from the sale of its stake in telecommunications business, Digitel to PLDT, all contributed to the record earnings. Profits from discontinued operations, including the gain from the sale of Digitel, amounted to ₱13.04 billion, while profits from continuing operations dipped 45.6% to ₱8.48 billion from ₱15.58 billion last year, because of high input costs, forex movements and capital markets volatility. Core earnings before taxes, excluding the extraordinary gains from sale of Digitel, the effects of foreign exchange and market valuation losses, dropped 14.2% to ₱15.39 billion in 2011 from ₱17.93 billion in 2010. Consolidated EBITDA (operating income adding back depreciation and amortization) for the year declined 10.3% to ₱25.37 billion from last year's ₱28.28 billion due mainly to the high commodity prices which eroded margins for our units, URC and Cebu Pacific.

Consolidated revenues grew 17.0% from ₱105.20 billion in 2010 to ₱123.06 billion this year as all subsidiaries posted decent revenue growth.

- URC's revenue grew 16.4% from ₱57.72 billion in 2010, to ₱67.17 billion in 2011 due to the strong performance of the branded consumer foods both domestic and international. In addition to this, the commodities group also registered 30% growth brought about by high sales volume and prices of sugar.
- CEB's 16.7% growth in gross revenues from ₱29.09 billion in 2010 to ₱33.94 billion in 2011 brought about by its continuous expansion of its route and flight network, additional passenger and cargo traffic and significantly increased ancillary revenues.
- Real estate and hotel revenues posted a 19.0% growth from ₱10.58 billion to ₱12.59 billion due to higher revenues of all its divisions, particularly its Residential Division, which recorded higher realized revenues due to increase in completion levels of its existing projects.
- Petrochemical's revenues increased 44.6% from ₱3.31 billion in 2010, to ₱4.78 billion in 2011 as a result of 42.7% growth in sales volume during the year.
- Banking revenues grew 36.1% to ₱2.36 billion during the period as it finally operated as a commercial bank for a full year.

However, our equity income from associates and joint ventures, declined 19.9% from ₱2.77 billion to ₱2.22 billion due to the lower income take-up from Singapore-based affiliate, United Industrial Corp. Ltd. (UIC). JG Summit owns a 36.09% stake in UIC.

Gross income dropped 4.3% to ₱36.91 billion mainly due to higher cost of sales during the year. The significant increase in aviation fuel prices and the higher costs of raw materials of the food business contributed to the 29.3% increase in cost of sales.

Consolidated operating expenses increased 10.6% as a result of a higher level of business activity of food and airline businesses. Hence, consolidated operating income decreased 17.3% because of the lower gross income and higher operating expenses.

The Group's financing costs and other charges (net of interest income) incurred for the year ended December 31, 2011 decreased by 40.8% from ₱3.52 billion in 2010 to ₱2.08 billion as the Group's level of borrowings declined after paying down some of the syndicated loans from cash proceeds of the PLDT share option sale and the higher average investment portfolio for the period. Mark-to-market valuation of financial assets for the year amounted to a loss of ₱655.49 million versus a gain of ₱1.70 billion for the same period in 2010. This was brought about by the combined effects of the lower market value of some of its financial assets and the fuel hedges of Cebu Air Inc., arising from volatility in global financial and commodity markets. The Group also recognized foreign exchange losses of ₱245.88 million against foreign exchange gains reported last year of ₱1.94 billion, as the Philippine peso was much stronger in 2010 as compared to 2011.

Other income, which include commission income from our insurance brokering, dividend income, rental income, management fees and gain on sale of financial instruments, among others, recorded a 58.1% growth from last year's.

Provision for income tax increased 21.9% mainly due to higher provision recognized by the real estate business during the period.

II. Segment Operations

A. Results from Continuing Operations

Foods generated a consolidated sale of goods and services of ₱67.17 billion for the fiscal year ended September 30, 2011, 16.4% sales growth over last year. Sale of goods and services performance by business segment follows: (1) URC's branded consumer foods segment, excluding packaging division, increased by ₱6.47 billion, or 15.3%, to ₱48.79 billion in fiscal 2011 from ₱42.32 billion registered in 2010. Domestic sales posted a 6.8% increase from ₱27.69 billion in fiscal 2010 to ₱29.57 billion in fiscal 2011 due to solid performance of its snackfoods division which posted a 14.6% growth. Sales for beverage division declined due to weak sales of C2 as consumption for RTD products in the Philippines declined. In addition, our coffee business was affected by strong pressure from competitors as well as consumer shifting to the 3in1 coffee mixes where URC is not a strong participant. BCFG's international sales significantly increased by 31.4% to ₱19.22 billion in fiscal 2011 against ₱14.63 billion in fiscal 2010 due to considerable increase in sales volume by 36.5%. This was supported by higher revenues from all the countries. Thailand and Vietnam, our two biggest contributors have contributed 75.3% of total international sales. Sale in URC's packaging division went up by 90.7% to ₱1.77 billion in fiscal 2011 from ₱928 million recorded in fiscal 2010 due to increases in sales volume and prices. (2) Agro-Industrial segment (AIG) declined to ₱7.08 billion in fiscal 2011 from ₱7.17 billion recorded in fiscal 2010. URC's feed business grew by 18.7% to ₱3.52 billion on the back of increases in sales

volume and prices. Farm business declined by 15.2% due to decline in sales volume and farm gate prices caused by influx of cheap imported meat. (3) Sale of goods and services in commodity foods segment amounted to ₱9.53 billion, in fiscal 2011 or up by 30.5% from ₱7.30 billion reported in fiscal 2010 due to higher sales volume and better prices.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱9.53 billion, or 23.2%, to ₱50.65 billion in fiscal 2011 from ₱41.11 billion in fiscal 2010. Cost of sales went up due to increases in sales volume and costs of major raw materials.

URC's gross profit for fiscal 2011 amounted to ₱16.52 billion, down by ₱85 million from ₱16.61 billion reported in fiscal 2010. URC's gross profit as a percentage of net sales declined by 4 percentage points to 25% in fiscal 2011 from 29% in fiscal 2010 due to higher input costs this year. Selling and distribution costs and general and administrative expenses rose by ₱706 million or 7.9% to ₱9.63 billion in fiscal 2011 from ₱8.93 billion registered in fiscal 2010. This increase resulted primarily from the following factors: (1) 22.3% increase in freight and delivery charges to ₱2.49 billion in fiscal 2011 from ₱2.04 billion in fiscal 2010 due to increase in trucking and shipping costs associated with increased volume and higher fuel prices; (2) 16.2% increase in compensation and benefits to ₱2.20 billion in fiscal 2011 from ₱1.90 billion in fiscal 2010 due to annual salary adjustments and accrual of pension expenses.

Market valuation loss on financial instruments at fair value through profit or loss of ₱1.16 billion in fiscal 2011 from ₱2.01 billion market valuation gain in fiscal 2010 due to significant drop in the market values of bond and equity security investments was reported.

URC's finance revenues decreased by ₱31 million to ₱1.19 billion in fiscal 2011 from ₱1.22 billion in fiscal 2010 due to currency translation of interest income on foreign currency denominated financial assets.

URC's finance costs consist mainly of interest expense which decreased by ₱33 million or 3.2%, to ₱1.0 billion in fiscal 2011 from ₱1.03 billion recorded in fiscal 2010 due to currency translation of interest expense on foreign currency denominated financial liabilities.

Impairment loss of ₱167.21 million was reported in fiscal 2011, a decrease of 62.3% from ₱442.89 million in fiscal 2010 due to provision on impairment loss for other assets last year.

Foreign exchange loss amounted to ₱36.69 million in fiscal 2011 from ₱335.28 million reported in fiscal 2010 due to currency translation adjustments.

Net income attributable to equity holders of the parent decreased by ₱3.18 billion or 40.7% to ₱4.64 billion in fiscal 2011 from ₱7.82 billion in fiscal 2010 as a result of factors discussed above.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱10.16 billion for fiscal 2011, 7.3% lower than ₱10.96 billion posted in fiscal 2010. Core earnings before tax (operating profit after equity earnings, net finance costs and other expense-net) for fiscal 2011 amounted to ₱6.98 billion, a decrease of 9.2% from ₱7.69 billion recorded for fiscal 2010.

Real estate and hotels generated total gross revenues of ₱13.34 billion for fiscal year 2011, an increase of 18% from ₱11.30 billion of total gross revenues for fiscal year 2010. Net profit for the fiscal year 2011 amounted to ₱3.97 billion, up by 10% compared to fiscal year 2010. EBITDA amounted to ₱7.14 billion this year, up by 11% from last year.

The Commercial Centers Division accounted for ₱6.23 billion of the real estate revenues for the year versus ₱5.74 billion last year. The 8% increase in revenues of the Commercial Centers Division was due to rental escalations and strong take up of leased areas of the mall space after renovation and expansion work of existing malls. Significant rental increment was contributed by our flagship malls – Robinsons Galleria and Robinsons Place Manila and the continued strong growth of our new malls in Dumaguete, Ilocos Norte, General Santos, Tacloban, Davao and Cebu. The Division's EBIT and EBITDA have shown positive variances of 6.6% and 7.3%, respectively.

The Residential Division realized gross revenues of ₱4.56 billion up by 41% from ₱3.22 billion last year due to increase in completion levels of existing projects such as The Fort Residences, East of Galleria and Woodsville Viverde and higher take up of realized revenues from new projects such as Trion Tower 1, Sonata 1 and Amisa 1 and 2. As realized revenues increased, both EBIT and EBITDA have shown a positive variance of 30%.

The Office Buildings Division reported revenues of ₱1.35 billion compared to ₱1.18 billion over the same period last year. This 14% increase in lease income was due mainly to new office space available for lease in Robinsons Cybergate Tower 3 and completion of Cybergate Plaza. The Division's EBIT and EBITDA have shown positive variances of 10% and 14%, respectively.

The Hotels Division, a major contributor of RLC's recurring revenues registered gross revenues of ₱1.21 billion, as against last year's ₱1.15 billion. The 5% increase in hotel revenues was principally due to the strong performance of the pilot Go Hotel in Mandaluyong City. The average occupancy rates of RLC's hotels are 72% for Crowne Plaza Galleria Regency, 74% for Holiday Inn Galleria Manila, 60% for Summit Circle Cebu (formerly Cebu Midtown Hotel), 40% for the Summit Ridge Hotel and 88% for the newly opened Go Hotel. Hotel's Division EBIT grew by 30%, while EBITDA showed a positive variance of 10%.

Real estate cost and expenses went up to ₱5.45 billion this year. As a result of the increase in realized gross revenues of the Residential Division, cost of real estate sale of sold residential units increased by 53%. Hotel expenses slightly increased to ₱1.01 billion or 1% as compared to last year of ₱996.91 million due to higher operational expenses at Summit Ridge Hotel and Go Hotel.

Interest income slightly decreased to ₱671.8 million from ₱702.1 million last year. The higher interest income from money market placements was offset by the lower interest income on its receivable from affiliated companies.

General and administrative expenses went up by 12% due to higher salaries, advertising and promotions and insurance, among others. Interest expense decreased by 17% due to higher level of capitalizable interest covering various capital expenditures.

Air transportation generated gross revenues of ₱33.94 billion for the year ended December 31, 2011 16.7% higher from last year's ₱29.09 billion, mainly attributed to the 14.1% increase in the total number of passengers carried driven by the increased number of flights and higher seat load factor of 86.3% in 2011. Number of flights went up by 10.5% as a result of increase in number of aircraft operated to 37 aircraft as of December 31, 2011 from 31 aircraft as of end 2010. Moreover, ancillary revenues went up by 94.0% to ₱4.53 billion in 2011 from ₱2.34 billion in 2010 due to increased online bookings and higher excess baggage rates as part of its unbundling of fares strategy, Cebu Air commenced charging for every

checked-in luggage with the elimination of free baggage allowance. Cost of services and operating expenses went up 34.3% to ₱30.41 billion in 2011 from ₱22.64 billion last year. Major contributor to the higher expenses this year is the aviation fuel expenses which increased 55.2% from ₱9.81 billion in 2010 to ₱15.22 billion in 2011, consequent to the increase in volume of fuel consumed as a result of increased number of flights year on year. Rise in aviation fuel expenses was further influenced by the surge in aviation fuel prices as referenced by the increase in average published fuel MOPS price of US\$125.50 per barrel in the twelve months ended December 2011 from US\$90.10 average per barrel in the same period last year. Cebu Pacific recognized higher interest income for the period from ₱237.50 million last year to ₱647.40 million this year due to higher average cash balance which were placed in short-term money markets in addition to interest generated from bond investments during the period. Foreign exchange gain dropped significantly to ₱50.15 million from ₱576.98 million recorded last year as a result of peso appreciation during the period. Net income for the year ended December 31, 2011 amounted to ₱3.62 billion, a decline of 47.6% from ₱6.92 billion last year.

Petrochemicals revenues surged to ₱4.78 billion for the fiscal year ended September 30, 2011, a 44.6% growth from last year's ₱3.31 billion as sales volume increased from 61,083 MT last year to 87,167 MT this year, in addition to the higher average selling price of Polypropylene during the year. Costs and expenses, increased 53.7%, relative to higher production and higher price of bunker fuel during the year. Higher impairment losses from inventory write-offs were also recognized during the period. This, together with a net foreign exchange loss of ₱2.22 million this year compared to a net foreign exchange gain of ₱36.48 million last year, contributed to a higher net loss this year amounting to ₱383.97 million compared to only ₱102.15 million last year.

Banking Services, generated net earnings of ₱384.38 million for the year ended December 31, 2011, a 26.7% growth from last year's net income of ₱303.47 million. The increase is mainly due to higher revenues recorded this year from ₱1.73 billion last year to ₱2.36 billion this year. Aside from this, RBC also recorded a 65.3% growth from its trading gain from ₱251.58 million last year to ₱415.86 million this year. As of December 31, 2011, total resources amounted to ₱31.52 billion from last year's ₱24.80 billion. Loans increased to ₱13.18 billion from last year's ₱10.49 billion, deposit liabilities likewise, increased to ₱25.19 billion this year from ₱18.54 billion last year.

Equity in net earnings of associates companies and joint ventures amounted to ₱2.22 billion for the year ended December 31, 2011, a 19.9% decline from last year's ₱2.77 billion. Decrease in equity income is mainly due to UIC, which recorded lower net income before fair value gain (loss) on investment properties this year. **United Industrial Corporation, Limited** recorded a 15.5% decrease in its net income from operations S\$200.23 million in 2011 from S\$237.01 million in 2010. Since the Group's policy for the valuation of property, plant and equipment is the cost basis method, the equity income taken up by the Group represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets. **First Private Power Corporation (FPPC)**, ceased business operations last July 2010, thus no equity earnings take up on FPPC during the year.

Other Supplementary Business, Unicon recognized net income of ₱39.48 million in 2011 a significant growth from last year's ₱23.76 million mainly due to higher commission income of ₱142.56 million this year compared to ₱105.83 million last year.

2010 vs. 2009

I. CONSOLIDATED OPERATIONS

Results of Operations

The Group's reported consolidated net income showed an increase of 91.0% from ₱8.55 billion in 2009 to ₱16.32 billion in 2010 as most of our subsidiaries posted record performance. Core earnings before taxes for the year ended December 31, 2010, excluding the effects of foreign exchange and mark-to-market gains or losses, increased 74.4% from ₱10.28 billion to ₱17.93 billion. Likewise, our EBITDA (operating income adding back depreciation and amortization), recorded a 33.7% improvement from previous year's ₱21.15 billion to ₱28.28 billion in 2010, due to the strong performance of its subsidiaries.

Significant increase in net income was brought about by:

- The food business, Universal Robina Corporation's (URC) net income attributable to equity holders of the parent significantly improved 101.9% brought about by higher revenues for the period.
- Cebu Pacific Air's net income reached another record ₱6.91 billion, more than double of last year's net income amounting to ₱3.26 billion as it recorded a 24.8% growth in its gross revenues.

Consolidated revenues posted a double digit growth of 12.0% from ₱93.94 billion in 2009 to ₱105.20 billion this year due to the strong performance of our food and airlines businesses.

- URC's revenue grew 14.4% from ₱50.45 billion in 2009, to ₱57.52 billion in 2010 due to due to the strong performance of the branded consumer foods Philippines and international.
- CEB's 24.8% growth in gross revenues from ₱23.31 billion in 2009 to ₱29.09 billion in 2010 brought about by its continuous expansion of its route and flight network, additional passenger and cargo traffic and significantly increased ancillary revenues.

Gross income increased by 23.6% to ₱38.56 billion, a result of higher revenues and slight increase in cost of sales. The petrochemical business recorded lower cost of sales during the year due to lower production. Aside from this, URC's increase in cost of sales due to increase in sales volume was partially tempered by lower costs of raw materials this year.

Consolidated operating expenses increased 5.4% as a result of a higher level of business activity of food and airline businesses, consolidated operating income increased by a higher 45.7% due to better operating efficiencies that led to improved margins in 2010.

The Group's financing costs and other charges (net of interest income) incurred for the year ended December 31, 2010 decreased by 14.1% from ₱4.10 billion in 2009 to ₱3.52 billion as the Group was able to generate additional interest income on the latter part of the year on the proceeds from the successful IPO of Cebu Pacific in October 2010. The Group recognized gains from market valuation of its financial assets amounting to ₱1.70 billion for the year ended December 31, 2010 and foreign exchange gains of ₱1.94 billion as the Group benefited from the stabilization of the capital markets as well as the strengthening of the peso currency. Provision for income tax increased by 25.2% because of higher taxable income recorded by our food division and an increase in our provision for deferred tax on unrealized foreign exchange gains recorded for the year.

II. Segment Operations

A. Results from Continuing Operations

Foods posted a consolidated sale of goods and services of ₱57.72 billion for the fiscal year ended September 30, 2010, 14.4% higher than the sales posted last year. Sale of goods and services performance by business segment follows: (1) URC's branded consumer foods segment, excluding packaging division, increased by ₱4.22 billion, or 11.1%, to ₱42.32 billion in fiscal 2010 from ₱38.10 billion reported in 2009. Domestic sales increased by ₱1.12 billion to ₱27.69 billion in fiscal 2010 from ₱26.57 billion in fiscal 2009 due to strong performance of its beverage division which posted a 21.2% growth due to the successful rollout of C2 in 220ml at the beginning of fiscal year while the growth for snackfoods division was tempered by several supply issues as well as some shift in consumer demand for extruded or palletized snacks and functional candies. BCFG's international sales significantly increased by 26.9% due to considerable increase in sales volume by 34.8%. This was supported by strong sales growth from Vietnam, Thailand, Malaysia, Singapore and China. Thailand and Vietnam have reached the scale with sales of more than US\$100 million each with Thailand solidifying its leadership in biscuits while the strong demand for C2 product in Vietnam continues. Sale in URC's packaging division went down by 12.5% to ₱928 million in fiscal 2010 from ₱1.06 billion recorded in fiscal 2009 due to decrease in sales volume. (2) Agro-Industrial segment (AIG) posted revenues of ₱7.17 billion in fiscal 2010, an increase of 22.6% from ₱5.85 billion recorded in 2009. The increase is substantially driven by farm business, which grew by 35.2% due to higher sales volume of hogs and broiler coupled by increases in farm gate prices, which was partly driven by strong election spending in the third quarter of fiscal year. Feed sales went up by 8.2% on the back of increases in sales volume. (3) Sale of goods and services in commodity foods segment increased by ₱1.86 billion or 34.1% to ₱7.30 billion in fiscal 2010 from ₱5.45 billion recorded in fiscal 2009. This was primarily due to upsurge in net sales of sugar business by 97% driven by increases in selling prices while our flour business was affected by price rollbacks despite the growth in sales volume.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱3.64 billion, or 9.7%, to ₱41.11 billion in fiscal 2010 from ₱37.48 billion in fiscal 2009. Cost of sales went up due to increase in sales volume, partially tempered by lower costs of major raw materials this year against last year.

URC's gross profit increased by ₱3.63 billion, or 28.0%, to ₱16.61 billion in fiscal 2010 from ₱12.98 billion reported in fiscal 2009. Gross profit as a percentage of net sales grew by 3 percentage points to 29% in fiscal 2010 from 26% in fiscal 2009 as URC took advantage of lower input costs this year. Selling and distribution costs and general and administrative expenses increased by ₱603 million or 7.2% to ₱8.93 billion in fiscal 2010 from ₱8.32 billion recorded in fiscal 2009. This increase resulted primarily from the following factors: (1) 12.3% increase in advertising and promotion costs to ₱3.50 billion in fiscal 2010 from ₱3.11 billion in fiscal 2009 to support the new SKUs launched and to boost up sales of existing products in light of increasing market competition; (2) 16.0% increase in freight and delivery charges to ₱2.04 billion in fiscal 2010 from ₱1.76 billion in fiscal 2009 due to increase in trucking and shipping costs associated with increased volume.

Market valuation gain on financial instruments at fair value through profit or loss increased by ₱1.31 billion or 185.9% to ₱2.01 billion in fiscal 2010 from ₱702 million in fiscal 2009 due to significant recovery in market values of bonds and equity securities investments.

URC's finance costs consist mainly of interest expense which decreased by ₱380 million or 26.9%, to ₱1.03 billion in fiscal 2010 from ₱1.41 billion recorded in fiscal 2009 due to decline in level of financial debt.

Foreign exchange loss amounted to ₱335 million in fiscal 2010 from ₱46 million reported in fiscal 2009 due to currency translation losses.

Net income attributable to equity holders of the parent increased by ₱3.93 billion or 101.1% to ₱7.82 billion in fiscal 2010 from ₱3.89 billion in fiscal 2009 as a result of factors discussed above.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱10.96 billion for fiscal 2010, 42.5% higher than ₱7.69 billion posted in fiscal 2009. Core earnings before tax (operating profit after equity earnings, net finance costs and other expense-net) for fiscal 2010 amounted to ₱7.69 billion, an increase of 83.6% from ₱4.19 billion recorded for fiscal 2009.

Real estate and hotels generated total gross revenues of ₱11.30 billion for fiscal year 2010, an increase of 5% from ₱10.73 billion of total gross revenues for fiscal year 2009. Net profit for the fiscal year 2010 amounted to ₱3.59 billion, up by 10% compared to fiscal year 2009. RLC's net profit growth would have been higher at 13% if the ₱103 million gain from interest rate swap transaction last year was excluded. EBITDA amounted to ₱6.41 billion this year, up by 8% from last year.

The Commercial Centers Division accounted for ₱5.74 billion of the real estate revenues for the year versus ₱4.21 billion last year. The 36% increase in revenues of the Commercial Centers Division was principally due to newly opened malls particularly Robinsons Place General Santos, Robinsons Ilocos Norte, Robinsons Place Dumaguete and Cybergate Cebu. Rental escalations and strong take up of leased areas of RLC's mall space after renovation and expansion work of existing malls increased the rental revenue by 7.7%. Significant rental contribution came from Robinsons Place Manila, Galleria mall, Robinsons Place Tacloban, Robinsons Place Lipa and Robinsons Cybergate Davao, among others. Amusement revenue during the year of ₱712 million was likewise recorded as a result of operating the Robinsons Movieworld starting fiscal year 2010. The Division's EBIT and EBITDA have shown positive variances of 34% and 29%, respectively.

The Residential Division realized gross revenues of ₱3.22 billion lower by 26% from ₱4.37 billion last year due to lower construction completion. As a result of the decrease in realized gross revenues, EBIT has shown a negative variance of 45%, while EBITDA showed a decrease of 44%.

The Office Buildings Division reported revenues of ₱1.18 billion compared to ₱1.11 billion over the same period last year. This 6% increase in lease income was due mainly to new office space available for lease in Robinsons Cybergate Tower 3 and completion of Cybergate Plaza. The Division's EBIT and EBITDA have shown positive variances of 14% and 10%, respectively.

The Hotels Division, a major contributor of RLC's recurring revenues registered gross revenues of ₱1.15 billion, as against last year's ₱1.04 billion. The 11% increase in hotel revenues was principally due to the opening Summit Ridge Hotel in Tagaytay and Go Hotel in Mandaluyong City. The average occupancy rates of RLC's hotels are 75% for Crowne Plaza Galleria Regency, 76% for Holiday Inn Galleria Manila, 56% for Cebu Midtown Hotel, 36% for

the Summit Ridge Hotel and 73% for the newly opened Go Hotel. Hotel's Division EBIT has shown a positive variance of 17%, while EBITDA showed a positive variance of 13%.

Real estate cost and expenses remained steady at ₱4.13 billion this year. Lower cost of real estate sale of sold residential units was offset by higher depreciation and cinema cost. Hotel expenses increased to ₱996.9 million or 10% as compared to last year of ₱905.8 million due to higher operational expenses at Summit Ridge Hotel and Go Hotel.

Interest income increased to ₱702.1 million from ₱237.8 million last year due to higher level of money market placements and other financial assets.

Air transportation generated gross revenues of ₱29.09 billion for the year ended December 31, 2010 a 24.8% increase from last year's ₱23.31 billion, largely driven by the increased number of flights and higher load factor in 2010. Increase in number of flights is brought about by additional flight frequencies to existing destinations and the opening of 1 domestic destination (Pagadian) and the launching of 2 new regional destinations (Brunei and Beijing) in 2010. It also increased its fleet by adding 2 Airbus A320 aircraft and 2 ATR 72-500 aircraft in 2009 and 3 Airbus A320 aircraft in 2010 which were used in operations during the last quarter of 2010. Moreover, increase in average fares and the automatic recognition of revenue from no-shows also boosted revenues. Correspondingly, cost of services and operating expenses went up to ₱22.64 billion from ₱20.15 billion last year. Cebu Pacific recognized gains from foreign exchange, fuel hedging and market valuation of its financial assets designated at fair value through profit or loss totaling ₱1.16 billion during the year compared to ₱1.10 billion recorded last year. All these factors contributed to the 112.5% growth in net income for the year from ₱3.26 billion last year to ₱6.92 billion this year. EBITDAR (earnings before interest, taxes, depreciation and amortization and rent expenses) increased by 49.2% to ₱10.16 billion in 2010 from ₱ 6.81 billion last year.

Petrochemicals revenues declined to ₱3.31 billion for the fiscal year ended September 30, 2010, from last year's ₱5.57 billion as sales volume decreased from 108,836 MT last year to 61,115 MT due to lower sales. Cost of sales was likewise reduced from ₱ 6.09 billion to only ₱3.75 billion as production slowed down significantly this year compared to last year. This resulted to an improved gross income for JGSPC for the year with ₱126.81 million as compared to last year's ₱ 42.45 million and a decrease in net loss by 80.0% from ₱ 511.10 million to ₱ 102.15 million. Foreign exchange gain recognized during the year amounting to ₱ 36.48 million from a foreign exchange loss last year of ₱95.4 million also contributed to the reduced net loss.

Banking Services, which include **Robinsons Savings Bank (RSB)** and **Robinsons Bank Corporation (RBC)**, formerly Royal Bank of Scotland, Phils., generated net earnings of ₱303.47 million for the year ended December 31, 2010, a 49.6% growth from last year's net income of ₱202.81 million. The increase is mainly due to higher revenues recorded this year from ₱1.13 billion last year to ₱1.73 billion this year. Aside from this, RSB also recorded a significant growth from its trading gain from ₱32.08 million last year to ₱251.58 million this year. As of December 31, 2010, total resources amounted to ₱24.80 billion from last year's ₱ 16.89 billion. Loans increased to ₱10.49 billion from last year's ₱8.23 billion, as well deposit liabilities, which reached ₱18.54 billion this year from ₱14.09 billion last year.

Equity in net earnings of associates companies and joint ventures amounted to ₱2.77 billion for the year ended December 31, 2010, a 10.4% decline from last year's ₱3.09 billion. Decrease in equity income is mainly due to UIC, which recorded a higher net income before fair value gain (loss) on investment properties last year from a deferred income tax write-back

of SGD21.7 million in 2009. **United Industrial Corporation, Limited** recorded a 1.6% decrease in its net income from operations S\$237.01 million in 2010 from S\$240.82 million in 2009. Since the Group's policy for the valuation of property, plant and equipment is the cost basis method, the equity income taken up by the Group represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets. **First Private Power Corporation (FPPC)**, ceased business operations last July 2010. As of December 31, 2010, FPPC merged with **Buang Private Power Corporation (BPPC)**, with the latter as the surviving company.

Other Supplementary Business, Unicon recognized net income of ₱23.76 million in 2010 a slight decrease from last year's ₱25.08 million despite increase in commission income of 4.0%. The decrease is mainly due to higher operating expenses during the period from ₱65.60 million last year to ₱72.80 million this year.

2009 vs 2008

I. Consolidated Operations

The Group's consolidated financial performance for the year ended 2009 generated a net income from equity holders of the parent of ₱8.55 billion, a complete turnaround from last year's net loss of ₱0.69 billion. With the global financial markets front stabilizing in 2009, the Group was able to recoup and more, the losses from the mark-to-market of financial assets and fuel hedges it recorded in 2008. Market valuation gains recorded for this year totaled ₱2.43 billion as compared to losses of ₱7.14 billion last year. Likewise, foreign exchange losses have been kept to only ₱525.33 million compared to a huge ₱2.93 billion in 2008, with the peso strengthening by the end of the year. However, even without the impact of these two items, our Group still showed a remarkable improvement as our core earnings increased 11.7% from ₱9.16 billion in 2008 to ₱10.23 billion in 2009. Likewise, our EBITDA grew to ₱21.15 billion during the year.

Significant increase in net income was brought about by:

- The food business, Universal Robina Corporation's (URC) 920.2% increase in net income brought about by higher revenues and the recovery of the market valuation of its financial assets.
- Cebu Pacific Air's net income reached a record ₱3.26 billion, a complete turnaround from last year's net loss as it recovered from the losses it incurred from its fuel hedges last year.
- Consistent income contribution from Robinsons Land Corporation, our Group's real estate business, with a 3.6% increase in net income from ₱3.15 billion in 2008 to ₱3.26 billion in 2009.
- Equity in net earnings of associates increased by 29.3%, from ₱2.39 billion in 2008 to ₱3.09 billion in 2009 mainly due to higher equity earnings recognized from UIC.

Consolidated revenues reached ₱93.94 billion in 2009, a 9.0% increase from last year's due to the strong performance of our food, airlines and telecoms businesses.

- URC's revenue grew 11% from ₱45.45 billion in 2008, to ₱50.45 billion in 2009 due to growth in sales of almost all its segments, most significant of which is from its

branded consumer foods international sales.

- CEB's posting of 18.4% growth from ₱19.68 billion in 2008 to ₱23.31 billion in 2009 caused by the increase in number of passengers as a result of additional flights during the period. Ancillary revenues also showed significant growth as a result of the new services provided with the introduction of Navitaire reservation systems.

Gross income increased by 25.0%, a result of higher revenues and slight increase in cost of sales. The petrochemical and the real estate businesses recorded lower cost of sales during the year due to lower production and lower project completion, respectively. URC also contributed to higher gross margin this year, as it took advantage of lower input costs.

General and administrative expenses increased 20.0% due to higher depreciation recorded and increase in advertising and promotion costs during the year.

Financing costs and other charges incurred for the year ended December 31, 2009 increased 4.6% from due to higher level of debt financing.

Impairment losses grew 29.8% to ₱774.35 million due to higher impairment on receivables and available-for-sale investments this year.

As earlier mentioned, market valuation gain during the year amounted to ₱2.43 billion compared to a market valuation loss of ₱7.14 billion last year as the capital markets recovered during the period.

Foreign exchange loss – net dropped significantly from ₱2.93 billion in 2008 to ₱525.33 million in 2009 as the peso strengthened during the latter part of the year.

Interest income recorded in 2009 decreased 37.8% to ₱1.53 billion due to lower average investment portfolio during the period as compared to last year's.

Other income dropped to ₱232.25 million this year from ₱1.38 billion last year since there was a gain recognized on early repayment of various debts by a certain subsidiary last year.

Provision for income tax amounted to ₱1.29 billion from a net benefit of ₱321.83 million last year mainly due to the deferred taxes recognized from the foreign exchange and market valuation losses recorded last year.

II. Segment Reporting

Foods generated a consolidated sales of goods and services of ₱50.45 billion for the fiscal year ended September 30, 2009, 11.0% higher than the sales posted last year. Sale of goods and services performance by business segment follow: (1) URC's branded consumer foods segment, excluding packaging division, increased by ₱4.84 billion, or 14.5%, to ₱38.10 billion in fiscal 2009 from ₱33.26 billion reported in 2008. The increase was due to a 10.7% increase in net sales from domestic operations, which was largely driven by the strong performance of its snackfoods which posted a 12.4% growth on the back of price increases implemented at the end of last fiscal year and in the first quarter of the current year. BCFG's international sales significantly increased by 24.4% due to considerable increase in sales volume by 34.0%. This was supported by higher revenues from Singapore, Hong Kong and Vietnam. Sales in URC's packaging division went down by 29.2% to ₱1.06 billion in fiscal 2009 from ₱1.50 billion posted in fiscal 2008 due to decrease in sales volume and commodity prices worldwide. (2) Agro-Industrial segment (AIG) posted revenues of ₱5.85 billion in fiscal 2009, a 4.9% increase from ₱5.57 billion recorded in 2008. Revenue growth was brought about by higher sales of the farm business due to higher sales volume and prices of hogs

and increase in sales of commercial table eggs and broiler this year. (3) Net sales of commodity foods segment amounted to due to ₱5.45 billion in fiscal 2009 or up by 6.3% from ₱5.12 billion reported in fiscal 2008. Flour sales grew by 5.1% to ₱3.49 billion from ₱3.32 billion reported last year due to higher sales volume. Sugar net sales increased by 8.7% to ₱1.96 billion from ₱1.80 billion posted last year due to increase in sales to external customers.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by 8.3% to ₱37.48 billion in fiscal 2009 from ₱34.60 billion in fiscal 2008 due to increases in sales volume coupled with significant increases in costs of major raw materials during the first quarter of fiscal 2009.

URC's gross profit for fiscal 2009 amounted to ₱12.98 billion, an increase of 19.5% from ₱10.86 billion posted in fiscal 2008. Gross profit margin is up by 200 basis points versus last year and has improved since the first half quarter of the year when URC took advantage of lower input costs. Selling and distribution costs and general and administrative expenses rose by 16.2% from ₱7.17 billion to ₱8.32 billion primarily due to the following factors: (1) increase in advertising and promotion costs by 22.9% from ₱2.53 billion in fiscal 2008 to ₱3.11 billion in fiscal 2009 to support the new SKUs launched and to boost up sales of existing products in light of increasing market competition; (2) increase in compensation and benefits by 27.6% is due to annual salary adjustments and pension expense resulting from net actuarial loss during the year; (3) increase in freight and handling expenses by 5.1% or ₱85 million due to increase in trucking and shipping costs associated with higher fuel prices and increased volume; and (4) increase in miscellaneous expense by 54.6% to ₱428 million in fiscal 2009 from ₱277 million in fiscal 2008 which was substantially due to increase in computer hardware maintenance costs and technical expenses.

URC recognized a market valuation gain of ₱702 million on financial instruments at fair value through profit or loss reported in fiscal 2009 against the ₱2.26 billion market valuation loss in fiscal 2008. This was due to significant recovery in market values of investments in bonds and equity securities in the second half of this year.

Foreign exchange loss amounted to ₱46 million in fiscal 2009 from ₱424 million reported in fiscal 2008 due to effects of realized foreign exchange and currency translation gains.

Net income attributable to equity holders of the parent increased by ₱3.51 billion or 920.2% to ₱3.89 billion in fiscal 2009 from ₱381 million in fiscal 2008 due to higher operating income, mark-to-market gain in bond and equity holdings as a result of recovery of market prices during the first half of the year and lower foreign exchange loss.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱7.69 billion for fiscal 2009, 20.5% higher than ₱6.38 billion recorded in fiscal 2008. Core earnings before tax (operating profit after equity earnings, net of finance costs and other expense-net) for fiscal 2009 amounted to ₱4.19 billion, an increase of 19.7% from ₱3.50 billion reported for fiscal 2008.

Real estate and hotels net profit for the fiscal year 2009 amounted to ₱3.27 billion, up by 4% compared to fiscal year 2008. Excluding ₱103 million gain from interest rate swap transaction this year and ₱253 million reduction of deferred income tax last year, RLC's net profit growth is much higher at 10%. Although revenues was slightly down by 4% to ₱10.73 billion, pre-tax profits still grew by 14% due to better cost control management. EBITDA amounted to ₱5.95 billion this year, up by 12%. Net income attributable to equity holders of parent amounted to ₱3.26 billion this year compared to ₱3.15 billion last year.

The Commercial Centers Division accounted for ₱4.21 billion of the real estate revenues for the year versus ₱3.69 billion last year. The 14% increase in revenues of the Commercial Centers Division was principally due to newly opened malls particularly Summit Ridge – Tagaytay, Robinsons Place – Tacloban, Robinsons Cabanatuan and Robinsons Place – Davao. Rental escalations and strong take up of leased areas of RLC’s mall space after renovation and expansion work of existing malls increased the rental revenue by 9.7%. Significant rental contribution came from Robinsons Place Manila, Galleria mall, Robinsons Place Sta. Rosa and Robinsons Place Lipa, among others. The Division’s EBIT and EBITDA have shown positive variances of 29.9% and 20.0%, respectively.

The Residential Division realized gross revenues of ₱4.37 billion down by 20% from ₱5.46 billion last year due to construction completion. Despite the decrease in gross revenues, EBIT has shown a slight decrease of 1% to ₱1.36 billion, and EBITDA also showed a slight contraction of 0.5% from last year’s figures due to lower cost of sales.

The Office Buildings Division reported revenues of ₱1.11 billion compared to ₱883.4 million over the same period last year. This 25.9% increase in lease income was due mainly to new office space available for lease in Robinsons Cybergate Towers 2 and 3.

The Hotels Division, a major contributor of RLC’s recurring revenues registered gross revenues of ₱1.04 billion, as against last year’s ₱1.14 billion. The 9.1% decrease in hotel revenues was principally due to the global travel slowdown. The average occupancy rates of RLC’s hotels are 72% for Crowne Plaza Galleria Regency, 77% for Holiday Inn Galleria Manila, 54% for Cebu Midtown Hotel and 23% for the newly opened Summit Ridge Hotel.

Real estate cost and expenses decreased by 18.9% from ₱5.09 billion last year to ₱4.13 billion this year due to lower project completion at Residential Division, particularly Otis 888 Residences, Gateway Garden Ridge and Three Adriatico Place. Hotel expenses decreased to ₱905.9 million or 4% as compared to last year of ₱947.52 million due to lower operational expenses as a result of lower room occupancy.

Air transportation revenues increased 18.4% to ₱23.31 billion for the year ended December 31, 2009 from last year’s ₱19.68 billion, mainly due to increase in number of passenger resulting from additional flights during the period. This was brought about by the opening of five new domestic destinations. Aside from this, the addition of two new Airbus A320 and two ATR72-500 brought about additional flight frequencies and capacity increase. Ancillary revenues also grew 71.2% from ₱1.24 billion last year to ₱2.12 billion this year due to the new services provided with the introduction of Navitaire reservation systems, such as charges for prepaid baggage, advance seat selection and website administration. Correspondingly, cost of services and operating expenses went up 10.9% from ₱17.95 billion to ₱20.15 billion this year. CEB recognized a net foreign exchange gain of ₱418.47 million in 2009 compared to a foreign exchange loss of ₱1.51 billion in 2008. Market valuation from fuel hedging recorded a gain of ₱685.57 million for the year versus a loss ₱2.59 billion recognized in 2008. As a result, CEB recorded a net income of ₱3.26 billion this year, a complete turn around from last year’s net loss of ₱3.26 billion.

Petrochemicals revenues dropped 33.9% to ₱6.14 billion for the fiscal year ended September 30, 2009, from last year’s ₱9.28 billion as sales volume decreased from 153,712 MT last year to 95,361 MT this year, mainly due to lower production during the period. JGSPC’s gross income went down by 82.6% to ₱42.45 million from ₱243.78 million last year. Operating expenses decreased by 96.7% mainly due to reversal of impairment losses on inventory and receivables amounting to ₱180.56 million and ₱40.24 million, respectively.

Foreign exchange loss also decreased during the year from ₱295.27 million last year to ₱89.56 million this year, thus, net loss for fiscal 2009 amounted to ₱511.10 million compared to last year's ₱673.80 million despite last year's higher revenues.

Robinsons Savings Bank generated net earnings of ₱202.81 million for the year ended December 31, 2009, a 41.2% growth from last year's net income of ₱143.59 million. The increase is mainly due to higher interest income recorded this year from ₱893.81 million last year to ₱1.02 billion this year. As of December 31, 2009, total resources amounted to ₱16.89 billion from last year's ₱12.71 billion. Loans increased to ₱8.23 billion from last year's ₱7.06 billion, deposit liabilities increased to ₱14.09 billion this year compared to ₱8.58 billion last year.

Equity in net earnings of associates companies and joint ventures amounted to ₱3.09 billion for the year ended December 31, 2009, a 29.3% growth from last year's ₱2.39 billion. Increase in equity income is mainly due to UIC, which recorded a higher net income before fair value gain (loss) on investment properties. **United Industrial Corporation, Limited** recorded a 28.4% growth in its net income from operations S\$187.50 million in 2008 to S\$240.82 million in 2009. Increase is mainly due to higher sales of residential properties and rental income. Since the Group's policy for the valuation of property, plant and equipment is the cost basis method, the equity income taken up by the Group represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets. **First Private Power Corporation (FPPC)**, reported a net income of US\$11.74 million, from last year's US\$8.46 million. Last year's net income includes a lower equity income recognized by FPPC from BPPC, brought about by the latter's adoption of a new accounting standard.

Other Supplementary Business, Unicon recognized net income of ₱22.64 million in 2009, a significant increase from last year's ₱2.45 million. This growth was brought about by higher commission income during the year, from ₱14.58 million last year to ₱87.05 million this year.

RESULTS FROM DISCONTINUED OPERATIONS

On March 29, 2011, the Board of Directors of the Company and PLDT, approved the acquisition by PLDT of the Company's and certain other seller-parties' ownership interest in Digitel. The Company has since followed the accounting standard PFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

The acquisition was completed on October 26, 2011 following the issuance by the SEC on July 29, 2011 of the confirmations of the valuation of the Assets and that the issuance of the PLDT common shares to the Company and the other seller-parties is exempt from the registration requirement of the SRC, by the NTC on October 26, 2011 of the approval of the sale or transfer of the Company and the other seller-parties' Digitel shares representing more than 40% of Digitel's issued and outstanding common stock, and by the PSE on October 26, 2011 of the approval of the block sale of the Digitel shares. Below are the results of operation of Digitel for the periods ended March 31, 2011, December 31, 2010 and December 31, 2009:

In Million Pesos	2011	2010	2009
Revenues	4,525	16,544	14,020
Costs and Operating expenses	4,182	15,453	12,993
Income (Loss) Before Tax	1,554	1,618	797

In Million Pesos	2011	2010	2009
Net Income	1,542	963	866
EBIT	343	1,091	1,073
EBITDA	1,889	6,968	5,892

Please note that numbers presented above are net of consolidation eliminating entries.

FINANCIAL RESOURCES AND LIQUIDITY

2011 vs 2010

Cash & cash equivalents dropped from ₱42.11 billion as of December 31, 2010, to ₱33.90 billion as of December 31, 2011 mainly due to pay down of a syndicated loan from the cash proceeds of the PLDT shares option sale. Our financial assets, including those held at fair value through profit and loss and available for sale investments, significantly increased due to our 8% stake at PLDT booked as AFS investment during the period.

Cash from operating activities amounted to ₱7.29 billion. Proceeds from sale of PLDT put option shares amounting to ₱25 billion was used to pay the Company's syndicated loan, thus the net cash used in financing activities amounted to ₱10.02 billion. Cash was principally used for the capital expenditure program of the Company's operating subsidiaries and to service debt maturity.

Following the sale of Digitel's Enterprise Assets in 2011, the consolidated balances of most of our assets as of December 31, 2011 have decreased, particularly, derivative assets, property, plant and equipment, other noncurrent assets; and on the liabilities side, accounts payable and accrued expenses, derivative liabilities, long-term debt and other noncurrent liabilities.

Derivative assets dropped 76.1% from ₱1.19 billion to ₱0.28 billion this year since last year's balance still includes that of Digitel's derivatives on its currency forwards.

Inventories rose 25.3% from ₱16.31 billion as of December 31, 2010 to ₱20.44 billion as of December 31, 2011 mainly due to higher level of subdivision land and condominium and residential units for sale of real estate business. Aside from this, level of raw materials, finished goods and materials in transit of the food business has increased during the period.

Other current assets increased 19.4% to ₱7.49 billion in December 31, 2011 from ₱6.27 billion in 2010 mainly due to the escrow account on a portion of the proceeds of the PLDT share option sale.

Investment properties rose 30.5% from ₱32.09 billion as of December 31, 2010 to ₱41.88 billion as of December 31, 2011 due to acquisition of land for future development, and completion of redevelopment of the two flagship malls and on-going redevelopment, expansion and construction of the real estate business of the Company.

Property, plant and equipment decreased 43.7% from ₱146.43 billion to ₱82.40 billion attributed mainly to fixed assets of the telecoms business, which was disposed in 2011.

Goodwill and Intangibles dropped 10.3% and 8.9%, respectively during the year mainly due to impairment recognized by the food business.

Other noncurrent assets dropped 53.4% from ₱3.68 billion in 2010 to ₱1.72 billion in 2011 after derecognition of assets of telecoms, 2010 still includes deferred subscriber acquisition and retention cost amounting to ₱1.45 billion.

Consolidated total assets reached ₱314.81 billion as of end of December 2011.

Accounts payable and accrued expenses decreased 15.5% from ₱29.55 billion as of December 31, 2010 to ₱24.98 billion as of December 31, 2011 since last year's balance still includes that of Digitel.

Short-term debt increased 24.4% from ₱15.35 billion as of December 31, 2010 to ₱19.09 billion as of December 31, 2011 mainly due to availment of new loans by URC and the Parent company.

Derivative liabilities, including noncurrent portion, dropped 62.4% to ₱303.93 million in 2011 from ₱809.16 million in 2010 since Digitel's derivative liability from its IR swap transaction is no longer reflected in 2011.

Income tax payable increased 13.6% mainly due to higher level of tax payable of the foods and the real estate businesses.

Other current liabilities decreased 7.5% from ₱7.25 billion in 2010 to ₱6.71 billion this year mainly due to lower level of customer's deposits after excluding Digitel's balance this year.

Long-term debt, including current portion, dropped 26.8% from ₱97.66 billion as of December 31, 2010 to ₱71.52 billion as of December 31, 2011 as the Company settled its syndicated loan out of the proceeds from the PLDT share option sale.

Other noncurrent liabilities decreased 52.5% from ₱21.98 billion last year to ₱10.43 billion, since we did not include the accrued project cost from the telecoms business this year.

Stockholders' equity, excluding minority interest, stood at ₱141.28 billion as of December 31, 2011 from ₱117.57 billion last year.

2010 vs 2009

Cash & cash equivalents increased significantly from ₱18.47 billion as of December 31, 2009 to ₱42.11 billion as of December 31, 2010 mainly due to proceeds from the successful IPO of Cebu Pacific in October 2010. Our financial assets, including those held at fair value through profit and loss and available for sale investments, increased by 3.8% due to acquisition of new investments by URC during the period.

Cash from operating activities amounted to ₱18.33 billion and cash from financing activities amounted to ₱22.58 billion. Proceeds from Cebu Air's IPO amounted to ₱24.53 billion. Cash was principally used for the capital expenditure program of the Company's operating subsidiaries and to service debt maturity.

Derivative assets increased 78.8% from ₱0.66 billion as of December 31, 2009 to ₱1.19 billion as of December 31, 2010 mainly due to higher balance of Cebu Air's derivatives on its fuel hedges and Digitel's derivatives on its currency forwards.

Inventories rose 24.8% from ₱13.08 billion as of December 31, 2009 to ₱16.31 billion as of December 31, 2010 mainly due to higher level of subdivision land and condominium and residential units for sale of real estate business. Aside from this, level of raw materials, finished goods and materials in transit of the food business has increased during the period.

Biological assets, including the noncurrent portion, dropped 17.2% from ₱1.57 billion as of December 31, 2009 to ₱1.30 billion as of December 31, 2010 due to decline in market value of hogs and population of livestock.

Held to maturity investments of our banking business were all reclassified to Available for Sale investments during the period because of tainting.

Investment in associates and joint ventures increased 8.3% to ₱30.43 billion in 2010 due to additional UIC shares acquired during the year.

Investment properties rose 8.7% from ₱29.53 billion as of December 31, 2009 to ₱32.09 billion as of December 31, 2010 due to acquisition of land for future development, completion of two malls and on-going renovations and construction of the real estate business of the Company.

Property, plant and equipment increased 10.7% from ₱132.26 billion to ₱146.43 billion attributed mainly to the on-going expansion of the facilities of our mobile phone business, additional aircrafts by the airline division, expansion of our branded consumer foods business and start of construction of the naphtha cracker project.

Intangibles increased 14.8% to ₱993.83 million in 2010 from ₱865.79 million in 2009 due to recognition of licenses from the newly acquired Robinsons Bank Corp. (formerly known as Royal Bank of Scotland (Phils.))

Other noncurrent assets dropped 9.0% from ₱4.05 billion in 2009 to ₱3.68 billion in 2010 due to lower level of deferred tax asset.

Consolidated total assets reached ₱326.32 billion as of December 31, 2010.

Accounts payable and accrued expenses decreased 13.4% from ₱34.10 billion as of December 31, 2009 to ₱29.55 billion as of December 31, 2010, which can be attributed to lower level of deposit liabilities of RSB and decrease in balance of due to related parties.

Short-term debt increased 10.0% from ₱13.96 billion as of December 31, 2009 to ₱15.35 billion as of December 31, 2010 mainly due to availment of new loans by the Parent and offshore companies.

Derivative liabilities, including noncurrent portion, increased 7.8% from ₱750.34 million in 2009 to ₱809.16 million in 2010 mainly due to higher derivative liability recognized by Digital from its IR swap transaction.

Income tax payable dropped 11.4% mainly due to lower level of tax payable of the real estate business as their construction slowed down during the period compared to last year's.

Other current liabilities increased 30.8% from ₱5.55 billion as of December 31, 2009 to ₱7.25 billion as of December 31, 2010 mainly due to higher level of unearned revenue recorded by the airline business.

Long-term debt, including current portion, dropped 0.1% from ₱97.74 billion as of December 31, 2009 to ₱97.66 billion as of December 31, 2010 mainly due to lower exchange rate for the period, partially offset by higher loans of air transportation and the mobile businesses during the period.

Other noncurrent liabilities increased 33.5% from ₱16.46 billion last year to ₱21.98 billion mainly due to higher level of accrued project cost of the telecoms business.

Stockholders' equity, excluding minority interest, stood at ₱117.57 billion as of December 31, 2010 from ₱83.16 billion last year.

2009 vs 2008

Cash & cash equivalents increased significantly from ₱7.16 billion as of December 31, 2008, to ₱18.47 billion as of December 31, 2009 mainly due to proceeds from RLC's and JG's peso retail bond offerings. Our financial assets, including those held at fair value through profit and loss, available for sale investments and held-to-maturity investments, increased by 27.5% due to the recovery in the market value of these financial assets which were greatly affected by the crisis which hit the financial markets globally last year.

Cash from operating activities amounted to ₱28.79 billion and cash from financing activities amounted to ₱6.47 billion. Cash was principally used for the capital expenditure program of the Company's operating subsidiaries and to service debt maturity. The Group spent ₱11.46 billion on Digitel's capital expenditures as Digitel continues its network rollout on its mobile phone business; RLC spent about ₱3.85 billion in its landbanking and high-rise projects; Cebu Pacific's aircraft acquisitions cost around ₱3.42 billion, while URC's ₱3.87 billion capex was used in the expansion of its international operations.

Derivative assets dropped 41.7% from ₱1.14 billion as of December 31, 2008 to ₱0.66 billion as of December 31, 2009 mainly due to the maturity of JG Parent's cross currency swap during the period.

Inventories dropped 12.2% from ₱14.89 billion as of December 31, 2008 to ₱13.08 billion as of December 31, 2009 mainly due to lower level of raw materials, finished goods and materials in transit of the food business.

Biological assets, including the noncurrent portion, increased 8.5% to ₱1.57 billion as of December 31, 2009 from ₱1.44 billion as of December 31, 2008 due to expansion increase in market value of hogs and expansion of breeder stock.

Other current assets decreased by 27.4% from ₱8.64 billion as of December 31, 2008 to ₱6.27 billion as of December 31, 2009 balance include refundable deposits of the airline business, which were now capitalized to PPE during the year upon delivery of the aircraft.

Assets of disposal group classified as held for sale pertaining to assets Tianjin Pacific Foods Manufacturing Co., Ltd was finally sold in 2009.

Investment in associates and joint ventures increased 11.7% to ₱28.09 billion in 2009 due to additional UIC shares acquired during the year and higher take up in net income.

Investment properties rose by 6.5% from ₱27.74 billion as of December 31, 2008 to ₱29.53 billion as of December 31, 2009 due to acquisition of land for future development of the real estate business of the Company.

Property, plant and equipment increased 8.8% from ₱121.61 billion to ₱132.26 billion attributed mainly to the on-going expansion of the facilities of our mobile phone business, additional aircrafts by the airline division, expansion of our branded consumer foods business and continuous construction of the real estate business.

Other noncurrent assets grew by 22.4% from ₱3.31 billion in 2008 to ₱4.05 billion in 2009 due to higher level of deferred subscriber acquisition and retention costs of the telecoms business.

Consolidated total assets reached ₱277.88 billion this year.

Accounts payable and accrued expenses increased 24.0% from ₱27.06 billion as of December 31, 2008 to ₱34.10 billion as of December 31, 2009, which can be attributed to higher deposit liabilities of RSB and increase in accrued expenses.

Short-term debt dropped by 44.5% from ₱25.14 billion as of December 31, 2008 to ₱13.96 billion as of December 31, 2009 mainly due to settlement of most of the Group's bank loans and trust receipts during the year.

The cumulative redeemable preferred shares amounting to ₱2.1 billion was settled during the year.

Derivative liabilities, including noncurrent portion, dropped significantly from ₱2.96 billion in 2008 to ₱0.78 billion in 2009 due to settlement of the airline business of its fuel hedges during the period.

Other current liabilities increased 19.7% from ₱4.64 billion in 2008 to ₱5.55 billion in 2009 mainly due to higher level of unearned revenue recorded by the airline business.

Liabilities directly associated with the assets classified as held for sale pertaining to Tianjin Pacific Foods Manufacturing Co., Ltd were settled during the year.

Long-term debt, including current portion, grew 27.0% from ₱76.94 billion as of December 31, 2008 to ₱97.74 billion as of December 31, 2009 due to the Group's issuance of peso retail bonds (RLC and JG Parent Company) totaling to ₱19 billion during the year.

Other noncurrent liabilities increased 9.3% from ₱15.06 billion as of December 31, 2008 to ₱16.46 billion mainly due to higher level of deposits from real estate buyers and lessees of the real estate business.

Stockholders' equity, excluding minority interest, stood at ₱83.16 billion as of December 31, 2009 from ₱72.91 billion.

KEY FINANCIAL INDICATORS

The Company sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as of December 31, 2011, 2010 and 2009.

Key Financial Indicators	2011	2010	2009
Revenues	₱123.06 Billion	₱105.20 Billion	₱93.94 Billion
EBIT	₱17.04 Billion	₱20.61 Billion	₱14.15 Billion
EBITDA	₱25.37 Billion	₱28.28 Billion	₱21.15 Billion
Current ratio	1.53	1.61	1.28
Gearing ratio	0.50	0.76	1.06
Net debt to equity ratio	0.18	0.37	0.75
Book value per share	₱20.96	₱17.44	₱12.23

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

Key Financial Indicators		
Revenues	=	Total of sales and services, income from banking business and equity in net earnings
EBIT	=	Operating income
EBITDA	=	Operating income add back depreciation and amortization expense.
Current ratio	=	Total current assets over current liabilities
Gearing ratio	=	Total Financial Debt over Total Equity.
Net debt to equity ratio	=	Total Financial Debt less Cash including Financial Assets at FVPL and AFS investments (excluding RSB and RBC Cash and AFS investments) over Total Equity.
Book value per share	=	Stockholders' Equity (Equity attributable to parent) over outstanding number of common shares

Current assets amounted to ₱99.86 billion while current liabilities reached ₱65.01 billion, for a current ratio of 1.54:1. The Company and the Group as a whole, do not expect any liquidity problems that may arise in the near future.

Total financial debt amounted to ₱90.61 billion in 2011, lower than last year's ₱113.01 billion. Settlement of Parent and offshore companies loans contributed to the decrease, bringing our gearing ratio to a level of 0.50:1, well within the financial covenant of 2.0:1. Net debt stood at ₱33.26 billion, bringing our net debt to equity ratio to 0.18:1.

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

DISCLOSURE OF EFFECTS OF PESO DEPRECIATION AND OTHER CURRENT EVENTS

Refer to Management Discussion and Analysis on pages 38-58 of this report and Note 4 of the Consolidated Financial Statements.

Item 8. Financial Statements

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

Item 9. Information on Independent Accountant and other Related Matters

A. External Audit Fees and Services

Audit and Audit - Related Fees

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

	2011	2010	2009
Audit and Audit-Related Fees			
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱1,759,851	₱1,764,249	₱1,400,764
Professional Fees for due diligence review for bond offering	None	None	4,000,000
Tax Fees	None	None	None
All Other Fees	None	None	None
Total	₱1,759,851	₱1,764,249	₱5,400,764

No other service was provided by external auditors to the Company for the calendar years 2011, 2010 and 2009.

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

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

1. Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company.
2. Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.
3. Ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

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

NONE.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Registrant

DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

1. DIRECTORS

Director, Chairman Emeritus	John Gokongwei, Jr.	85	Filipino
Director, Chairman and Chief Executive Officer	James L. Go	72	Filipino
Director, President and Chief Operating Officer	Lance Y. Gokongwei	45	Filipino
Director	Lily G. Ngochua	80	Filipino
Director	Patrick Henry C. Go	41	Filipino
Director	Johnson Robert G. Go Jr.	46	Filipino
Director	Robina Y. Gokongwei-Pe	50	Filipino
Director	Gabriel C. Singson	82	Filipino
Director	Ricardo J. Romulo	78	Filipino
Director (Independent)	Cornelio T. Peralta	78	Filipino
Director (Independent)	Jose T. Pardo	72	Filipino

2. MEMBERS OF ADVISORY BOARD

Member of Advisory Board	Aloysius B. Colayco	61	Filipino
Member of Advisory Board	Washington Z. SyCip	90	Filipino
Member of Advisory Board	Jimmy Tang	76	Filipino

3. EXECUTIVE OFFICERS

Senior Vice President/Chief Financial Officer- Treasurer	Eugenie ML. Villena	63	Filipino
Senior Vice President - Corporate Controller	Constante T. Santos	63	Filipino
Senior Vice President - Corporate Planning	Bach Johann M. Sebastian	50	Filipino
Senior Vice President - Corporate Human Resource	Nicasio L. Lim	55	Filipino
Assistant Treasurer	Chona R. Ferrer	55	Filipino
Corporate Secretary	Rosalinda F. Rivera	41	Filipino

All of the above directors and officers have served their respective offices since July 7, 2011.

Messrs. Cornelio T. Peralta and Jose T. Pardo are the “Independent Directors” of the Company as defined under SRC Rule 38.1.

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

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

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

1. John L. Gokongwei, Jr., 85, is the founder and Chairman Emeritus of JG Summit Holdings, Inc. (JGSHI). He continues to be a member of the Board of Directors of JGSHI and certain of its subsidiaries. He also continues to be a member of the Executive Committee of JGSHI and is Chairman Emeritus of certain of its subsidiaries. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc. (GBFI); Deputy Chairman and Director of United Industrial Corporation, Ltd. (UIC) and Singapore Land, Limited (Singland), and a director of JG Summit Capital Markets Corporation (JGSCMC), Oriental Petroleum and Minerals Corporation (OPMC). He is also a non-executive director of A. Soriano Corporation. Mr. Gokongwei received a Masters degree in Business Administration from De La Salle University and attended the Advanced Management Program at Harvard Business School.

2. James L. Go, 72, is the Chairman and Chief Executive Officer of JGSHI. He had been President and Chief Operating Officer of JGSHI and was elected to his current position effective January 1, 2002. As Chairman and Chief Executive Officer, he heads the Executive Committee of JGSHI. He is currently the Chairman and Chief Executive Officer of Universal Robina Corporation (URC), Robinsons Land Corporation (RLC), JG Summit Petrochemical Corporation (JGSPC), Robinsons, Inc. and OPMC. In addition, he is the President and a Trustee of the GBFI. He was elected director of the Philippine Long Distance Telephone Company (PLDT) on November 3, 2011 and was also appointed as a member of PLDT’s

Technology Strategy Committee. He is also a director of Cebu Air, Inc., Panay Electric Co., UIC, Singland, Marina Center Holdings, Inc., Hotel Marina City Private Limited and JGSCMC. He received a Bachelor of Science and a Master of Science in Chemical Engineering from Massachusetts Institute of Technology. He is a brother of Mr. John L. Gokongwei, Jr.

3. Lance Y. Gokongwei, 45, is the President and Chief Operating Officer of JGSHI. He had been Executive Vice President of JGSHI and was elected President and Chief Operating Officer effective January 1, 2002. He is also President and Chief Operating Officer of URC and JGSPC. He is the Vice Chairman and Deputy Chief Executive Officer of RLC. In addition, he is the President and Chief Executive Officer of Cebu Air, Inc., Chairman of Robinsons Bank, Vice Chairman of JGSCMC, and a director of OPMC, UIC and Singland. He is a trustee, secretary and treasurer of the GBFI. He received a Bachelor of Science in Finance and a Bachelor of Science in Applied Science from the University of Pennsylvania. He is the son of Mr. John L. Gokongwei, Jr.

4. Lily G. Ngochua, 80, has been a director of JGSHI since its formation in 1990. She is responsible for overseeing the Company's hotel and agro-industrial business in Cebu. She also supervises the purchasing and treasury departments of the URC Biscuit and Noodle Plants in Cebu and handles the treasury and accounting functions of the retail business in Cebu. She received a Bachelor of Arts degree from Maryknoll College in Quezon City in 1957.

5. Johnson Robert G. Go, Jr., 46, was elected as a director of JGSHI on August 18, 2005. He is currently a director of URC, RLC and Robinsons Bank. He is also a trustee of the GBFI. He received a Bachelor of Arts degree in Interdisciplinary Studies (Liberal Arts) from the Ateneo de Manila University. He is a nephew of Mr. John L. Gokongwei, Jr.

6. Patrick Henry C. Go, 41, has been a director of JGSHI since 2000. He is currently a director and Vice President of URC and Group Business Unit General Manager of URC Packaging Division (BOPP) and CFC Flexible Packaging Division. In addition, he is a director of RLC, Robinsons Bank and JGSPC where he is also Executive Vice President, Commercial for the JG Summit Petrochemical Complex. He is also a trustee of the GBFI. He received a Bachelor of Science degree in Management from the Ateneo de Manila University and attended a General Manager Program at Harvard Business School. Mr. Patrick Henry C. Go is a nephew of Mr. John L. Gokongwei, Jr.

7. Robina Y. Gokongwei-Pe, 50, was elected as a director of JGSHI on April 15, 2009. She is also a director of RLC, Cebu Air, Robinsons Bank and JGSCMC. She is currently the President and Chief Operating Officer of the Robinsons Retail Group consisting of Robinsons Department Store, Robinsons Supermarket, Handyman, True Value, Robinsons Specialty Stores, Robinsons Appliances, Toys R Us and Saizen by Daiso Japan. She obtained her Bachelor of Arts degree in Journalism from the New York University. She is a daughter of Mr. John L. Gokongwei, Jr.

8. Gabriel C. Singson, 82, has been a director and Senior Adviser of JGSHI since 1999. He is the Chairman of the Board of Directors and President of JGSCMC, director of OPMC, Multinational Finance Group Ltd., Summit Forex Brokers Corporation, Summit Point Corporation, and a trustee of the GBFI, Tan Yan Kee Foundation and the Ateneo de Manila University. He is also the Chairman of Grepalife Financial Corporation and Chairman and Advisory Board of Rizal Commercial Banking Corporation. He was former Governor of the Bangko Sentral ng Pilipinas (1993-1999) and President of the Philippine National Bank (1992-1993). He obtained his Bachelor of Laws degree, cum laude, from the Ateneo Law

School and received his Master of Laws from the University of Michigan Law School as a Dewitt Fellow and Fulbright scholar.

9. Ricardo J. Romulo, 78, was elected as a director of JGSHI. He is a Senior Partner of Romulo, Mabanta, Buenaventura, Sayoc & De Los Angeles Law Office. He is Chairman of Cebu Air, Inc., Federal Phoenix Assurance Company, Inc., InterPhil Laboratories, Inc. and Manchester International Holdings Unlimited Corporation. He is Vice Chairman of Planters Development Bank and Director of SM Development Corporation, Philippine American Life and General Insurance Company, and Zuellig Pharma Corporation. He received his Bachelor of Laws degree from Georgetown University and Doctor of Laws degree from Harvard Law School.

10. Cornelio T. Peralta, 78, was elected as a director of JGSHI on July 26, 2000. He is a director of Philippine Stock Exchange, University of the East, UERM Medical Center Inc., Makati Commercial Estate Association, Inc., Securities Clearing Corporation of the Philippines, Wan Hai Lines, Inc. and Grow Holdings Phils. Inc., where he is one of the incorporators. He was formerly Chairman, CEO and President of Kimberly Clark Philippines, Inc. (1971 - 1998) and former President of P. T. Kimsari Paper Indonesia (1985 - 1998) and Chairman and CEO of University of the East (1982 - 1984). He finished Bachelor of Arts, cum laude, and Bachelor of Laws degrees from the University of the Philippines and took up Advanced Management Program at Harvard Graduate School of Business.

11. Jose T. Pardo, 72, was elected as an independent director of JGSHI on August 6, 2003. He is presently the Chairman of Philippine Stock Exchange, Securities Clearing Corporation of the Philippines, Philippine Savings Bank and Electronic Commerce Payment Network, Inc. (ECPay). He is also a director of National GRID Corporation of the Philippines, ZNN Radio Veritas, Bank of Commerce, San Miguel Pure Foods Co., Inc., and Bank of Commerce Investment Corporation. He also held positions in government as former Secretary of the Department of Finance and former Secretary of the Department of Trade and Industry. He obtained his Bachelor of Science in Commerce, Major in Accounting and his Masters Degree in Business Administration from the De La Salle University.

Members of Advisory Board

1. Aloysius B. Colayco, 61, was appointed to the advisory board of JGSHI in August 2001 and is presently the Country Chairman for the Jardine Matheson Group in the Philippines. He is also the Managing Director of Argosy Partners, a private equity firm. He is the Chairman of Republic Cement and Colliers Philippines. Previously, Mr. Colayco was president of AIG Investment Corporation in New York, the AIG subsidiary responsible for managing the Group's investment portfolios outside the US (primarily Europe, Asia, Latin America, the Middle East and Africa).

2. Washington Z. Sycip, 90, was appointed to the advisory board of JGSHI in 2001 and is the founder of The SGV Group, a firm of auditors and management consultants. He is also Chairman Emeritus of the Board of Trustees and Board of Governors of the Asian Institute of Management, member of Board of Overseers, Columbia University's Graduate School of Business, member of the International Advisory Board Council of Council on Foreign Relations (1995 – 2010) Among his awards are the Management Man of the Year given by the Management Association of the Philippines, Ramon Magsaysay Award for International Understanding, Officer's Cross of the Order of Merit given by the Federal Republic of Germany, Officer First Class of the Royal Order of the Polar Star awarded by H.M. the King of Sweden, Star of the Order of Merit conferred by the Republic of Austria and Philippine Legion of Honor, degree of Commander conferred by the Philippine Government and the

order of Lakandula, The Rank of Grand Cross conferred by the Philippine President Benigno S. Aquino III.

3. Jimmy Tang, 76, is the President and Chairman of the Board of the Avesco Group of Companies. He is currently the Honorary President of the Federation of Filipino-Chinese Chamber of Commerce & Industry (FFCCCI). He served for two terms as the President of the FFCCCI. He is also the past President and now the Honorary Adviser of Electrical and Electronics Suppliers and Manufacturers of the Philippines, Inc. (PESA) & PESA Foundation; and Mr. Tang was the 9th President of PESA and the first Chairman of the PESA Foundation. He holds a bachelor's degree in Electrical Engineering from the Mapua Institute of Technology and was awarded the "Top Outstanding Mapuan for Entrepreneurship".

Executive Officers

1. Eugenie ML Villena, has been the Senior Vice President and Chief Financial Officer-Treasurer of JGSHI since 1992. She is responsible for finance and treasury operations of the Company. She is also Senior Vice President-Chief Financial Officer of URC. Prior to joining the Company, she worked for Bancom Development Corporation, Philippine Pacific Capital Corporation and Pacific Basin Securities, Co., Inc. She is a member of the Financial Executives Institute of the Philippines. She received her Bachelor of Science in Business Administration and Masters in Business Administration degrees from the University of the Philippines.

2. Constante T. Santos, 63, has been the Senior Vice President - Corporate Controller of JGSHI since 1998. He is also Senior Vice President - Corporate Controller of URC and RLC. Prior to joining the Company, he practiced public accounting with SGV & Co. in the Philippines and Ernst & Whinney in the United States. He is a member of the Philippine Institute of Certified Public Accountants. Mr. Santos obtained his Bachelor of Science degree in Business Administration from the University of the East and attended the Management Development Program at the Asian Institute of Management.

3. Bach Johann M. Sebastian, 50, was appointed as Senior Vice President - Chief Strategist of JGSHI on June 28, 2007. He is also Senior Vice President for Corporate Planning of URC and RLC. Prior to joining JGSHI in 2002, he was Senior Vice President and Chief Corporate Strategist at PSI Technologies and RFM Corporation. He was also Chief Economist, Director of Policy and Planning Group at the Department of Trade and Industry. He received a Bachelor of Arts degree in Economics from the University of the Philippines and his Masters in Business Management degree from the Asian Institute of Management.

4. Nicasio L. Lim, 55, was appointed as Senior Vice President (SVP), Corporate Human Resources (CHR) of JGSHI on March 1, 2008. He is a top human resource executive with 33 years solid experience in the Human Resources both here and abroad, 20 of those years in San Miguel Corporation (SMC), 5 in Kraft Foods International (KFI) and now with JGSHI. Prior to his current role as SVP of CHR, he was Director, Human Resources of URC starting May 2004. In that role, he managed HR functions for the whole URC group comprising of several businesses: Branded Consumer Foods, Agro-Industrial, Flour, Sugar, Packaging and CFC Flexible. When he retired from San Miguel in 1999, he was Vice President for HR & Communications of the Beer Division. It was in his stint in SMC when he had his first crack at going international through his assignment as Vice President for Human Resources of San Miguel Brewing International based in Hong Kong in 1997. After SMC, he joined KFI in 2000 as Human Resources Director for Southeast Asia. He was able to forge a very strong HR organization which took care of managing the needed HR imperatives of KFI across 16 countries. He was conferred the People Manager of the Year Award, the highest award an HR practitioner can receive in his lifetime given by the People Management Association of

the Philippines (PMAP) in 2007. He was Director, PMAP Board from 2004 to 2005. In his capacity as Director, he headed the Committees on International Affairs and Industrial Relations. Moreover, he is among the esteemed HR professionals in the country who was bestowed the title Diplomat in People Management by PMAP. He graduated with a Bachelor's Degree on Business Administration at the De La Salle University and pursued advanced Human Resource Executive Program at the University of Michigan-USA.

5. Chona R. Ferrer, 55, was appointed as Assistant Treasurer of JGSHI on September 15, 2008. She is also the First Vice President for Corporate Treasury of URC and Treasurer of Outreach Home Development Corporation. Prior to joining JGSHI in 1983, she was Assistant Treasurer of Guevent Industrial Development Corporation. She received a Bachelor of Science degree in Business Administration from the University of the Philippines.

6. Rosalinda F. Rivera, 41, was appointed as Corporate Secretary of JGSHI on August 6, 2003 and has been Assistant Corporate Secretary since May 2002. She is also the Corporate Secretary of URC, RLC, Cebu Air, Inc., JGSPC, CFC Corporation and JG Cement. Prior to joining the Company, she was a Senior Associate in Puno and Puno Law Offices. She received a degree of Juris Doctor from the Ateneo de Manila University School of Law and a Masters of Law in International Banking from the Boston University School of Law.

SIGNIFICANT EMPLOYEE

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

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

None.

FAMILY RELATIONSHIPS

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

Item 11. Executive Compensation

The aggregate compensation of executive officers and directors of the Company for the last 2 years and projected for the ensuing year (2012) are as follows:

ACTUAL					
	Salary	Bonus	Others	2011 Total	2010
A. CEO and Five (5) most highly compensated Executive officer	₱59,284,995	₱1,200,000	₱110,000	₱60,594,995	₱56,298,450
All directors and executive officers as a group unnamed	₱115,171,777	₱4,500,000	₱530,000	₱120,201,777	₱100,201,011

PROJECTED 2012				
	Salary	Bonus	Others	Total
A. CEO and Five (5) most highly compensated Executive officer	₱63,578,459	₱1,200,000	₱290,000	₱65,068,459
All directors and executive officers as a group unnamed	₱119,562,518	₱4,500,000	₱1,210,000	₱125,272,518

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

Standard Arrangement

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

Other Arrangements

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

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

None.

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

None.

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

As of December 31, 2011, the Company is not aware of anyone who beneficially owns in excess of 5% of JG Summit's capital stock except as set forth in the table below:

(1) SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

Title of Class	Names and addresses of record owners and relationship with the Corporation	Names of beneficial owner and relationship with record owner	Citizenship	No. of Shares Held	% to Total Outstanding
Common	Gokongwei Brothers Foundation, Inc. 43/F Robinsons-Equitable Tower ADB Ave. cor. Poveda St. Ortigas Center, Pasig City (stockholder)	Same as record owner (see note 1)	Filipino	1,997,076,451	29.38%
Common	PCD Nominee Corporation (Filipino) 37/F Tower I, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PCD Participants and their clients (see note 2)	Filipino	1,089,134,417	16.02%
Common	Robinsons Savings Bank – Trust & Investment Group No. 030-46-000001-9 17/F Galleria Corporate Center Edsa Cor. Ortigas Ave., Quezon City (stockholder)	Trustee's designated officers (see note 3)	Filipino	1,033,319,225	15.20%
Common	John Gokongwei, Jr. 43/F Robinsons-Equitable Tower ADB Ave. cor. Poveda St. Ortigas Center, Pasig City (stockholder and Chairman Emeritus)	Same as record owner (see note 4)	Filipino	1,007,539,915	14.82%

Notes:

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

2 PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly owned by the Philippine Depository & Trust Corporation Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book- entry trading in the Philippines. Under the current PDTC system, only participants (brokers and custodians) will be recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participants will be beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. Out of this account, "ATR-Kim Eng Securities, Inc." and "The Hongkong and Shanghai Banking Corp. Ltd. – Clients' Acct." holds for various trust accounts the following shares of the Corporation as of December 31, 2011:

	<u>No. of shares held</u>	<u>% to total outstanding</u>
The Hongkong and Shanghai Banking Corp. Ltd. – Clients' Acct.	626,761,916	9.22%
AIR-Kim Eng Securities, Inc.	416,932,577	6.13%

3 Robinsons Savings Bank – Trust & Investment Group is the trustee of this trust account. The securities are voted by the trustee's designated officers who are not known to the Corporation.

4 Sum of shares in the name of "John Gokongwei, Jr. " and "John Gokongwei, Jr. and/or Lance Gokongwei" for 866,509,465 and 141,030,450 shares, respectively.

(2) SECURITY OWNERSHIP OF MANAGEMENT AS OF DECEMBER 31, 2011:

Title of Class	Names of beneficial owner	Position	Amount and nature of Beneficial Ownership	Citizenship	% to Total Outstanding
A. Named Executive Officers ¹					
Common	1. John L. Gokongwei, Jr.	Chairman Emeritus	1,007,539,915 ² (D)	Filipino	14.82%
Common	2. James L. Go	Director, Chairman and CEO	216,679,656(D)	Filipino	3.19%
Common	3. Lance Y. Gokongwei	Director, President and COO	235,513,855 ³ (D)	Filipino	3.46%
Common	4. Johnson Robert G. Go, Jr.	Director	1(D)	Filipino	*
	<i>Sub-Total</i>		<u>1,459,733,427</u>		<u>21.47%</u>

Title of Class	Names of beneficial owner	Position	Amount and nature of Beneficial Ownership	Citizenship	% to Total Outstanding
B. Other Directors and Executive Officers and Nominees					
Common	5. Lily G. Ngochua	Director	74,591,775(D)	Filipino	1.10%
Common	6. Patrick Henry C. Go	Director	93,500(D)	Filipino	*
Common	7. Robina Y. Gokongwei-Pe		74,145,278 ⁴ (D)	Filipino	1.09%
Common	8. Gabriel C. Singson	Director	1(D)	Filipino	*
Common	9. Ricardo J. Romulo	Director	1(D)	Filipino	*
Common	10. Cornelio T. Peralta	Director (Independent)	11,000(D)	Filipino	*
Common	11. Jose T. Pardo	Director (Independent)	1(D)	Filipino	*
	<i>Sub-Total</i>		<u>148,841,556</u>		<u>2.19%</u>
C. All directors, executive officers & nominees as a group unnamed			<u>1,608,574,983</u>		<u>23.67%</u>

Notes:

D - Direct

1 As defined under Part IV (B) (1) (b) of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2011.

2 Sum of shares in the name of "John Gokongwei, Jr.", "John Gokongwei, Jr. and/or Lance Gokongwei" for 866,509,465 and 141,030,450 shares, respectively.

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

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

* less than 0.01%.

The other Executive Officers of the Company have no beneficial ownership over any shares of the Company as of December 31, 2011, namely:

1. Eugenie ML Villena - Senior Vice President and Chief Financial Officer – Treasurer
2. Constante T. Santos - Senior Vice President - Corporate Controller
3. Bach Johann M. Sebastian - Senior Vice President - Corporate Planning
4. Nicasio L. Lim – Senior Vice President – Corporate Human Resources
5. Chona R. Ferrer – Assistant Treasurer
6. Rosalinda F. Rivera - Corporate Secretary

(3) VOTING TRUST HOLDERS OF 5% OR MORE

As of December 31, 2011, there are no persons holding more than 5% of a class under a voting trust or similar agreement.

(4) CHANGES IN CONTROL

None

Item 13. Certain Relationships and Related Transactions

See Note 39(Related Party Transactions Disclosures) of the Notes to Consolidated Financial Statements.

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

PART IV – CORPORATE GOVERNANCE

Item 14. Corporate Governance

The Company adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual and pertinent SEC Circulars. Continuous improvement and monitoring have been undertaken to ensure that the Company observes good governance and management practices.

The Board of Directors has approved its Corporate Governance Compliance Evaluation System in late 2003 in order to check and assess the level of compliance of the Company with leading practices on good corporate governance as specified in its Corporate Governance Manual and pertinent SEC Circulars. The System likewise highlights areas for compliance improvement and actions to be taken. One of the system's output is the Annual Corporate Governance Compliance Evaluation Form submitted to the SEC and PSE on or before January 30 of every year starting with calendar year 2003.

Likewise, JG Summit Holdings, Inc. has consistently strived to raise its level of reporting to adopt and implement prescribed Philippine Financial Reporting Standards.

PART V - EXHIBITS AND SCHEDULES

Item 15. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C (Current Report)

Following is a list of disclosures filed by JGSHI under SEC Form 17-C for the six month period from July 1, 2011 to December 31, 2011:

<u>Date of Disclosure</u>	<u>Subject Matter</u>
July 8, 2011	1. Notice of cash dividend declaration 2. Election of Members of the Board of Directors 3. Results of the Organizational Meeting of the Board of Directors
August 1, 2011	A press release entitled "JGS and PLDT extend closing date anew"
August 31, 2011	Statement that PLDT and JGSHI are in joint consultation on whether the closing date shall be extended further
October 4, 2011	Clarification of news article entitled "JG Summit expects profits to bounce back in 2012"
October 26, 2011	A press release entitled "JG Summit Completes Transaction with PLDT in Landmark Telco Transaction"
November 15, 2011	Disclosure on the exercise of the call option by Metro Pacific Resources, Inc. with respect to 5,811,504 PLDT common shares at a price of ₱2,500 per share
November 17, 2011	Disclosure on the exercise of the Put Option by JGSHI with respect to 4,562,081 PLDT common shares at a price of ₱2,500 per share and the purchase of such shares by NTT Docomo, Inc.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of PASIG on MAY 4, 2012.

By:



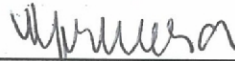
JAMES L. GO
Chairman of the Board and
Chief Executive Officer
(acts as Principal Financial Officer)



LANCE Y. GOKONGWEI
President and
Chief Operating Officer



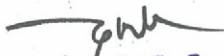
CONSTANTE T. SANTOS
Senior Vice President and
Corporate Controller



ROSALINDA F. RIVERA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 04 day of April 2012 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	CTC NO.	DATE OF ISSUE	PLACE OF ISSUE
James L. Go	11176031	January 31, 2012	Pasig City
Lance Gokongwei	11176032	January 31, 2012	Pasig City
Constante T. Santos	25961529	February 14, 2012	Pasig City
Rosalinda F. Rivera	Passport No. TT0258545	June 9, 2006	Manila


ATTY. STEVE G. CUDAL
 Notary Public
 PTR-6157083; 1/18/12. Q.C.
 UNTIL DEC. 31, 2012

Doc. No. 102
 Book No. 21
 Page No. 10
 Series of 211



JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

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* These schedules which are required by part IV (e) of RSC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or notes to consolidated financial statements.



JG SUMMIT HOLDINGS, INC.

43rd FLOOR ROBINSONS EQUITABLE TOWER ADB AVE. COR. POVEDA RD. ORTIGAS CENTER, PASIG CITY
TEL. NO.: 633-7631, 637-1670, 240-8801 FAX NO.: 633-9387 OR 633-9207

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of JG Summit Holdings, Inc. is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors (BOD) reviews and approves the financial statements and submits the same to the stockholders.

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


James L. Go
Chairman and CEO



Lance Y. Gokongwei
President and COO


Constante T. Santos
SVP-Corp. Controller/CFO

Subscribed and Sworn to before me this April 13, 2012 affiants(s) exhibiting to me his/her Residence Certificates, as follows:

<u>Names</u>	<u>CTC No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
James L. Go	11176031	January 31, 2012	Pasig City
Lance Y. Gokongwei	11176032	January 31, 2012	Pasig City
Constante T. Santos	25961529	February 14, 2012	Pasig City

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Book No. 80
Page No. 09
Series of 2012


ATTY. STEVE G. CUDAL
NOTARY PUBLIC
PTR-6157003; 1/18/12, D.C.
UNTIL DEC. 31, 2012



SyCip Gorres Velayo & Co.

6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City

We have audited the accompanying consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, 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, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JG Summit Holdings, Inc. and its subsidiaries as at December 31, 2011 and 2010, and their financial performance and cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Vicky B. Lee-Salas
Partner

CPA Certificate No. 86838

SEC Accreditation No. 0115-AR-2 (Group A)

February 11, 2010, valid until February 10, 2013

Tax Identification No. 129-434-735

BIR Accreditation No. 08-001998-53-2009

June 1, 2009, valid until May 31, 2012

PTR No. 3174802, January 2, 2012, Makati City

May 4, 2012



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

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱33,895,343,005	₱42,110,003,522
Derivative assets (Note 8)	110,790,850	1,075,112,366
Financial assets at fair value through profit or loss (Note 9)	10,957,955,084	10,258,823,027
Available-for-sale investments (Note 10)	12,271,628,856	9,867,273,915
Receivables (Note 11)	13,629,203,361	15,689,046,262
Inventories (Note 12)	20,443,884,662	16,313,054,198
Biological assets (Note 17)	911,265,129	846,876,801
Other current assets (Note 13)	7,485,389,522	6,269,181,429
Total Current Assets	99,705,460,469	102,429,371,520
Noncurrent Assets		
Available-for-sale investments (Note 10)	43,475,735,940	–
Receivables (Note 11)	11,413,317,152	8,937,451,911
Investments in associates and joint ventures (Note 14)	32,055,963,868	30,425,762,248
Property, plant and equipment (Note 16)	82,395,386,691	146,425,537,113
Investment properties (Note 15)	41,883,671,246	32,090,113,137
Goodwill (Note 19)	798,627,776	890,375,020
Biological assets (Note 17)	459,053,688	448,700,235
Intangible assets (Note 18)	905,540,502	993,831,456
Other noncurrent assets (Note 20)	1,715,660,600	3,682,493,759
Total Noncurrent Assets	215,102,957,463	223,894,264,879
	₱314,808,417,932	₱326,323,636,399
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 21)	₱24,978,223,074	₱29,552,889,141
Short-term debt (Note 23)	19,092,634,264	15,352,046,410
Derivative liabilities (Note 8)	85,244,646	262,393,820
Income tax payable	524,843,024	462,209,232
Current portion of long-term debt (Note 23)	13,622,011,230	10,602,053,608
Other current liabilities (Note 22)	6,711,208,267	7,254,162,150
Total Current Liabilities	65,014,164,505	63,485,754,361
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 23)	57,895,483,064	87,054,044,533
Deferred tax liabilities (Note 37)	1,069,913,490	4,343,058,803
Other noncurrent liabilities (Note 24)	10,430,036,895	21,980,381,349
Total Noncurrent Liabilities	69,395,433,449	113,377,484,685
Total Liabilities	134,409,597,954	176,863,239,046

(Forward)



	December 31	
	2011	2010
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital	₱12,896,988,094	₱12,856,988,094
Retained earnings (Note 25)	109,936,209,748	88,970,323,920
Equity reserve (Note 25)	17,845,476,796	18,563,003,092
Other comprehensive income (loss)	1,579,331,055	(1,846,478,730)
Treasury shares (Note 25)	(974,690,819)	(974,690,819)
	141,283,314,874	117,569,145,557
Non-controlling interests (Note 25)	39,115,505,104	31,891,251,796
Total Equity	180,398,819,978	149,460,397,353
	₱314,808,417,932	₱326,323,636,399

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2011	2010	2009
REVENUE			
Sale of goods and services:			
Foods	₱67,167,630,481	₱57,719,996,079	₱50,452,959,964
Air transportation	33,935,402,775	29,088,798,959	23,311,006,311
Real estate and hotels	12,594,288,123	10,581,142,605	10,376,286,528
Petrochemicals	4,781,883,298	3,306,184,683	5,570,751,354
Banking (Note 26)	2,359,933,505	1,734,465,754	1,134,848,716
Equity in net earnings of associates and joint ventures (Note 14)	2,217,599,783	2,768,724,722	3,089,302,759
	123,056,737,965	105,199,312,802	93,935,155,632
COST OF SALES AND SERVICES (Note 29)	86,151,260,484	66,636,766,298	62,746,587,613
GROSS INCOME	36,905,477,481	38,562,546,504	31,188,568,019
OTHER OPERATING EXPENSES			
General and administrative expenses (Note 30)	19,531,574,050	17,608,251,599	16,267,082,415
Impairment losses and others (Note 33)	329,638,645	345,983,265	774,348,807
	19,861,212,695	17,954,234,864	17,041,431,222
OPERATING INCOME	17,044,264,786	20,608,311,640	14,147,136,797
OTHER INCOME (LOSSES)			
Financing costs and other charges (Note 34)	(5,524,734,190)	(5,692,984,165)	(5,625,251,343)
Market valuation gains (losses) on financial assets at fair value through profit or loss (Note 9)	(1,154,153,883)	1,194,186,764	1,979,891,923
Finance income (Note 27)	3,443,238,660	2,174,020,038	1,527,596,236
Market valuation gains on derivative financial instruments (Note 8)	498,667,680	500,985,612	451,835,992
Foreign exchange gains (losses)	(245,881,638)	1,938,838,537	(525,326,950)
Others (Note 28)	1,326,045,353	838,658,136	232,248,730
INCOME BEFORE INCOME TAX	15,387,446,768	21,562,016,562	12,188,131,385
PROVISION FOR INCOME TAX (Note 37)	1,962,532,759	1,610,249,143	1,286,121,558
INCOME FROM CONTINUING OPERATIONS	13,424,914,009	19,951,767,419	10,902,009,827

(Forward)



	Years Ended December 31		
	2011	2010	2009
DISCONTINUED OPERATIONS (Note 43)			
Income after tax from discontinued operations	₱1,541,710,759	₱962,795,913	₱865,796,247
Gain from sale of a subsidiary, net of tax	11,570,087,639	-	-
	13,111,798,398	962,795,913	865,796,247
NET INCOME	26,536,712,407	20,914,563,332	11,767,806,074
OTHER COMPREHENSIVE INCOME (LOSS) (Note 35)			
Net gains on available-for-sale investments (Note 10)	3,032,890,203	271,796,893	2,304,956,516
Net gains from cash flow hedges (Note 8)	364,294,311	52,296,125	445,661,770
Cumulative translation adjustments	(136,058,643)	(91,091,377)	(95,351,176)
Net unrealized gains on available-for-sale investments of an associate (Note 10)	4,508,521	175,748	2,758,591
OTHER COMPREHENSIVE INCOME, NET OF TAX	3,265,634,392	233,177,389	2,658,025,701
TOTAL COMPREHENSIVE INCOME	₱29,802,346,799	₱21,147,740,721	₱14,425,831,775
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Income from continuing operations	₱8,477,359,822	₱15,575,451,617	₱7,810,135,490
Income from discontinued operations	13,035,501,339	746,148,184	735,506,110
	21,512,861,161	16,321,599,801	8,545,641,600
Non-controlling interests (Note 25)			
Income from continuing operations	4,947,554,187	4,376,315,802	3,091,874,337
Income from discontinued operations	76,297,059	216,647,729	130,290,137
	5,023,851,246	4,592,963,531	3,222,164,474
	₱26,536,712,407	₱20,914,563,332	₱11,767,806,074

(Forward)



	Years Ended December 31		
	2011	2010	2009
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Comprehensive income from continuing operations	₱11,903,169,607	₱15,694,957,765	₱9,714,497,872
Comprehensive income from discontinuing operations	13,035,501,339	746,148,184	735,506,110
	24,938,670,946	16,441,105,949	10,450,003,982
Non-controlling interests (Note 25)			
Comprehensive income from continuing operations	4,787,378,794	4,489,987,043	3,845,537,656
Comprehensive income from discontinuing operations	76,297,059	216,647,729	130,290,137
	4,863,675,853	4,706,634,772	3,975,827,793
	₱29,802,346,799	₱21,147,740,721	₱14,425,831,775
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 38)			
Basic/diluted earnings per share	₱3.19	₱2.42	₱1.26
Earnings Per Share Attributable to Equity Holders of the Parent Company from continuing operations (Note 38)			
Basic/diluted earnings per share	₱1.26	₱2.31	₱1.15

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, 2011, 2010 and 2009

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

	Paid-up Capital			Retained Earnings (Note 25)			Other Comprehensive Income (Loss)					Treasury Shares	NON-CONTROLLING INTERESTS (Note 25)	TOTAL EQUITY	
	Capital Stock (Note 25)	Additional Paid-in Capital	Total Paid-up Capital	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Retained Earnings	Equity Reserve	Cumulative Translation Adjustments	Net Unrealized Gains (Losses) on Available-for-Sale Investments (Note 10)	Net Unrealized Losses on Cash Flow Hedge (Note 8)	Total Other Comprehensive Income (Loss)				Total
Balance at January 1, 2011	₱6,895,273,657	₱5,961,714,437	₱12,856,988,094	₱33,331,438,656	₱55,638,885,264	₱88,970,323,920	₱18,563,003,092	(₱1,798,631,669)	₱316,447,250	(₱364,294,311)	(₱1,846,478,730)	(₱974,690,819)	₱117,569,145,557	₱31,891,251,796	₱149,460,397,353
Total comprehensive income (loss)	-	-	-	21,512,861,161	-	21,512,861,161	-	(86,508,428)	3,148,023,902	364,294,311	3,425,809,785	-	24,938,670,946	4,863,675,853	29,802,346,799
Unappropriation of retained earnings	-	-	-	3,035,000,000	(3,035,000,000)	-	-	-	-	-	-	-	-	-	-
Appropriation of retained earnings (Note 25)	-	-	-	(5,973,182,135)	5,973,182,135	-	-	-	-	-	-	-	-	-	-
Issuance of preferred voting shares	40,000,000	-	40,000,000	-	-	-	-	-	-	-	-	-	40,000,000	-	40,000,000
Cash dividends (Note 25)	-	-	-	(546,975,333)	-	(546,975,333)	-	-	-	-	-	-	(546,975,333)	-	(546,975,333)
Cash dividends paid to non-controlling interests (Note 25)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,579,518,135)	(2,579,518,135)
Increase in subsidiaries' treasury shares (Note 25)	-	-	-	-	-	-	(717,526,296)	-	-	-	-	-	(717,526,296)	(288,849,407)	(1,006,375,703)
Additional non-controlling interests in subsidiaries (Note 25)	-	-	-	-	-	-	-	-	-	-	-	-	-	952,889,242	952,889,242
Issuance of capital stock of a subsidiary (Note 25)	-	-	-	-	-	-	-	-	-	-	-	-	-	5,298,191,460	5,298,191,460
Effect of disposal of a subsidiary (Note 43)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,022,135,705)	(1,022,135,705)
Balance at December 31, 2011	₱6,935,273,657	₱5,961,714,437	₱12,896,988,094	₱51,359,142,349	₱58,577,067,399	₱109,936,209,748	₱17,845,476,796	(₱1,885,140,097)	₱3,464,471,152	₱-	₱1,579,331,055	(₱974,690,819)	₱141,283,314,874	₱39,115,505,104	₱180,398,819,978
Balance at January 1, 2010	₱6,895,273,657	₱5,961,714,437	₱12,856,988,094	₱36,353,298,438	₱36,635,285,264	₱72,988,583,702	₱-	(₱1,746,826,705)	₱197,432,263	(₱416,590,436)	(₱1,965,984,878)	(₱721,848,289)	₱83,157,738,629	₱21,736,756,026	₱104,894,494,655
Total comprehensive income (loss)	-	-	-	16,321,599,801	-	16,321,599,801	-	(51,804,964)	119,014,987	52,296,125	119,506,148	-	16,441,105,949	4,706,634,772	21,147,740,721
Gain from primary and secondary offering of a subsidiary's shares of stock (Note 25)	-	-	-	-	-	-	18,563,003,092	-	-	-	-	-	18,563,003,092	-	18,563,003,092
Appropriation of retained earnings (Note 25)	-	-	-	(19,003,600,000)	19,003,600,000	-	-	-	-	-	-	-	-	-	-
Cash dividends (Note 25)	-	-	-	(339,859,583)	-	(339,859,583)	-	-	-	-	-	-	(339,859,583)	-	(339,859,583)
Cash dividends paid to non-controlling interests (Note 25)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,217,749,826)	(1,217,749,826)
Increase in subsidiaries' treasury shares (Note 25)	-	-	-	-	-	-	-	-	-	-	-	-	-	(718,184,546)	(718,184,546)
Additional non-controlling interests in subsidiaries (Note 25)	-	-	-	-	-	-	-	-	-	-	-	-	-	7,383,795,370	7,383,795,370
Acquisition of Parent Company shares by a subsidiary (Note 25)	-	-	-	-	-	-	-	-	-	-	-	(252,842,530)	(252,842,530)	-	(252,842,530)
Balance at December 31, 2010	₱6,895,273,657	₱5,961,714,437	₱12,856,988,094	₱33,331,438,656	₱55,638,885,264	₱88,970,323,920	₱18,563,003,092	(₱1,798,631,669)	₱316,447,250	(₱364,294,311)	(₱1,846,478,730)	(₱974,690,819)	₱117,569,145,557	₱31,891,251,796	₱149,460,397,353



For the Years Ended December 31, 2011, 2010 and 2009

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY														
	Paid-up Capital			Retained Earnings (Note 25)			Other Comprehensive Income (Loss)				Treasury Shares	NON-CONTROLLING INTERESTS (Note 25)	TOTAL EQUITY		
	Capital Stock (Note 25)	Additional Paid-in Capital	Total Paid-up Capital	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Retained Earnings	Equity Reserve	Cumulative Translation Adjustments	Net Unrealized Gains (Losses) On Available-for-Sale Investments (Note 10)	Net Unrealized Losses on Cash Flow Hedge (Note 8)				Total Other Comprehensive Income (Loss)	Total
Balance at January 1, 2009	₱6,895,273,657	₱5,961,714,437	₱12,856,988,094	₱50,021,172,588	₱14,625,685,264	₱64,646,857,852	₱-	(₱1,665,749,434)	(₱1,342,345,620)	(₱862,252,206)	(₱3,870,347,260)	(₱721,848,289)	₱72,911,650,397	₱19,750,489,997	₱92,662,140,394
Total comprehensive income (loss)	-	-	-	8,545,641,600	-	8,545,641,600	-	(81,077,271)	1,539,777,883	445,661,770	1,904,362,382	-	10,450,003,982	3,975,827,793	14,425,831,775
Appropriation of retained earnings (Note 25)	-	-	-	(22,009,600,000)	22,009,600,000	-	-	-	-	-	-	-	-	-	-
Cash dividends (Note 25)	-	-	-	(203,915,750)	-	(203,915,750)	-	-	-	-	-	-	(203,915,750)	-	(203,915,750)
Cash dividends paid to non-controlling interests (Note 25)	-	-	-	-	-	-	-	-	-	-	-	-	-	(468,346,673)	(468,346,673)
Purchase of subsidiaries' treasury shares (Note 25)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,256,286,392)	(1,256,286,392)
Adjustment on subscription receivables (Note 25)	-	-	-	-	-	-	-	-	-	-	-	-	-	(264,928,699)	(264,928,699)
Balance at December 31, 2009	₱6,895,273,657	₱5,961,714,437	₱12,856,988,094	₱36,353,298,438	₱36,635,285,264	₱72,988,583,702	₱-	(₱1,746,826,705)	₱197,432,263	(₱416,590,436)	(₱1,965,984,878)	(₱721,848,289)	₱83,157,738,629	₱21,736,756,026	₱104,894,494,655

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax from continuing operations	₱15,387,446,768	₱21,562,016,562	₱12,188,131,385
Income before tax from discontinued operations (Note 43)	13,124,496,302	1,618,385,427	796,904,585
Income before tax	28,511,943,070	23,180,401,989	12,985,035,970
Adjustments for:			
Depreciation and amortization of:			
Property, plant and equipment (Note 16)	6,512,514,134	10,290,890,787	9,024,316,157
Investment properties (Note 15)	1,777,866,356	1,604,096,198	1,425,959,484
Deferred subscriber acquisition and retention costs (Note 20)	–	1,505,116,389	1,202,867,577
Biological assets (Note 17)	26,163,535	139,105,194	158,024,602
Intangible assets (Note 18)	5,176,189	7,035,669	7,492,937
Market valuation loss (gain) on:			
Financial assets at fair value through profit or loss (Note 9)	1,154,153,883	(1,194,186,764)	(1,979,891,923)
Derivative instruments (Note 8)	(498,667,680)	(432,751,286)	(349,787,107)
Interest expense (Note 34)	5,309,762,126	5,932,066,425	6,029,448,280
Interest income (Note 27)	(3,443,238,660)	(2,216,082,709)	(1,563,859,497)
Foreign exchange loss (gain)	245,881,638	(2,846,297,517)	21,627,447
Equity in net income of associates and joint ventures (Note 14)	(2,217,599,783)	(2,768,724,722)	(3,089,302,759)
Inventory obsolescence and market decline (Note 33)	63,784,807	17,580,211	60,223,436
Provision for impairment losses on (Note 33):			
Receivables	102,517,878	688,286,605	765,594,017
Intangible assets	84,014,765	–	–
Goodwill	63,500,000	–	–
Property, plant and equipment	10,065,297	–	–
Investment properties	619,075	–	–
Other assets	5,136,823	–	–
Impairment loss on available-for-sale investments (Note 33)	–	–	247,812,797
Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks (Note 17)	128,310,166	44,745,566	(96,802,397)
Loss (gain) on sale of:			
Subsidiary, net of tax (Note 43)	(11,570,087,639)	–	–
Financial assets at fair value through profit or loss and available-for-sale investments (Note 28)	(75,965,234)	(173,368,876)	(37,584,955)
Investment in an associate	–	–	(9,118,793)
Investment properties	(26,115,273)	(5,190,424)	29,814,936
Property, plant and equipment	(20,421,141)	(14,597,827)	(21,414,507)
Net assets of disposal group classified as held-for-sale	177,789,396	31,708,814	–

(Forward)



	Years Ended December 31		
	2011	2010	2009
Dividend income (Note 28)	(₱244,958,962)	(₱192,886,520)	(₱152,951,456)
Amortization of debt issuance costs	97,865,070	76,087,507	71,203,771
Dividends on cumulative redeemable preferred shares (Note 34)	–	–	174,417,813
Gain on initial recognition of investment properties	–	(2,531,342)	(1,147,334)
Operating income before changes in working capital accounts	26,180,009,836	33,670,503,367	24,901,978,496
Changes in operating assets and liabilities:			
Decrease (increase) in the amounts of:			
Derivative assets	1,303,994,907	173,722,661	(673,228,430)
Financial assets at fair value through profit or loss	(1,839,785,644)	(1,965,483,498)	(632,408,303)
Receivables	(2,773,503,329)	(1,824,255,758)	(959,621,140)
Inventories	(4,343,996,577)	(3,254,831,582)	1,756,251,389
Biological assets	(229,215,482)	86,451,589	(183,841,848)
Other current assets	(452,742,999)	4,591,740	2,367,464,490
Increase (decrease) in the amounts of:			
Accounts payable and accrued expenses	(2,740,763,852)	(4,587,209,987)	6,258,517,590
Other current liabilities	487,696,047	1,262,875,932	911,256,433
Net cash generated from operations	15,591,692,907	23,566,364,464	33,746,368,677
Interest paid	(5,261,630,380)	(5,702,116,987)	(5,806,714,009)
Interest received	3,439,307,660	1,943,595,642	1,531,231,130
Income taxes paid	(1,838,068,705)	(1,673,749,172)	(831,574,760)
Dividends received	244,958,962	192,886,520	152,951,456
Net cash provided by operating activities	12,176,260,444	18,326,980,467	28,792,262,494
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 16)	(17,719,764,211)	(15,912,854,294)	(19,576,384,822)
Investment properties (Note 15)	(11,658,048,371)	(4,216,551,087)	(3,301,728,976)
Available-for-sale investments	(27,629,769,590)	(14,157,195,773)	(1,841,424,158)
Held-to-maturity investments	–	(207,553,359)	(475,467,772)
Investments in associates and joint ventures (Note 14)	(172,144,748)	(594,409,921)	(275,708,252)
Intangible assets (Note 18)	(900,000)	(800,000)	(2,193,640)
Subsidiaries, net of cash acquired (Note 45)	–	1,657,507,883	–
Proceeds from sale of:			
Available-for-sale investments	24,957,489,920	15,937,923,027	2,373,454,519
Property, plant and equipment	76,338,289	228,007,033	135,698,280
Investment properties	124,178,837	28,386,973	48,346,627
Investment in an associate	–	–	9,481,415
Net assets of disposal group classified as held for sale	107,920,453	255,954,535	–
Decrease (increase) in the amounts of other noncurrent assets	(149,919,315)	(1,166,755,628)	(1,829,684,268)
Return of investment from an associate (Note 14)	20,522,040	179,812,500	
Dividends received on investments in associates and joint ventures (Note 14)	575,078,473	697,648,858	766,973,931

(Forward)



	Years Ended December 31		
	2011	2010	2009
Proceeds from disposal of a subsidiary, net of cash disposed of (Note 43)	₱21,094,437,319	₱–	₱–
Proceeds from maturity of held-to-maturity investments	–	–	18,142,786
Net cash used in investing activities	(10,374,580,904)	(17,270,879,253)	(23,950,494,330)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of:			
Short-term debt	21,733,209,557	18,691,647,718	17,733,868,806
Long-term debt	–	5,161,318,927	28,376,697,021
Settlements of:			
Short-term debt	(17,588,328,230)	(17,299,675,315)	(28,910,393,171)
Long-term debt	(15,650,333,104)	(5,807,962,530)	(7,665,856,364)
Proceeds from sale of interest in Cebu Air, Inc.	–	24,527,649,549	–
Proceeds from issue of common shares (inclusive of additional paid-in capital) of a subsidiary (Note 25)	5,298,191,460	–	–
Proceeds from issue of preferred shares (Note 25)	40,000,000	–	–
Redemption of cumulative redeemable preferred shares	–	–	(2,107,818,750)
Increase in other noncurrent liabilities	(433,736,865)	(526,974,790)	1,150,597,947
Purchase of subsidiaries' treasury shares and others (Note 25)	(288,849,407)	(608,184,546)	(1,256,286,392)
Dividends paid to non-controlling interests (Note 25)	(2,579,518,135)	(1,217,749,826)	(468,346,673)
Dividends paid on:			
Common shares (Note 25)	(543,775,333)	(339,859,583)	(203,915,750)
Preferred shares (Note 25)	(3,200,000)	–	–
Cumulative redeemable preferred share	–	–	(174,417,813)
Net cash provided by (used in) financing activities	(10,016,340,057)	22,580,209,604	6,474,128,861
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,214,660,517)	23,636,310,818	11,315,897,025
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	42,110,003,522	18,473,692,704	7,157,795,679
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱33,895,343,005	₱42,110,003,522	₱18,473,692,704

See accompanying Notes to Consolidated Financial Statements.



JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

JG Summit Holdings, Inc. (the Parent Company) was incorporated in the Philippines on November 23, 1990. The registered office address of the Parent Company is 43rd Floor Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City.

The Parent Company is the holding company of the JG Summit Group (the Group). The Group has business interests in branded consumer foods, agro-industrial and commodity food products, real property development, hotels, banking and financial services, telecommunications, petrochemicals, air transportation and power generation. In 2011, the Group disposed its Telecommunications Segment (Note 43).

The Group conducts business throughout the Philippines, but primarily in and around Metro Manila where it is based. The Group also has branded food businesses in the People's Republic of China and in the Association of Southeast Asian Nations region, and an interest in a property development business in Singapore.

The principal activities of the Group are further described in Note 6, *Segment Information*, to the consolidated financial statements.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), available-for-sale (AFS) investments and derivative financial instruments that are measured at fair value, and biological assets and agricultural produce that have been measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine peso (Php), the functional currency of the Parent Company. All values are rounded to the nearest peso except when otherwise stated.

Except for certain foreign subsidiaries of the Parent Company and for certain consolidated foreign subsidiaries within Universal Robina Corporation (URC) and Subsidiaries (URC Group) which are disclosed below, the functional currency of other consolidated foreign subsidiaries is US Dollar (USD).



A summary of the functional currencies of certain foreign subsidiaries within the Group are as follows:

Subsidiaries	Country of Incorporation	Functional Currency
Parent Company		
JG Summit Cayman Limited	Cayman Islands	Philippine Peso
JG Summit Philippines, Ltd. and Subsidiaries		
JG Summit Philippines, Ltd.	- do -	- do -
JGSH Philippines Ltd.	British Virgin Islands	- do -
Multinational Finance Group, Ltd.	- do -	- do -
Telegraph Development, Ltd.	Singapore	- do -
Summit Top Investment, Ltd.	- do -	- do -
URC Group		
Universal Robina (Cayman), Limited	Cayman Islands	- do -
URC Philippines, Limited	British Virgin Islands	- do -
URC China Commercial Co. Ltd.	China	Chinese Renminbi
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	-do-	-do-
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	-do-	-do-
Ricellent Sdn. Bhd.	Malaysia	Malaysian Ringgit
URC Snack Foods (Malaysia) Sdn. Bhd.	- do -	-do-
URC Hong Kong Company Limited	Hong Kong	HK Dollar
Xiamen Tongan Pacific Food Co., Ltd.	China	Chinese Renminbi
Shanghai Peggy Foods Co., Ltd.	- do -	-do-
Panyu Peggy Foods Co., Ltd.	- do -	-do-
Advanson International Pte. Ltd. (Advanson) and Subsidiary	Singapore	Singapore Dollar
Advanson International Pte. Ltd.	- do -	-do-
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 Network Pte. Ltd. and Subsidiaries	Singapore	Singapore Dollar
Acesfood Holdings Pte. Ltd.	- do -	-do-
Acesfood Distributors Pte. Ltd.	- do -	-do-

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).



Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority owned subsidiaries:

Subsidiaries	Country of Incorporation	Effective Percentage of Ownership		
		December 31		
		2011	2010	2009
Food				
URC and Subsidiaries	Philippines*	64.17	64.14	63.87
Air Transportation				
CP Air Holdings, Inc. (CPAHI) and Subsidiaries	-do-	100.00	100.00	100.00
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	67.23	65.53	100.00
Pacific Virgin Islands Holdings, Co., Ltd.	British Virgin Islands	100.00	100.00	100.00
Telecommunications				
Digital Telecommunications Phils., Inc. (Digitel) and Subsidiaries**	Philippines	-	49.57	49.82
Real Estate and Hotels				
Robinsons Land Corporation (RLC) and Subsidiaries	-do-	60.97	60.40	60.11
Petrochemicals				
JG Summit Petrochemical Corporation (JGSPC)	-do-	100.00	100.00	100.00
JG Summit Olefins Corporation (JGSOC)	-do-	100.00	100.00	100.00
Banking				
Robinsons Savings Bank Corporation (RSBC)****	-do-	-	100.00	100.00
Robinsons Bank Corporation (RBC)	-do-	60.00	60.00	-
Supplementary Businesses				
Express Holdings, Inc. (EHI) and a Subsidiary	-do-	100.00	100.00	100.00
Summit Forex Brokers Corporation	-do-	100.00	100.00	100.00
JG Summit Capital Services Corp. (JGSCSC) and Subsidiaries	-do-	100.00	100.00	100.00
JG Summit Capital Markets Corporation (JGSMC)	-do-	100.00	100.00	100.00
Summit Point Services Ltd.	-do-	100.00	100.00	100.00
Summit Internet Investments, Inc.	-do-	100.00	100.00	100.00
JG Summit (Cayman), Ltd. (JGSCL)	Cayman Islands	100.00	100.00	100.00
JG Summit Philippines Ltd. (JGSPL) and Subsidiaries	-do-	100.00	100.00	100.00
JGSH Philippines Ltd.	British Virgin Islands	100.00	100.00	100.00
Multinational Finance Group, Ltd.	-do-	100.00	100.00	100.00
Telegraph Development, Ltd.	Singapore	100.00	100.00	100.00
Summit Top Investment, Ltd.	British Virgin Islands	100.00	100.00	100.00
JG Summit Limited (JGSL)	-do-	100.00	100.00	100.00
Unicon Insurance Brokers Corporation	Philippines	100.00	100.00	100.00
Batangas Agro-Industrial Development Corporation (BAID) and Subsidiaries				
Fruits of the East, Inc.	-do-	100.00	-	-
Hometel Integrated Management Corporation	-do-	100.00	-	-
King Leader Philippines, Inc.	-do-	100.00	-	-
Samar Commodities Trading and Industrial Corporation	-do-	100.00	-	-
Tropical Aqua Resources	-do-	100.00	-	-
United Philippines Oil Trading, Inc.	-do-	100.00	-	-

(Forward)



Subsidiaries	Country of Incorporation	Effective Percentage of Ownership		
		December 31		
		2011	2010	2009
JG Cement Corporation (JGCC)*****	Philippines	–	100.00	100.00
Premiere Printing Company, Inc.(PPCI) *****	-do-	–	100.00	100.00
Litton Mills, Inc. (LMI) *****	-do-	–	100.00	100.00
Adia Development and Management Corporation (ADMC)***	-do-	–	–	100.00
Cebu Pacific Manufacturing Corporation (CPMC)***	-do-	–	–	100.00
Hello Snack Foods Corporation (HSFC)***	-do-	–	–	100.00
Savannah Industrial Corporation (Savannah)***	-do-	–	–	100.00
Terai Industrial Corporation (TIC)***	-do-	–	–	100.00
Westpoint Industrial Mills Corporation (WIMC)***	-do-	–	–	100.00

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

** The consolidated financial statements include the accounts of entities over which the Group has the ability to govern the financial and operating policies to obtain benefits from their activities. The Group's consolidated financial statements include the accounts of Digital Telecommunications Philippines, Inc., and its wholly owned subsidiaries (the Digitel Group). As disclosed above, the Digitel Group is a 49.57% and 49.82% owned subsidiary as of December 31, 2010 and 2009, respectively. In 2011, the Group sold all of its investments in the shares of stock of Digitel to Philippine Long Distance Telephone Company (PLDT). Beginning March 29, 2011, the date that the Group is committed to sell Digitel, the Group classified all the assets and liabilities of Digitel as held for sale. Accordingly, Digitel is also a discontinued operation on March 29, 2011.

*** These subsidiaries were merged with LMI in 2010.

**** On May 20, 2010, the Board of Directors (BOD) and the stockholders of RBC approved the Plan of Merger and the Articles of Merger of RBC and RSBC. The Bangko Sentral ng Pilipinas and the SEC approved the merger of the two banks on December 9, 2010 and May 25, 2011, respectively. RBC, having a commercial banking license, is the surviving entity.

***** Effective 2011, the net assets of LMI, PPCI and JGCC were merged with the Parent Company.

Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*, prescribes guidance on the consolidation of special purpose entities (SPE). Under SIC 12, an SPE should be consolidated when the substance of the relationship between a certain company and the SPE indicates that the SPE is controlled by the company. Control over an entity may exist even in cases where an enterprise owns little or none of the SPE's equity, such as when an entity retains majority of the residual risks related to the SPE or its assets in order to obtain benefits from its activities. In accordance with SIC 12, 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) and Vector Aircraft Leasing Limited (VALL). SLL, CALL, ILL, BLL, SALL and VALL are SPEs in which the Group does not have equity interest. SLL, CALL, ILL, BLL, SALL and VALL acquired the passenger aircrafts for lease to CAI under finance lease arrangements and funded the acquisitions through long-term debt.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continue to be consolidated until the date when such control ceases. Control is achieved where the Parent Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Consolidation of subsidiaries ceases when control is transferred out of the Parent Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation.



Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Group.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income.

Under Philippine Accounting Standards (PAS) 27, *Consolidated and Separate Financial Statements*, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Parent Company if it is impracticable for the management to prepare financial statements with the same accounting period with that of the Parent Company and the difference is not more than three months.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, except for the following fiscal year subsidiaries:

Subsidiaries	Fiscal Year
Food	
URC and Subsidiaries	September 30
Real Estate and Hotels	
RLC and Subsidiaries	-do-
Petrochemicals	
JGSPC	-do-
JGSOC	-do-
Textiles	
LMI*	-do-
Supplementary Business	
JGCC*	-do-

* Effective 2011, the net assets of LMI and JGCC were merged with the Parent Company



Any significant transactions or events that occur between the date of the fiscal subsidiaries' financial statements and the date of the Parent Company's financial statements are adjusted in the consolidated financial statements.

Business Combinations from January 1, 2010

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 PFRSs. 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 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.

Business Combinations prior to January 1, 2010

In comparison to the above-mentioned requirements, the following differences applied:

- Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.
- Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.
- When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.
- Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new and amended PFRS, PAS and Philippine Interpretation of the International Financial Reporting Interpretations Committee (IFRIC) which were adopted as of January 1, 2011.

Amendments to Standards

- PAS 24, *Related Party Transactions* (Amendment)
The amendment clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The information required by the Standard are disclosed in Note 39.



Improvements to PFRS (issued 2010)

Improvements to PFRS, an omnibus of amendments to standards, deal primarily with a view of removing inconsistencies and clarifying wording. The adoption of the following amendments resulted in certain changes to the note disclosures but had no impact on the financial position or performance of the Group.

- PFRS 7, *Financial Instruments: Disclosures*
The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group has reflected the revised disclosure requirements in Note 4.
- PAS 1, *Presentation of Financial Statements*
The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in Note 35.

The issuance of and amendments to the following standards and interpretations which became effective as of January 1, 2011 did not have any impact on the accounting policies, financial position and performance and financial statement disclosures of the Group:

- PAS 32, *Financial Instruments: Presentation* (Amendment)
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (Determining the fair value of award credits)
- Philippine Interpretation IFRIC14, *Prepayments of a Minimum Funding Requirement* (Amendment)
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Other amendments resulting from the 2010 Improvements to PFRS to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- PFRS 3, *Business Combinations* (Measurement options available for non-controlling interest)
- PFRS 3, *Business Combinations* (Contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008))
- PFRS 3, *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*

Significant Accounting Policies

Foreign Currency Translation

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



Transactions and balances

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

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

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

Group companies

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

Cash and Cash Equivalents

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

Recognition of Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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

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



Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

'Day 1' difference

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

Financial assets and financial liabilities at FVPL

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

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

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

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

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



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

Derivatives classified as FVPL

The Parent Company and certain subsidiaries are counterparties to derivative contracts, such as interest rate swaps, currency forwards, cross currency swaps, currency options and commodity options. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments (including bifurcated embedded derivatives) are initially recorded at fair value on the date at which the derivative contract is entered into or bifurcated and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly in profit or loss in the consolidated statement of comprehensive income as 'Market valuation gain (loss) on derivative financial instruments.' Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

Derivatives designated as accounting hedges

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

In 2010, the Group applied cash flow hedge accounting treatment on interest rate swap transactions.

Hedge accounting

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

Cash flow hedge

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



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

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

Hedge effectiveness testing

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

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

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

Embedded derivatives

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

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

The Group has certain derivatives that are embedded in nonfinancial host contracts (such as purchase orders, network contracts and service agreements). These embedded derivatives include foreign currency-denominated derivatives in purchase orders and certain network and service agreements. The fair value changes of these derivatives are recognized directly in profit or loss in the consolidated statement of comprehensive income under 'Market valuation gain (loss)' on derivative financial instruments'.



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 cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a noncurrent portion only if a reliable allocation can be made.

HTM investments

HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments before their maturity, the entire category would be tainted and reclassified as AFS investments. Once tainted, the Group is not permitted to classify any of its financial assets as HTM investments for two years.

After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement of foreign currency-denominated HTM investments are recognized in profit or loss in the consolidated statement of comprehensive income.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the EIR and transaction costs. The amortization is included under 'Interest income' in profit or loss in the consolidated statement of comprehensive income. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.



AFS investments

AFS investments are those nonderivative investments which are designated as such or do not qualify to be classified as designated financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss in the consolidated statement of comprehensive income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from profit or loss in the consolidated statement of comprehensive income and are reported under 'Net unrealized gain (loss) on available-for-sale investments' under other comprehensive income in the consolidated statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit or loss in the consolidated statement of comprehensive income. Interest earned on holding AFS investments are reported as interest income using the effective interest method. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Dividends earned on holding AFS investments are recognized in profit or loss in the consolidated statement of comprehensive income when the right to receive payment has been established.

The losses arising from impairment of such investments are recognized under 'Impairment losses and others' in profit or loss in the consolidated statement of comprehensive income.

Other financial liabilities

Issued financial instruments or their components, which are not designated as at FVPL, are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned with the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees and debt issue costs that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss in the consolidated statement of comprehensive income.

This accounting policy applies primarily to the Group's short-term and long-term debt, accounts payable and accrued expenses and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liabilities).



Debt Issuance Cost

Debt issuance costs are amortized using the effective interest method and unamortized debt issuance costs are included in the measurement of the related carrying value of the loan in the consolidated statement of financial position. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss in the consolidated statement of comprehensive income.

Customers' Deposits

Deposits from lessees

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

The difference between the cash received and its fair value is deferred (included in 'Other 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 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 intention and ability 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 accordingly.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss in the consolidated statement of comprehensive income over the remaining life of the investment using the effective interest method. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of comprehensive income.



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 profit or loss in the consolidated statement of comprehensive income as 'Impairment losses and others.' The asset, together with the associated allowance account, is written-off when there is no realistic prospect of future recovery.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.



If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

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

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

AFS investments

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

In the case of equity investments classified as AFS investments, objective evidence would include a 'significant' or 'prolonged' decline in the fair value of the investments below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit and loss in the consolidated statement comprehensive income, is removed from other comprehensive income and recognized in profit or loss in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through profit or loss in the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized as part of other comprehensive income.

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

Derecognition of Financial Instruments

Financial assets

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

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



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

Financial liabilities

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

Offsetting Financial Instruments

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

Inventories

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

When inventories are sold, the carrying amounts of those inventories are recognized under 'Cost of sales and services' in profit or loss in the consolidated statement of comprehensive income in the period when the related revenue is recognized.

The amount of any write-down of inventories to NRV is recognized in 'Cost of sales and services' while all other losses on inventories shall be recognized under 'Impairment losses and others' in profit or loss in the consolidated statement of comprehensive income in the period the write-down or loss was incurred. The amount of reversal of any write-down of inventories, arising from an increase in the NRV, shall be recognized as a reduction to 'Cost of sales and services' in the period where the reversal was incurred.

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

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

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

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



Subdivision land and condominium and residential units for sale

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

Assets Held for Sale

The Group classifies assets as held for sale (disposal group) 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 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.

Assets 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 assets 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 assets 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 assets held for sale are measured at their expected settlement amounts.



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.

Investment in Associates and Joint Ventures

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.



The Group also has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

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

The Group's investments in certain associates and joint ventures include goodwill on acquisition, less any impairment in value. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not amortized.

Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used in line with those used by the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized either in profit or loss or other comprehensive income in the consolidated statement of comprehensive income.

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
Telecommunications equipment:	
Tower	20 years
Switch	10 to 20 years
Outside plant facilities	10 to 20 years
Distribution dropwires	5 years
Cellular facilities and others	3 to 20 years
Investment in cable systems	15 years
Leasehold improvements	15 years
Passenger aircraft*	15 years
Other flight equipment	5 years
Transportation, furnishing and other equipment	3 to 5 years

* With 15.0% residual value after 15 years

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

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

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

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

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



ARO

The Group is legally required under various lease contracts to restore certain leased properties and leased aircraft to their original conditions and to bear the cost of any dismantling and deinstallation at the end of the contract period. These costs are accrued based on an internal estimate made by the work of both third party and Group's engineers which includes estimates of certain redelivery costs at the end of the operating aircraft lease. The Group recognizes the present value of these costs as ARO asset (included under 'Property, plant and equipment' in the consolidated statement of financial position) and ARO liability (included under 'Other noncurrent liabilities'). The Group depreciates ARO asset on a straight-line basis over the EUL of the related account or the lease term, whichever is shorter, or written-off as a result of impairment of the related account. The Group amortizes ARO liability using the effective interest method and recognizes accretion expense (included in 'Interest expense' in profit or loss in the consolidated statement of comprehensive income) over the lease term.

The Group regularly assesses the provision for ARO and adjusts the related asset and liability.

Borrowing Costs

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

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

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

Biological Assets

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

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

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



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

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when the a biological asset's life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in profit or loss in the consolidated statement of comprehensive income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling then into fatteners/finishers, while the agricultural produce in poultry livestock is the hatched chick and table eggs.

Biological assets at cost

The cost of a biological asset comprises its purchase price and any costs attributable in bringing the biological asset to its location and conditions intended by management.

Depreciation (included under 'Cost of sales and services' in profit or loss in the consolidated statement of comprehensive income) is computed using the straight-line method over the EUL of the biological assets, regardless of utilization. The EUL of biological assets is reviewed annually based on expected utilization as anchored on business plans and strategies that consider market behavior to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from the biological assets. The EUL of biological assets ranges from two to three years.

The carrying values of biological assets at cost are reviewed for impairment, when events or changes in circumstances indicate that the carrying values may not be recoverable (see further discussion under Impairment of Nonfinancial Assets).

This accounting policy applies to the Group's poultry livestock breeders.

Biological assets carried at fair values less estimated costs to sell

Swine livestock are measured at their fair values less costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers and nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

A gain or loss on initial recognition of a biological asset carried at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset is included under 'Cost of sales and services' in profit or loss in the consolidated statement of comprehensive income in the period in which it arises.

Goodwill

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



Each unit or group of units to which the goodwill is so 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 arose 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 follow:

	Technology Licenses	Licenses	Product Formulation	Software Costs	Trademarks	
EUL	Finite (12 to 13.75 years)	Indefinite	Indefinite	Finite (5 years)	Finite (4 years)	Indefinite
Amortization method used	Amortized on a straight-line basis over the EUL of the license	No amortization	No amortization	Amortized on a straight-line basis over the EUL of the software cost	Amortized on a straight-line basis over the EUL of the trademark	No amortization
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired	Acquired	Acquired

Deferred Subscriber Acquisition and Retention Costs

Subscriber acquisition costs primarily include handset and phonekit subsidies. Handset and phonekit subsidies represent the difference between the cost of handsets, accessories and subscriber's identification module (SIM) cards (included under 'Cost of sales and services' under discontinued operations in profit or loss in the consolidated statement of comprehensive income), and the price offered to the subscribers (included under 'Sale of telecommunications services' under discontinued operations in profit or loss in the consolidated statement of comprehensive income). Retention costs for existing postpaid subscribers are in the form of free handsets.

Subscriber acquisition and retention costs pertaining to postpaid subscriptions are deferred and amortized over the base contract period, which ranges from 18 to 24 months from the date in which they are incurred. 'Deferred subscriber acquisition and retention costs' are shown under 'Other noncurrent assets' in the consolidated statement of financial position. The related amortization of subscriber acquisition costs is included under 'Cost of sales and services' in profit or loss in the consolidated statement of comprehensive income.

The Group performs an overall realizability test, in order to support the deferral of the subscriber acquisition costs. An overall realizability test is done by determining the minimum contractual revenue after deduction of direct costs associated with the service contract over the base contract period. Costs are deferred and amortized, if there is a nonrefundable contract or a reliable basis for estimating net cash inflows under a revenue-producing contract which exists to provide a basis for recovery of incremental direct costs.

This accounting policy applies to Telecommunication Segment of the Group which was disposed in 2011.



Impairment of Nonfinancial Assets

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

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

Impairment losses from continuing operations are recognized under 'Impairment losses and others' in profit or loss in the consolidated statement of comprehensive income.

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

Property, plant and equipment, investment properties, intangible assets with definite useful lives and deferred subscriber acquisition and retention costs

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

Goodwill

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

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

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



Investments in associates and joint ventures

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

Biological assets at cost

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

Intangible assets with indefinite useful lives

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

Common Stock

Common 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.

Treasury Shares

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

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duties. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

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

Rendering of tolling services

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



Rendering of air transportation services

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

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

Ancillary revenue

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

Real estate sales

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

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

Revenue from hotel operations

Revenue from hotel operations is recognized when services are rendered. Revenue from banquets and other special events are recognized when the events take place. Rental income on leased areas of the hotel is recognized on a straight-line basis over the lease term.

Interest income

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

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

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

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



Service fees and commission income

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

Trading and securities gain (loss)

Represent results arising from disposal of AFS investments and trading activities including all gains and losses from changes in fair value of financial assets at FVPL.

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.

Rendering of telecommunications services

Revenue from telecommunications services includes the value of all telecommunications services provided, net of free usage allocations and discounts. Revenue is recognized when earned, and is net of the share of other foreign and local carriers and content providers, if any, under existing correspondence and interconnection and settlement agreements.

Revenue is stated at amounts billed or invoiced and accrued to subscribers or other carriers and content providers by taking into consideration the bill cycle cut-off (for postpaid subscribers), and charges against preloaded airtime value (for prepaid subscribers), and excludes valued-added tax (VAT) and overseas communication tax. Inbound traffic revenues, net of discounts and outbound traffic charges, are accrued based on actual volume of traffic monitored by the Group's network and in the traffic settlement system.

The Group's service revenue includes the revenue earned from subscribers and connecting carriers/traffic. With respect to revenue earned from subscribers, revenue principally consists of: (1) per minute airtime and toll fees for local, domestic and international long distance calls in excess of free call allocation, less bonus airtime credits, airtime on free SIM, prepaid reload discounts and interconnection fees; (2) revenue from value-added services (VAS) such as short messaging services (SMS) in excess of consumable fixed monthly service fees (for postpaid) and free SMS allocations (for prepaid), multimedia messaging services (MMS), content downloading and infotext services, net of amounts settled with carriers owning the network where the outgoing voice call or SMS terminates and payout to content providers; (3) inbound revenue from other



carriers which terminate their calls to the Group's network less discounts; (4) revenue from international roaming services; (5) usage of broadband and internet services in excess of fixed monthly service fees; (6) fixed monthly service fees (for postpaid wireless subscribers) and prepaid subscription fees for discounted promotional calls and SMS.

Postpaid service arrangements include fixed monthly charges which are recognized over the subscription period on a pro-rata basis. Telecommunications services provided to postpaid subscribers are billed throughout the month according to the billing cycles of subscribers. As a result of billing cycle cut-off, service revenue earned but not yet billed at end of month is estimated and accrued based on actual usage.

Proceeds from over-the-air reloading channels and sale of prepaid cards are initially recognized as unearned revenue (recorded under 'Other current liabilities' in the consolidated statement of financial position). Revenue is realized upon actual usage of the airtime value of the prepaid card, net of free service allocation. The unused value of prepaid cards is likewise recognized as revenue upon expiration. Interconnection fees and charges arising from the actual usage of prepaid cards are recorded as incurred.

Proceeds from sale of phonekits and SIM cards/packs received from certain mobile subscribers are recognized upon actual receipts, and are included under 'Other revenue' in profit or loss in the consolidated statement of comprehensive income.

With respect to revenue earned from connecting carriers/traffic, inbound revenue and outbound charges are based on agreed transit and termination rates with other foreign and local carriers and content providers. Inbound revenue represents settlement received for traffic originating from telecommunications providers that are sent through the Group's network, while outbound charges represent settlements to telecommunications providers for traffic originating from the Group's network and settlements to providers for contents downloaded by subscribers. Both the inbound revenue and outbound charges are accrued based on actual volume of traffic monitored by the Group from the switch. Adjustments are made to the accrued amount for discrepancies between the traffic volume per the Group's records and per records of other carriers. The adjustments are recognized as these are determined and are mutually agreed-upon by the parties. Uncollected inbound revenue is shown under 'Receivables' in the consolidated statement of financial position, while unpaid outbound charges are shown under 'Accounts payable and accrued expenses' in the consolidated statement of financial position.

Revenues from telecommunication services are presented under discontinued operations in the consolidated statement of comprehensive income.

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



Related Party Relationships and Transactions

Related party relationship exists when one party has the ability to control, direct, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailments or settlements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceed 10.0% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. The excess actuarial gains or losses are recognized over the average remaining working lives of the employees participating in the plan.

The asset or liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation as of the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. The defined benefit obligation is calculated by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.

Past service costs, if any, are recognized immediately in profit or loss in the consolidated statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortized on a straight-line basis over the vesting period.

The asset ceiling test requires a defined benefit asset to be measured at the lower of the amount of the net plan asset and the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



Income Taxes

Current tax

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

Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Otherwise, no deferred tax liability is set-up.

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 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 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 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 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 on the convertible 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.

Future Changes in Accounting Policies

The Group will adopt the standards and interpretations enumerated below when these become effective. Except for the adoption of Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Effective 2012

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosures only and has no impact on the Group's financial position or performance.
- PAS 12, *Income Taxes - Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*



should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

Effective 2013

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*
The amendments to PAS 1 change the grouping of items presented in Other comprehensive income. Items that could be reclassified or “recycled” to profit or loss in the consolidated statement of comprehensive income at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group’s financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.
- PAS 19, *Employee Benefits (Amendments)*
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The Group is currently assessing the impact of the amendments to PAS 19. The amendments becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 27, *Separate Financial Statements* (as revised in 2011)
As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or ‘similar agreement’, irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a. The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b. The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
 - c. The net amounts presented in the statement of financial position;



- d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27 that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 11, *Joint Arrangements*
The standard replaces PAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 12, *Disclosure of Interests with Other Entities*
The standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 13, *Fair Value Measurement*
The standard establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on its financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.



Effective 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

These amendments to PAS 32 clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.

Effective 2015

- PFRS 9, *Financial Instruments: Classification and Measurement*

The standard as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

The implementation of this interpretation is deferred until the final *Review Standard* is issued by International Accounting Standards Board (IASB) and after an evaluation on the requirements and guidance in the standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed. This Philippine Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as a construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

The adoption of this Philippine Interpretation will be accounted for retrospectively and will result to the restatement of prior period consolidated financial statements. The adoption of this interpretation may significantly affect the determination of the consolidated net income and the related consolidated statement of financial position accounts as follows: ‘Installment contract receivables’, ‘Deposit from real estate buyers’, ‘Deferred tax liabilities’ and ‘Retained earnings’.



3. Significant Accounting Judgments and Estimates

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

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

Judgments

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

a. Going concern assessment

The Group's management has made an assessment on the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue their business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

b. Classification of financial instruments

The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group classifies certain quoted nonderivative financial assets with fixed or determinable payments and fixed maturities as HTM investments. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances, the Group will be required to reclassify the entire portfolio as AFS investments. Consequently, the investments would therefore be measured at fair value and not at amortized cost.

c. Determination of fair values of financial instruments

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange



rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in fair value of these financial assets and liabilities would affect the consolidated statements of comprehensive income.

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

d. Revenue from real estate sales

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgment based on, among others:

- buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- stage of completion of the project.

The related balances from real estate transactions follow:

	2011	2010	2009
Revenue	₱4,079,748,167	₱2,720,062,815	₱3,903,963,162
Cost and expenses	2,664,371,840	1,745,032,612	2,304,166,017

e. Classification of leases

Operating lease commitments - Group as lessee

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

Operating lease commitments - Group as lessor

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

f. Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.



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

g. Consolidation of SPEs

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

h. Determination of functional currency

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

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

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

i. Significant subsequent events of fiscal subsidiaries

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



j. Significant influence over an associate with less than 20.0% ownership

In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence.

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

k. Assets held for sale

The Group classifies a subsidiary as a disposal group held for sale if its meets the following conditions at the reporting date:

- The entity is available for immediate sale and can be sold in its current condition;
- An active program to locate a buyer and complete the plan sale has been initiated; and
- The entity is to be genuinely sold, not abandoned.

l. Contingencies

The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's consolidated financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 42).

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:

	2011	2010	2009
Revenue	₱4,079,748,167	₱2,720,062,815	₱3,903,963,162
Cost and expenses	2,664,371,840	1,745,032,612	2,304,166,017



- **Rendering of transportation services**
Passenger sales are recognized as revenue when the obligation of the Group to provide transportation service ceases, either: (a) when transportation services are already rendered; or (b) when the Group estimates that unused tickets are already expired. The value of unused tickets is included as 'Unearned transportation revenue' in the consolidated statements of financial position and recognized as revenue based on estimates. These estimates are based on historical experience. While actual results may vary from these estimates, the Group believes it is unlikely that materially different estimates for future refunds, exchanges, and forfeited tickets would be reported based on other reasonable assumptions or conditions suggested by actual historical experience and other data available at the time the estimates were made.

The balances of the Group's 'Unearned transportation revenue' is disclosed in Note 22 to the consolidated financial statements. Ticket sales that are not expected to be used for transportation are recognized as revenue using estimates regarding the timing of recognition based on the terms and conditions of the tickets and historical trends.

- **Rendering of telecommunications services**
Digitel's postpaid service arrangements include fixed monthly charges which are recognized over the subscription period on a pro-rata basis. Digitel bills the postpaid subscribers throughout the month according to the bill cycles of subscribers. As a result of the billing cycle cut-off, service revenue earned but not yet billed at end of the month is estimated and accrued based on actual usage.

The balances of the Group's unearned telecommunications revenue are disclosed in Note 22 to the consolidated financial statements.

Digitel's agreements with local and foreign carriers for inbound and outbound traffic subject to settlements require traffic reconciliations before actual settlement is done, which may not be the actual volume of traffic as measured by management. Initial recognition of revenue is based on observed traffic in the network, since normal historical experience adjustments are not material to the consolidated financial statements. The differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates will not result in material adjustments in future periods.

The total unsettled net inbound traffic revenue from local and foreign traffic carriers (included under 'Receivables' in the consolidated statements of financial position) are shown in Note 11, while the total unsettled net outbound traffic revenue to local and foreign carriers (included under 'Accounts payable and accrued expenses') are shown in Note 21.

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 2011 and 2010, the Group did not recognize impairment losses on its AFS debt investments. In 2009, the Group recognized provision for impairment losses on AFS debt investments, included under 'Impairment losses and others' in profit or loss in the consolidated statements of comprehensive income amounting to ₱185.5 million (Notes 10 and 33).

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 2011 and 2010, the Group did not recognize impairment losses on its AFS equity investments. In 2009, the Group recognized provision for impairment losses amounting to ₱62.3 million on its AFS equity investments (Notes 10 and 33).

The carrying value of the Group's AFS equity investments is disclosed in Note 10 to the consolidated financial statements.

c. 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 33 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.

d. 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 33 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.

e. Estimation of ARO

The Group is legally required under various contracts to restore certain leased property and leased aircraft to its original condition and to bear the costs of dismantling and deinstallation at the end of the contract period. These costs are accrued based on an internal estimate which incorporates estimates on the amounts of asset retirement costs, third party margins and interest rates. The Group recognizes the present value of these costs as part of the balance of the related property, plant and equipment accounts, and depreciates such on a straight-line basis over the EUL of the related asset.

The present value of dismantling or restoration costs of telecommunication segment is computed based on an average credit adjusted risk-free rate of 6.2% to 10.1% while the present value of the cost of restoration for the air transportation segment is computed based on CAI's average borrowing cost. Assumptions used to compute ARO are reviewed and updated annually.

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.

f. Estimation of useful lives of property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost

The Group estimates the useful lives of its depreciable property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost based on the period over which the assets are expected to be available for use. The EUL of the said depreciable assets are reviewed at least annually and are updated, if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the EUL of the depreciable property, plant and equipment, investment properties and intangible assets would increase depreciation and amortization expense and decrease noncurrent assets.

As of December 31, 2011 and 2010, the balance of the Group's depreciable assets are disclosed in the respective notes to the consolidated financial statements.



g. *Estimation of fair values less estimated costs to sell of biological assets*

The fair values of swine are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell costs include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transportation and other costs necessary to get the biological assets to the market. The fair values are reviewed and updated, if expectations differ from previous estimates due to changes brought by both physical change and price changes in the market. It is possible that future results of operations could be materially affected by changes in these estimates brought about by the changes in factors mentioned.

The Group recognized loss 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 ₱128.3 million and ₱44.7 million in 2011 and 2010, respectively, while the Group recognized gains arising from changes in the fair market values of biological assets (included in 'Cost of sales and services' in profit or loss in the consolidated statements of comprehensive income) amounting to ₱96.8 million in 2009 (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.

h. *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, expected returns on plan assets and salary increase rates (Note 36). 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 out flows using the interest rate of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

As of December 31, 2011 and 2010, the balance of the Group's present value of defined benefit obligations and other employee benefits is shown in Note 36.

i. *Assessment of impairment on property, plant and equipment, investment properties, investments in associates and joint ventures, biological assets carried at cost, goodwill and other intangible assets*

The Group assesses impairment on its property, plant and equipment, investment properties, investments in associates and joint ventures, biological assets carried at cost and goodwill and other intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.



The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In the case of goodwill and intangible assets with indefinite lives, at a minimum, such assets are subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for impairment losses on nonfinancial assets recognized in 2011, 2010 and 2009 is disclosed in Note 33 to the consolidated financial statements.

As of December 31, 2011 and 2010, the balance of the Group's nonfinancial assets, net of accumulated depreciation, amortization and impairment loss follow:

	2011	2010
Property, plant and equipment (Note 16)	₱82,395,386,691	₱146,425,537,113
Investment properties (Note 15)	41,883,671,246	32,090,113,137
Investments in associates and joint ventures (Note 14)	32,055,963,868	30,425,762,248
Goodwill (Note 19)	798,627,776	890,375,020
Intangible assets (Note 18)	905,540,502	993,831,456

j. Recognition of deferred tax assets

The Group reviews the carrying amounts of its deferred tax assets at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.

As of December 31, 2011 and 2010, the Group's recognized deferred tax assets are shown in Note 37.

The Group has certain subsidiaries which enjoy the benefits of an income tax holiday (ITH). As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse or expire within the ITH period (Note 37).

As of December 31, 2011 and 2010, the total amounts of temporary differences, for which the Group did not recognize any deferred tax assets are shown in Note 37.



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 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:

	2011			
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Loans and receivables				
Cash and cash equivalents*	₱33,114,293,878	₱2,800,000,000	₱30,314,293,878	₱2,800,000,000
Trade receivables	9,216,879,739	161,411,682	9,055,468,057	161,411,682
Finance receivables:				
Commercial	7,763,177,168	741,366,636	7,021,810,532	741,366,636
Real estate	2,614,517,808	4,725,689,282	-	2,614,517,808
Consumption	2,064,871,818	2,103,241,674	-	2,064,871,818
Other receivables	2,308,878,490	16,098,704	2,292,779,786	16,098,704
Total credit risk exposure	₱57,082,618,901	₱10,547,807,978	₱48,684,352,253	₱8,398,266,648

* Excludes cash on hand amounting to ₱781,049,127

	2010			
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Loans and receivables				
Cash and cash equivalents*	₱41,326,235,582	₱1,561,000,000	₱39,765,235,582	₱1,561,000,000
Trade receivables	12,035,940,022	136,918,451	11,899,021,571	136,918,451
Finance receivables:				
Commercial	5,707,520,977	4,613,433,938	1,094,087,039	4,613,433,938
Real estate	2,180,067,491	5,952,419,475	-	2,180,067,491
Consumption	1,985,635,932	2,010,963,051	-	1,985,635,932
Other receivables	2,465,740,847	10,878,743	2,454,862,104	10,878,743
Total credit risk exposure	₱65,701,140,851	₱14,285,613,658	₱55,213,206,296	₱10,487,934,555

* Excludes cash on hand amounting to ₱783,767,940

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, 2011 and 2010, before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

	December 31, 2011					Total
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	
Cash and cash equivalents**	₱31,125,259,019	₱1,989,034,859	₱-	₱-	₱-	₱33,114,293,878
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	2,060,545,559	1,244,218,970	361,697,309	2,724,956,460	1,061,363,155	7,452,781,453
Government	966,672,000	179,391,071	-	-	127,419,349	1,273,482,420
	3,027,217,559	1,423,610,041	361,697,309	2,724,956,460	1,188,782,504	8,726,263,873
Equity securities:						
Quoted	405,400,107	349,382,300	361,109,440	1,115,794,848	-	2,231,686,695
Unquoted	-	4,516	-	-	-	4,516
	405,400,107	349,386,816	361,109,440	1,115,794,848	-	2,231,691,211
	3,432,617,666	1,772,996,857	722,806,749	3,840,751,308	1,188,782,504	10,957,955,084
Derivative assets:						
Not designated as accounting hedges	251,777,742	5,467,549	-	26,042,434	-	283,287,725
	3,684,395,408	1,778,464,406	722,806,749	3,866,793,742	1,188,782,504	11,241,242,809
AFS investments:						
Debt securities:						
Government	6,907,345,449	147,680,695	-	-	558,143,833	7,613,169,977
Private	988,115,716	889,537,156	725,620,840	756,304,325	80,526,856	3,440,104,893
	7,895,461,165	1,037,217,851	725,620,840	756,304,325	638,670,689	11,053,274,870
Equity securities:						
Quoted	43,694,169,605	110,367,200	-	-	872,487,250	44,677,024,055
Unquoted	17,065,871	-	-	-	-	17,065,871
	43,711,235,476	110,367,200	-	-	872,487,250	44,694,089,926
	51,606,696,641	1,147,585,051	725,620,840	756,304,325	1,511,157,939	55,747,364,796
Receivables:						
Trade receivables	6,880,614,623	1,797,924,233	10,946,298	6,198,094	1,087,243	8,696,770,491
Finance receivables	12,160,584,030	-	-	-	-	12,160,584,030
Due from related parties	1,126,990,686	229,391,362	-	-	-	1,356,382,048
Interest receivable	539,174,134	44,507,345	25,687,935	56,245,627	49,719,618	715,334,659
Other receivables	1,384,933,600	361,585,694	86,388,927	-	-	1,832,908,221
	22,092,297,073	2,433,408,634	123,023,160	62,443,721	50,806,861	24,761,979,449
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statement of financial position)	247,022,482	-	-	166,175,680	-	413,198,162
Other financial assets (included under 'Other current' and 'Other noncurrent assets' in the consolidated statement of financial position)	4,340,529,990	-	-	-	-	4,340,529,990
	₱113,096,200,613	₱7,348,492,950	₱1,571,450,749	₱4,851,717,468	₱2,750,747,304	₱129,618,609,084

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

** Excludes cash on hand amounting to ₱781,049,127



	December 31, 2010					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents**	₱38,536,685,766	₱2,789,202,071	₱-	₱347,745	₱-	₱41,326,235,582
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	2,053,479,607	915,147,740	440,633,307	1,736,314,362	1,383,320,729	6,528,895,745
Government	948,259,200	190,065,964	-	-	151,597,035	1,289,922,199
	3,001,738,807	1,105,213,704	440,633,307	1,736,314,362	1,534,917,764	7,818,817,944
Equity securities:						
Quoted	282,608,536	232,563,353	926,758,141	712,119,753	285,950,784	2,440,000,567
Unquoted	-	4,516	-	-	-	4,516
	282,608,536	232,567,869	926,758,141	712,119,753	285,950,784	2,440,005,083
	3,284,347,343	1,337,781,573	1,367,391,448	2,448,434,115	1,820,868,548	10,258,823,027
Derivative assets:						
Not designated as accounting hedges	775,813,090	260,937,463	-	149,428,054	-	1,186,178,607
	4,060,160,433	1,598,719,036	1,367,391,448	2,597,862,169	1,820,868,548	11,445,001,634
AFS investments:						
Debt securities:						
Government	3,914,067,346	158,773,681	-	-	703,024,560	4,775,865,587
Private	358,919,596	379,175,308	761,354,929	2,046,873,879	51,586,412	3,597,910,124
	4,272,986,942	537,948,989	761,354,929	2,046,873,879	754,610,972	8,373,775,711
Equity securities:						
Quoted	208,296,083	943,694,250	-	-	114,532,000	1,266,522,333
Unquoted	226,975,871	-	-	-	-	226,975,871
	435,271,954	943,694,250	-	-	114,532,000	1,493,498,204
	4,708,258,896	1,481,643,239	761,354,929	2,046,873,879	869,142,972	9,867,273,915
Receivables:						
Trade receivables	8,092,204,526	1,409,714,130	192,447,000	61,997,364	-	9,756,363,020
Finance receivables	9,687,998,417	-	-	-	-	9,687,998,417
Due from related parties	589,129,115	431,557,672	1,206,127,120	-	-	2,226,813,907
Interest receivable	470,727,566	27,862,137	58,487,433	57,885,218	96,441,305	711,403,659
Other receivables	1,502,354,788	275,132,149	67,607,101	38,721,498	-	1,883,815,536
	20,342,414,412	2,144,266,088	1,524,668,654	158,604,080	96,441,305	24,266,394,539
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statement of financial position)	517,759,627	-	-	9,240,000	-	526,999,627
Other financial assets (included under 'Other noncurrent assets' in the consolidated statement of financial position)	87,976,029	-	-	-	-	87,976,029
	₱68,253,255,163	₱8,013,830,434	₱3,653,415,031	₱4,812,927,873	₱2,786,452,825	₱87,519,881,326

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

** Excludes cash on hand amounting to ₱783,767,940



ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2011 and 2010, before taking into account any collateral held or other credit enhancements.

	December 31, 2011											
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Private Households	Financial Intermediaries	Transportation, Storage and Communication	Construction	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Public Administration and Defense	Others*	Total
Cash and cash equivalents**	₱-	₱-	₱-	₱-	₱33,114,293,878	₱-	₱-	₱-	₱-	₱-	₱-	₱33,114,293,878
Financial assets at FVPL:												
Held-for-trading:												
Debt securities:												
Private	-	-	-	-	3,828,855,069	228,951,008	46,221,322	-	144,373,507	-	3,204,380,547	7,452,781,453
Government	-	-	-	-	1,137,848,787	-	-	-	-	-	135,633,633	1,273,482,420
	-	-	-	-	4,966,703,856	228,951,008	46,221,322	-	144,373,507	-	3,340,014,180	8,726,263,873
Equity securities:												
Quoted	-	-	-	-	1,939,999,926	147,000	15,569,742	-	-	-	275,970,027	2,231,686,695
Unquoted	-	-	-	-	-	-	-	-	-	-	4,516	4,516
	-	-	-	-	1,939,999,926	147,000	15,569,742	-	-	-	275,974,543	2,231,691,211
	-	-	-	-	6,906,703,782	229,098,008	61,791,064	-	144,373,507	-	3,615,988,723	10,957,955,084
Derivative financial assets:												
Not designated as accounting hedges	-	-	-	-	266,407,517	-	-	-	16,880,208	-	-	283,287,725
	-	-	-	-	7,173,111,299	229,098,008	61,791,064	-	161,253,715	-	3,615,988,723	11,241,242,809
AFS investments:												
Debt securities:												
Government	-	-	-	-	-	-	-	-	-	-	7,613,169,977	7,613,169,977
Private	-	-	-	-	2,413,527,913	84,737,667	135,094,800	-	-	-	806,744,513	3,440,104,893
	-	-	-	-	2,413,527,913	84,737,667	135,094,800	-	-	-	8,419,914,490	11,053,274,870
Equity securities:												
Quoted	-	-	-	-	1,162,628,655	28,674,553,192	-	-	-	-	14,839,842,208	44,677,024,055
Unquoted	-	-	-	-	16,378,200	-	-	-	-	-	687,671	17,065,871
	-	-	-	-	1,179,006,855	28,674,553,192	-	-	-	-	14,840,529,879	44,694,089,926
	-	-	-	-	3,592,534,768	28,759,290,859	135,094,800	-	-	-	23,260,444,369	55,747,364,796

(Forward)



December 31, 2011

	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Private Households	Financial Intermediaries	Transportation, Storage and Communication	Construction	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Public Administration and Defense	Others*	Total
Receivables:												
Trade receivables	₱4,516,052,575	₱3,161,581,894	₱-	₱-	₱-	₱647,199,979	₱-	₱-	₱-	₱-	₱371,936,043	₱8,696,770,491
Finance receivables	721,468,409	4,244,154,274	2,264,664,821	-	188,038,748	791,013,401	130,280,290	420,300,694	1,325,910,696	-	2,074,752,697	12,160,584,030
Due from related parties	219,691,387	276,268,559	-	-	354,665,325	58,851,694	-	-	410,436,221	-	36,468,862	1,356,382,048
Interest receivable	-	-	-	-	308,655,420	7,646,172	9,139,693	-	3,084,373	-	386,809,001	715,334,659
Other receivables	362,870,044	392,341,441	-	-	-	8,167,635	-	-	-	-	1,069,529,101	1,832,908,221
	5,820,082,415	8,074,346,168	2,264,664,821	-	851,359,493	1,512,878,881	139,419,983	420,300,694	1,739,431,290	-	3,939,495,704	24,761,979,449
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statement of financial position)	1,106,342	225,596,431	-	-	-	166,175,680	-	-	-	-	20,319,709	413,198,162
Other financial assets (included under 'Other noncurrent assets' in the consolidated statement of financial position)	-	-	-	-	4,340,500,000	-	-	-	-	-	29,990	4,340,529,990
	₱5,821,188,757	₱8,299,942,599	₱2,264,664,821	₱-	₱49,071,799,438	₱30,667,443,428	₱336,305,847	₱420,300,694	₱1,900,685,005	₱-	₱30,836,278,495	₱129,618,609,084

* Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.

** Excludes cash on hand amounting to ₱781,049,127



December 31, 2010

	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Private Households	Financial Intermediaries	Transportation, Storage and Communication	Construction	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Public Administration and Defense	Others*	Total
	₱-	₱-	₱-	₱-	₱41,326,235,582	₱-	₱-	₱-	₱-	₱-	₱-	₱41,326,235,582
Cash and cash equivalents**												
Financial assets at FVPL:												
Held-for-trading:												
Debt securities:												
Private	-	668,627,033	-	-	1,898,825,150	466,811,399	-	-	97,740,506	-	3,396,891,657	6,528,895,745
Government	-	-	-	-	1,138,031,535	-	-	-	-	-	151,890,664	1,289,922,199
	-	668,627,033	-	-	3,036,856,685	466,811,399	-	-	97,740,506	-	3,548,782,321	7,818,817,944
Equity securities:												
Quoted	-	-	-	-	1,797,137,222	221,399,960	-	-	-	-	421,463,385	2,440,000,567
Unquoted	-	-	-	-	-	-	-	-	-	-	4,516	4,516
	-	-	-	-	1,797,137,222	221,399,960	-	-	-	-	421,467,901	2,440,005,083
	-	668,627,033	-	-	4,833,993,907	688,211,359	-	-	97,740,506	-	3,970,250,222	10,258,823,027
Derivative financial assets:												
Not designated as accounting hedges	-	-	316,134,415	-	215,757,167	-	-	-	489,917,466	-	164,369,559	1,186,178,607
	-	668,627,033	316,134,415	-	5,049,751,074	688,211,359	-	-	587,657,972	-	4,134,619,781	11,445,001,634
AFS investments:												
Debt securities:												
Government	-	-	-	-	2,231,875,899	-	-	-	-	-	2,543,989,688	4,775,865,587
Private	-	-	-	-	1,565,038,308	659,476,908	-	-	465,152,683	-	908,242,225	3,597,910,124
	-	-	-	-	3,796,914,207	659,476,908	-	-	465,152,683	-	3,452,231,913	8,373,775,711
Equity securities:												
Quoted	-	-	-	-	283,997,793	-	-	-	-	-	982,524,540	1,266,522,333
Unquoted	-	-	-	-	226,378,200	-	-	-	-	-	597,671	226,975,871
	-	-	-	-	510,375,993	-	-	-	-	-	983,122,211	1,493,498,204
	-	-	-	-	4,307,290,200	659,476,908	-	-	465,152,683	-	4,435,354,124	9,867,273,915

(Forward)



December 31, 2010

	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Private Households	Financial Intermediaries	Transportation, Storage and Communication	Construction	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Public Administration and Defense	Others*	Total
Receivables:												
Trade receivables	₱3,602,661,658	₱3,224,224,250	₱391,595,000	₱529,640,000	₱15,928,000	₱1,085,750,660	₱-	₱109,100,070	₱9,591,000	₱-	₱787,872,382	₱9,756,363,020
Finance receivables	673,003,502	1,735,623,721	1,053,797,696	-	5,901,428	547,082,329	131,865,566	638,407,682	867,173,173	-	4,035,143,320	9,687,998,417
Interest receivable	239,293	3,083,985	-	-	325,686,369	13,520,964	-	-	5,682,987	-	363,190,061	711,403,659
Due from related parties	29,349,376	854,449,405	6,891,517	-	33,251,887	54,269,012	-	114,990,272	1,332,197	-	1,132,280,241	2,226,813,907
Other receivables	403,272,120	338,869,216	3,613,000	-	-	95,309,702	-	69,166,837	-	-	973,584,661	1,883,815,536
	4,708,525,949	6,156,250,577	1,455,897,213	529,640,000	380,767,684	1,795,932,667	131,865,566	931,664,861	883,779,357	-	7,292,070,665	24,266,394,539
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statement of financial position)	903,835	497,229,677	-	-	-	9,240,000	-	-	-	-	19,626,115	526,999,627
Other financial assets (included under 'Other noncurrent assets' in the consolidated statement of financial position)	-	-	-	-	-	-	-	-	-	-	87,976,029	87,976,029
	₱4,709,429,784	₱7,322,107,287	₱1,772,031,628	₱529,640,000	₱51,064,044,540	₱3,152,860,934	₱131,865,566	₱931,664,861	₱1,936,590,012	₱-	₱15,969,646,714	₱87,519,881,326

* Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.

** Excludes cash on hand amounting to ₱783,767,940



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:

	2011					
	Neither Past Due Nor Impaired			Unrated	Past Due or Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash and cash equivalents*	₱28,676,251,707	₱4,438,042,171	₱-	₱-	₱-	₱33,114,293,878
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	1,137,046,140	2,130,038,158	1,617,915,823	2,567,781,332	-	7,452,781,453
Government	-	1,273,482,420	-	-	-	1,273,482,420
	1,137,046,140	3,403,520,578	1,617,915,823	2,567,781,332	-	8,726,263,873
Equity securities:						
Quoted	1,540,009,757	544,239,970	147,436,968	-	-	2,231,686,695
Unquoted	-	-	-	4,516	-	4,516
	1,540,009,757	544,239,970	147,436,968	4,516	-	2,231,691,211
	2,677,055,897	3,947,760,548	1,765,352,791	2,567,785,848	-	10,957,955,084
Derivative financial assets:						
Not designated as accounting hedges	204,006,858	79,280,867	-	-	-	283,287,725
	2,881,062,755	4,027,041,415	1,765,352,791	2,567,785,848	-	11,241,242,809
AFS investments:						
Debt securities:						
Government	-	7,424,793,488	-	188,376,489	-	7,613,169,977
Private	102,000,000	3,119,395,606	-	218,709,287	-	3,440,104,893
	102,000,000	10,544,189,094	-	407,085,776	-	11,053,274,870
Equity securities:						
Quoted	43,694,169,605	982,854,450	-	-	-	44,677,024,055
Unquoted	-	-	-	17,065,871	-	17,065,871
	43,694,169,605	982,854,450	-	17,065,871	-	44,694,089,926
	43,796,169,605	11,527,043,544	-	424,151,647	-	55,747,364,796
Receivables:						
Trade receivables	6,551,578,659	525,095,325	7,587,894	-	2,132,617,861	9,216,879,739
Finance receivables	1,697,671,361	7,921,916,854	1,243,077,530	953,094,598	762,143,427	12,577,903,770
Due from related parties	1,335,200,943	21,181,105	-	-	-	1,356,382,048
Interest receivable	440,765,445	259,143,085	-	-	15,426,129	715,334,659
Other receivables	754,634,362	982,343,233	353,233	-	291,006,598	2,028,337,426
	10,779,850,770	9,709,679,602	1,251,018,657	953,094,598	3,201,194,015	25,894,837,642
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statement of financial position)	391,772,111	1,106,342	-	20,319,709	-	413,198,162
Other financial assets (included under 'Other noncurrent assets' in the consolidated statement of financial position)	4,340,500,000	29,990	-	-	-	4,340,529,990
	₱90,865,606,948	₱29,702,943,064	₱3,016,371,448	₱3,965,351,802	₱3,201,194,015	₱130,751,467,277

* Excludes cash on hand amounting to ₱781,049,127



	2010						Total
	Neither Past Due Nor Impaired			Unrated	Past Due or Individually Impaired		
	High Grade	Standard Grade	Substandard Grade				
Cash and cash equivalents*	₱39,610,076,426	₱1,716,159,156	₱-	₱-	₱-	₱41,326,235,582	
Financial assets at FVPL:							
Held-for-trading:							
Debt securities:							
Private	2,961,243,455	2,839,306,600	728,345,690	-	-	6,528,895,745	
Government	-	1,289,922,199	-	-	-	1,289,922,199	
	2,961,243,455	4,129,228,799	728,345,690	-	-	7,818,817,944	
Equity securities:							
Quoted	1,643,767,874	579,623,461	216,609,232	-	-	2,440,000,567	
Unquoted	-	-	-	4,516	-	4,516	
	1,643,767,874	579,623,461	216,609,232	4,516	-	2,440,005,083	
	4,605,011,329	4,708,852,260	944,954,922	4,516	-	10,258,823,027	
Derivative financial assets:							
Not designated as accounting hedges	1,083,907,607	102,271,000	-	-	-	1,186,178,607	
	5,688,918,936	4,811,123,260	944,954,922	4,516	-	11,445,001,634	
AFS investments:							
Debt securities:							
Government	4,088,364,939	477,913,755	-	209,586,893	-	4,775,865,587	
Private	1,536,305,455	1,116,893,217	558,975,244	87,446,901	298,289,307	3,597,910,124	
	5,624,670,394	1,594,806,972	558,975,244	297,033,794	298,289,307	8,373,775,711	
Equity securities:							
Quoted	208,296,083	1,058,226,250	-	-	-	1,266,522,333	
Unquoted	-	-	-	226,975,871	-	226,975,871	
	208,296,083	1,058,226,250	-	226,975,871	-	1,493,498,204	
	5,832,966,477	2,653,033,222	558,975,244	524,009,665	298,289,307	9,867,273,915	
Receivables:							
Trade receivables	5,362,426,113	2,148,474,778	229,846,876	-	4,295,192,255	12,035,940,022	
Finance receivables	1,496,414,620	7,729,760,939	346,452,826	-	625,585,031	10,198,213,416	
Due from related parties	1,137,529,412	1,089,284,495	-	-	-	2,226,813,907	
Interest receivable	480,334,593	230,827,935	-	-	241,131	711,403,659	
Other receivables	615,836,467	944,120,863	31,547,850	-	514,132,033	2,105,637,213	
	9,092,541,205	12,142,469,010	607,847,552	-	5,435,150,450	27,278,008,217	
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statement of financial position)	506,469,677	20,529,950	-	-	-	526,999,627	
Other financial assets (included under 'Other noncurrent assets' in the consolidated statement of financial position)	-	87,976,029	-	-	-	87,976,029	
	₱60,730,972,721	₱21,431,290,627	₱2,111,777,718	₱524,014,181	₱5,733,439,757	₱90,531,495,004	

* Excludes cash on hand amounting to ₱783,767,940

Classification of Financial Assets by Class used by the Group except for the Banking Segment

High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks belonging to the top 10 banks in the Philippines in terms of resources and profitability.

Other high grade accounts are considered to be of high value since the counterparties have a remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.



Classification of Financial Assets by Class used by the Banking Segment

For loans and receivables from customers, the Banking Segment's internal credit rating system was approved in 2007 and improved in 2011 in accordance with the Bangko Sentral ng Pilipinas (BSP) requirement, to cover corporate credit exposures, which is defined by the BSP as exposures to companies with assets of more than ₱15.0 million. Approximately ₱5.0 billion of loans and receivables from customers do not have available credit ratings, including microfinance, automobile and real estate loans.

The Banking Segment's internal credit risk rating is as follows:

Grades	Categories	Description
High grade		
<i>Risk rating 1</i>	Excellent	Lowest probability of default; exceptionally strong capacity for financial commitments; highly unlikely to be adversely affected by foreseeable events.
<i>Risk rating 2</i>	Super Prime	Very low probability of default; very strong capacity for payment of financial commitments; less vulnerable to foreseeable events.
<i>Risk rating 3</i>	Prime	Low probability of default; strong capacity for payment of financial commitments; may be more vulnerable to adverse business/economic conditions.
<i>Risk rating 4</i>	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
<i>Risk rating 5</i>	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		
<i>Risk rating 6</i>	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.
<i>Risk rating 7</i>	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 <i>Risk rating 8</i>	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 <i>Risk rating 9</i>	Marginal	Elevated level of probability of default, with limited margin; repayment source is adequate to marginal.
<i>Risk rating 10</i>	Watchlist	Unfavorable industry or company specific risk factors represent a concern, financial strength may be marginal; will find it difficult to cope with significant downturn.
<i>Risk rating 11</i>	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.
<i>Risk rating 12</i>	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 <i>Risk rating 13</i>	Doubtful	Weaknesses similar to "Substandard", but with added characteristics that make liquidation highly improbable.
<i>Risk rating 14</i>	Loss	Uncollectible or worthless.

The Banking Segment's internal credit risk rating system intends to provide a structure to define the corporate credit portfolio, and consists of an initial rating for the borrower risk later adjusted for the facility risk. Inputs include an assessment of management, credit experience, financial condition, industry outlook, documentation, security and term.



d. Aging analysis of receivables by class

The aging analysis of the Group's receivables as of December 31, 2011 and 2010 follow:

	2011						
	Neither Past Due Nor Impaired	Past Due But Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days		
Trade receivables	₱7,084,261,878	₱535,719,875	₱108,705,075	₱53,526,462	₱933,557,202	₱501,109,247	₱9,216,879,739
Finance receivables	11,815,760,343	32,316,013	17,469,094	38,042,495	175,243,733	499,072,092	12,577,903,770
Due from related parties	1,356,382,048	-	-	-	-	-	1,356,382,048
Interest receivable	699,908,530	-	-	-	-	15,426,129	715,334,659
Others	1,737,330,828	47,572,239	25,691,062	3,491,416	38,469,358	175,782,523	2,028,337,426
	₱22,693,643,627	₱615,608,127	₱151,865,231	₱95,060,373	₱1,147,270,293	₱1,191,389,991	₱25,894,837,642

	2010						
	Neither Past Due Nor Impaired	Past Due But Not Impaired				Past Due and Impaired	Total
		Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days		
Trade receivables	₱8,135,182,336	₱349,751,606	₱511,312,358	₱387,729,409	₱372,387,311	₱2,279,577,002	₱12,035,940,022
Finance receivables	9,248,852,787	20,509,472	11,185,427	120,084,858	287,365,873	510,214,999	10,198,213,416
Due from related parties	2,226,813,907	-	-	-	-	-	2,226,813,907
Interest receivable	711,162,528	241,131	-	-	-	-	711,403,659
Others	1,520,846,209	59,979,990	24,085,074	161,721,779	117,182,484	221,821,677	2,105,637,213
	₱21,842,857,767	₱430,482,199	₱546,582,859	₱669,536,046	₱776,935,668	₱3,011,613,678	₱27,278,008,217

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 undiscounted contractual payments as of December 31, 2011 and 2010:

	2011					Total
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	
Financial Assets						
Cash and cash equivalents	₱6,652,626,278	₱27,281,203,308	₱-	₱-	₱-	₱33,933,829,586
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	-	109,041,032	5,714,983,628	1,726,543,574	295,367,616	7,845,935,850
Government	-	2,255,542	237,707,724	-	1,039,254,600	1,279,217,866
	-	111,296,574	5,952,691,352	1,726,543,574	1,334,622,216	9,125,153,716
Equity securities:						
Quoted	1,464,599,372	47,983,275	536,072,048	-	183,032,000	2,231,686,695
Unquoted	-	-	4,516	-	-	4,516
	1,464,599,372	47,983,275	536,076,564	-	183,032,000	2,231,691,211
	1,464,599,372	159,279,849	6,488,767,916	1,726,543,574	1,517,654,216	11,356,844,927
Derivative financial assets:						
Not designated as accounting hedges	-	13,374,755	18,135,228	251,777,742	-	283,287,725
	1,464,599,372	172,654,604	6,506,903,144	1,978,321,316	1,517,654,216	11,640,132,652
AFS investments:						
Debt securities:						
Government	-	88,268,320	2,287,296,942	835,054,238	9,018,261,050	12,228,880,550
Private	-	43,883,351	2,596,797,323	107,941,289	1,449,625,090	4,198,247,053
	-	132,151,671	4,884,094,265	942,995,527	10,467,886,140	16,427,127,603
Equity securities:						
Quoted	21,720,000	-	966,485,427	102,698,179	43,586,120,449	44,677,024,055
Unquoted	16,378,200	-	687,671	-	-	17,065,871
	38,098,200	-	967,173,098	102,698,179	43,586,120,449	44,694,089,926
	38,098,200	132,151,671	5,851,267,363	1,045,693,706	54,054,006,589	61,121,217,529
Receivables:						
Trade receivables	2,612,833,627	3,230,512,991	1,664,005,784	949,512,472	239,905,617	8,696,770,491
Finance receivables	416,839,431	833,150,105	1,257,095,628	7,259,042,779	8,666,308,650	18,432,436,593
Due from related parties	1,356,382,048	-	-	-	-	1,356,382,048
Interest receivable	649,825,372	65,509,287	-	-	-	715,334,659
Other receivables	1,030,802,434	178,040,282	162,369,841	615,194,330	19,589,427	2,005,996,314
	6,066,682,912	4,307,212,665	3,083,471,253	8,823,749,581	8,925,803,694	31,206,920,105
Refundable security deposits	166,175,680	1,106,342	-	20,319,709	225,596,431	413,198,162
Other financial assets (included under 'Other current assets' in the consolidated statement of financial position)	29,990	-	4,340,500,000	-	-	4,340,529,990
	₱14,388,212,432	₱31,894,328,590	₱19,782,141,760	₱11,868,084,313	₱64,723,060,930	₱142,655,828,025

(Forward)



	2011					Total
	On Demand	Up to 3 Months	3 to 12 Months	More than 1 to 5 Years	More Than 5 Years	
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')	₱4,760,253,259	₱7,515,880,786	₱4,682,205,610	₱401,616,668	₱1,105,057,028	₱18,465,013,351
Short-term debt	-	19,091,151,558	32,730,137	-	-	19,123,881,695
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	2,522,134,130	2,687,341,145	1,152,412,209	1,684,020,827	-	8,045,908,311
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	631,338,794	-	168,346	994,856,747	-	1,626,363,887
Deposits from real estate buyers and lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	-	90,061,557	930,179,010	3,211,182,591	21,084,551	4,252,507,709
Derivative financial liability (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position)	-	-	85,244,646	218,686,239	-	303,930,885
Long-term debt (including current portion)	-	1,258,471,761	16,330,352,698	53,640,643,054	5,273,175,920	76,502,643,433
	₱7,913,726,183	₱30,642,906,807	₱23,213,292,656	₱60,151,006,126	₱6,399,317,499	₱128,320,249,271
Off-balance sheet Commitments*	₱870,512,753	₱-	₱9,737,276,141	₱56,840,205,217	₱-	₱67,447,994,111

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

	2010					Total
	On Demand	Up to 3 Months	3 to 12 Months	More than 1 to 5 Years	More Than 5 Years	
Financial Assets						
Cash and cash equivalents	₱15,339,127,692	₱21,555,519,444	₱5,399,110,620	₱-	₱-	₱42,293,757,756
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	51,745,229	81,363,733	7,061,527,111	-	-	7,194,636,073
Government	-	33,438,623	282,808,334	312,750,450	1,338,688,650	1,967,686,057
	51,745,229	114,802,356	7,344,335,445	312,750,450	1,338,688,650	9,162,322,130
Equity securities:						
Quoted	-	65,889,872	2,088,159,911	-	285,950,784	2,440,000,567
Unquoted	-	-	4,516	-	-	4,516
	-	65,889,872	2,088,164,427	-	285,950,784	2,440,005,083
	51,745,229	180,692,228	9,432,499,872	312,750,450	1,624,639,434	11,602,327,213
Derivative financial assets:						
Not designated as accounting hedges	-	252,383,064	351,587,670	582,774,974	-	1,186,745,708
	51,745,229	433,075,292	9,784,087,542	895,525,424	1,624,639,434	12,789,072,921

(Forward)



	2010					Total
	On Demand	1 to 3 Months	3 to 12 Months	More than 1 to 5 Years	More Than 5 Years	
AFS investments:						
Debt securities:						
Government	₱-	₱167,716,105	₱3,469,773,351	₱420,607,735	₱1,801,560,956	₱5,859,658,147
Private	-	129,844,052	3,470,924,545	26,481,478	400,364,250	4,027,614,325
	-	297,560,157	6,940,697,896	447,089,213	2,201,925,206	9,887,272,472
Equity securities:						
Quoted	-	71,488,207	1,080,502,126	-	114,532,000	1,266,522,333
Unquoted	-	-	210,597,671	16,378,200	-	226,975,871
	-	71,488,207	1,291,099,797	16,378,200	114,532,000	1,493,498,204
	-	369,048,364	8,231,797,693	463,467,413	2,316,457,206	11,380,770,676
Receivables:						
Trade receivables	3,271,935,698	4,277,519,373	1,494,628,707	626,256,127	86,023,115	9,756,363,020
Finance receivables	186,089,039	961,128,130	1,572,539,808	5,678,235,721	5,088,047,548	13,486,040,246
Due from related parties	2,112,817,872	24,214,357	89,781,678	-	-	2,226,813,907
Interest receivable	339,027,005	292,579,061	79,797,593	-	-	711,403,659
Other receivables	472,297,245	158,776,059	858,534,113	652,110,572	102,201,181	2,243,919,170
	6,382,166,859	5,714,216,980	4,095,281,899	6,956,602,420	5,276,271,844	28,424,540,002
Refundable security deposits	273,500,223	11,186,473	33,559,418	163,103,787	45,649,726	526,999,627
Other receivables (included under 'Other noncurrent assets' in the consolidated statement of financial position)	76,597,929	-	-	11,378,100	-	87,976,029
	₱22,123,137,932	₱28,083,046,553	₱27,543,837,172	₱8,490,077,144	₱9,263,018,210	₱95,503,117,011
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')						
	₱4,819,445,225	₱7,535,900,632	₱4,649,995,018	₱4,450,351,757	₱1,009,026,159	₱22,464,718,791
Short-term debt	-	15,368,138,209	-	-	-	15,368,138,209
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	6,115,394,776	1,675,754,989	805,023,852	1,406,718,140	-	10,002,891,757
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	1,078,713,944	373,647,753	174,243	-	-	1,452,535,940
Deposits from real estate buyers and lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	-	194,515,293	535,831,126	3,067,415,775	714,441,501	4,512,203,695
Derivative financial liability (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position)	-	13,094,803	249,299,017	546,764,107	-	809,157,927
Long-term debt (including current portion)	-	2,315,090,104	14,149,789,615	80,600,292,665	20,915,037,758	117,980,210,142
	₱12,013,553,945	₱27,476,141,783	₱20,390,112,871	₱90,071,542,444	₱22,638,505,418	₱172,589,856,461
Off-balance sheet						
Commitments*	₱-	₱-	₱6,711,777,434	₱24,777,021,191	₱-	₱31,488,798,625

* Pertains to capital expenditure commitments of CAI.

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, 2011, 2010 and 2009, approximately 32.2%, 30.3% and 30.1%, respectively, of the Group's total sales are denominated in currencies other than the functional currency. In addition, approximately 48.6% and 71.6% of total debt are denominated in US Dollar as of December 31, 2011 and 2010, 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, 2011 and 2010:

	2011		Total
	US Dollar	Other Currencies*	
Assets			
Cash and cash equivalents	₱5,182,469,250	₱1,741,632,529	₱6,924,101,779
Financial assets at FVPL	10,179,569,559	507,350,957	10,686,920,516
AFS investments	1,600,307,829	4,061,201,074	5,661,508,903
Receivables	883,319,038	2,410,904,334	3,294,223,372
Derivative assets	23,839,918	7,670,065	31,509,983
Other noncurrent assets	244,495,030	–	244,495,030
	18,114,000,624	8,728,758,959	26,842,759,583
Liabilities			
Accounts payable and accrued expenses	4,515,200,520	3,155,562,770	7,670,763,290
Short-term debt	11,385,073,044	6,204,293,017	17,589,366,061
Derivative liability	218,686,239	–	218,686,239
Long-term debt (including current portion)	40,279,468,269	–	40,279,468,269
Other noncurrent liabilities	670,810,817	–	670,810,817
	57,069,238,889	9,359,855,787	66,429,094,676
Net Foreign Currency-Denominated Liabilities	(₱38,955,238,265)	(₱631,096,828)	(₱39,586,335,093)

*Other currencies include Hong Kong Dollar, Singaporean Dollar, Thai Baht, Chinese Yuan, Indonesian Rupiah, Vietnam Dong, Malaysian Ringgit, Korean Won, New Taiwan Dollar, Japanese Yen, Australian Dollar and Euro



	2010		Total
	US Dollar	Other Currencies*	
Assets			
Cash and cash equivalents	₱4,632,314,076	₱1,049,069,341	₱5,681,383,417
Financial assets at FVPL	8,372,787,677	92,459,548	8,465,247,225
AFS investments	6,159,491,706	681,714,760	6,841,206,466
Receivables	1,385,157,734	2,352,930,584	3,738,088,318
Derivative assets	1,061,647,025	–	1,061,647,025
Other current assets	31,205,461	–	31,205,461
Other noncurrent assets	175,013,052	2,257,526	177,270,578
	21,817,616,731	4,178,431,759	25,996,048,490
Liabilities			
Accounts payable and accrued expenses	4,599,401,357	2,537,626,831	7,137,028,188
Short-term debt	5,570,577,662	6,396,967,482	11,967,545,144
Derivative liability	547,032,270	–	547,032,270
Long-term debt (including current portion)	64,401,379,652	–	64,401,379,652
Other noncurrent liabilities	923,451,375	–	923,451,375
	76,041,842,316	8,934,594,313	84,976,436,629
Net Foreign Currency-Denominated Liabilities	(₱54,224,225,585)	(₱4,756,162,554)	(₱58,980,388,139)

*Other currencies include Hong Kong Dollar, Singaporean Dollar, Thai Baht, Chinese Yuan, Indonesian Rupiah, Vietnam Dong, Malaysian Ringgit, Korean Won, New Taiwan Dollar, Japanese Yen, Australian Dollar and Euro.

The exchange rates used to convert the Group's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2011 and 2010 follow:

	2011	2010
US dollar-Philippine peso exchange rate	₱43.84 to US\$1.00	₱43.84 to US\$1.00

Foreign currency borrowings of certain subsidiaries with fiscal year ending September 30 were converted at ₱43.72 and ₱43.88 to US\$1.00 as of September 30, 2011 and 2010, respectively.

The following table sets forth the impact of the range of reasonably possible changes in the US dollar-Philippine peso exchange rate on the Group's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2011 and 2010.

Reasonably Possible Changes in US Dollar-Philippine Peso Exchange Rates	2011	
	Change in Income Before Income Tax	Change in Equity
11.4%	(₱4,562,857,801)	₱119,361,289
(11.4)	4,562,857,801	(119,361,289)
Reasonably Possible Changes in US Dollar-Philippine Peso Exchange Rates	2010	
	Change in Income Before Income Tax	Change in Equity
11.4%	(₱6,299,276,645)	₱120,581,843
(11.4)	6,299,276,645	(120,581,843)



Reasonably Possible Changes in US Dollar-Philippine Peso Exchange Rates	2009	
	Change in Income Before Income Tax	Change in Equity
10.8%	(₱6,446,215,997)	₱138,266,250
(10.8)	6,446,215,997	(138,266,250)

The Group does not expect the impact of the volatility on other currencies to be material.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

In 2011, 2010 and 2009, 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 ₱16.1 million, ₱28.6 million and ₱38.6 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 ₱793.1 million, ₱20.6 million and ₱8.1 million as of December 31, 2011, 2010 and 2009, 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 financial instruments presented by maturity profile:

	2011						Total (In US Dollar)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years					
Long-term debt											
Foreign currencies:											
<i>Floating rate</i>											
US Dollar loans	US\$15,624,071	US\$15,963,283	US\$16,063,580	US\$15,095,474	US\$15,493,179	US\$101,870,331	US\$180,109,918	₱7,896,018,805	₱-	₱7,896,018,805	₱8,647,608,777
Interest rate (London Interbank Offered Rate (LIBOR) plus margin)											
<i>Fixed rate</i>											
US Dollar loans	228,251,030	296,407,154	40,168,294	40,941,637	42,005,356	91,864,071	739,637,542	32,403,198,788	19,749,322	32,383,449,466	32,154,916,111
Interest rate (3.4% to 8.3%)											
Local currencies:											
<i>Floating rate</i>											
Philippine Peso loans	₱-	₱2,000,000,000	₱-	₱-	₱-	₱-	-	2,000,000,000	-	2,000,000,000	2,000,000,000
Interest rate (3M MART 1 + 1.0-2.0%)											
<i>Fixed rate</i>											
Philippine Peso loans	3,007,956,489	4,318,553,226	22,009,194,718	-	-	-	-	29,335,704,433	97,678,410	29,238,026,023	31,837,629,706
Interest rate (6.4% to 8.8%)											
							US\$919,747,460	₱71,634,922,026	₱117,427,732	₱71,517,494,294	₱74,640,154,594



2010											
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total (In US Dollar)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
Long-term debt											
Foreign currencies:											
<i>Floating rate</i>											
US Dollar loans Interest rate (LIBOR plus margin)	US\$82,295,907	US\$72,880,475	US\$371,967,803	US\$63,055,577	US\$52,559,070	US\$147,808,596	US\$790,567,428	₱34,658,476,061	₱901,854,106	₱33,756,621,955	₱33,991,244,717
<i>Fixed rate</i>											
US Dollar loans Interest rate (3.7% to 12.0%)	45,497,730	225,256,064	290,783,126	37,174,793	37,948,215	109,860,431	746,520,359	32,734,956,244	46,377,747	32,688,578,497	36,438,487,013
Local currencies:											
<i>Floating rate</i>											
Philippine Peso loans Interest rate (3M MART 1 + 1.0-2.0%)	₱-	₱-	₱2,000,000,000	₱-	₱-	₱-	-	2,000,000,000	-	2,000,000,000	1,835,380,756
<i>Fixed rate</i>											
Philippine Peso loans Interest rate (6.4% to 8.8%)	7,401,385	3,007,956,489	4,318,553,226	22,009,194,718	-	-	-	29,343,105,818	132,208,129	29,210,897,689	31,401,394,228
							<u>US\$1,537,087,787</u>	<u>₱98,736,538,123</u>	<u>₱1,080,439,982</u>	<u>₱97,656,098,141</u>	<u>₱103,666,506,714</u>



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	
	2011	2010
+150 basis points (bps)	(₱148,440,282)	(₱104,871,775)
-150 bps	148,440,282	104,871,775

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.

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 FVPL and AFS investments using a sensitivity approach.

	Reasonably Possible Changes in Market Prices	2011	
		Change in Income Before Income Tax	Change in Equity
FVPL	1.5% (1.5)	(₱1,744,287,162) 2,875,831,719	₱- -
AFS	1.5 (1.5)	- -	(669,920,918) 791,934,829
Derivative financial assets:			
Not designated as accounting hedges*	1.5 (1.5)	15,040,205 (6,207,242)	(1,342,704) 3,559,309

* The sensitivity analysis only includes swaps and assumes parallel yield curve shifts for both PHP and USD rates.

	Reasonably Possible Changes in Market Prices	2010	
		Change in Income Before Income Tax	Change in Equity
Derivative financial assets:			
Designated as accounting hedges*	1.5% (1.5)	₱- -	₱4,564,897 (4,564,897)
FVPL	1.5 (1.5)	(368,795,005) 404,654,396	- -
AFS	1.5 (1.5)	- -	(374,030,961) 426,990,357
Derivative financial assets:			
Not designated as accounting hedges*	1.5 (1.5)	2,343,244 (327,626,972)	- -

* The sensitivity analysis only includes swaps and assumes parallel yield curve shifts for both PHP and USD rates.



	Reasonably Possible Changes in Market Prices	2009	
		Change in Income Before Income Tax	Change in Equity
Derivative financial assets:			
Designated as accounting hedges*	1.5%	₱-	₱7,444,169
	(1.5)	-	(7,444,169)
FVPL	1.5	(363,027,817)	-
	(1.5)	411,774,502	-
AFS	1.5	-	(403,396,607)
	(1.5)	-	458,748,396
Derivative financial assets:			
Not designated as accounting hedges*	1.5	927,799,086	-
	(1.5)	(209,878,556)	-

* *The sensitivity analysis only includes swaps and assumes parallel yield curve shifts for both PHP and USD rates.*

Commodity price risk

The Group enters into commodity derivatives to manage its price risks on fuel purchases. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Depending on the economic hedge cover, the price changes on the commodity derivative positions are offset by higher or lower purchase costs on fuel. A change in price by US\$10.0 per barrel of jet fuel affects the Group's fuel annual costs on pre-tax income by ₱1.1 billion in 2011, ₱1.0 billion in 2010 and ₱0.9 billion in 2009, 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 data without deriving parameters or making assumptions about the entire data distribution.

The historical data used by RBC covers the most recent 260 business days (approximately one year).



RBC updates its dataset on a daily basis. Per RBC policy, VaR is based on a one day holding period and a confidence level of 99.5%.

VaR methodology assumptions and assumptions

Discussed below are the limitations and assumptions applied by RBC on its VaR methodology:

- a. VaR is a statistical estimate and thus, does not give the precise amount of loss RBC may incur in the future;
- b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from RBC's exposure to market risk;
- c. Since VaR is computed from end-of-day positions and market factors, VaR does not capture intraday market risk.
- d. VaR systems depend on historical data. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Therefore, market shifts (i.e. an unexpected collapse of the market) will not be captured and may inflict losses larger than anything the VaR model may have calculated; and
- e. The limitation relating to the pattern of historical returns being indicative of future returns is addressed by supplementing VaR with daily stress testing reported to RBC's Risk Management Committee, Asset-Liability Committee (ALCO) and the concerned risk-takers.

VaR backtesting is the process by which financial institutions periodically compare ex-post profit or loss with the ex-ante VaR figures to gauge the robustness of the VaR model. RBC performs quarterly backtesting.

On June 1, 2011, RBC began implementing an enhanced VaR model which calculates VaR on a daily rather than weekly basis. Additionally, the enhanced VaR includes foreign exchange risk VaR. However, the VaR methodology, assumptions and parameters did not change. The enhanced VaR model was approved by the BOD on May 31, 2011.

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

	June 1, 2011 to December 31, 2011			
	Average	High	Low	December 31
Instruments sensitive to local interest rates	₱0.30	₱29.38	₱0.00	₱0.00
Instruments sensitive to foreign interest rates	0.11	2.82	0.00	0.00
Instruments sensitive to foreign exchange rates	1.38	7.50	0.01	5.84
	January 1, 2011 to May 31, 2011			
	Average	High	Low	May 31
Instruments sensitive to local interest rates	₱37.58	₱53.31	₱21.63	₱52.90
Instruments sensitive to foreign interest rates	42.13	45.92	34.34	43.53



	2010			December 31
	Average	High	Low	
Instruments sensitive to local interest rates	₱56.83	₱96.59	₱9.93	₱10.63
Instruments sensitive to foreign interest rates	27.50	63.03	7.18	7.18

The VaR figures from June 1 to December 31, 2011 were derived from the enhanced VaR model. Prior to this period, VaR figures are based on the previous model, which are based on weekly calculations and do not include a foreign exchange risk VaR.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

RBC's ALCO includes lending and treasury group heads. ALCO conducts weekly meetings. Among other discussions, ALCO surveys the interest rate environment, adjusts the interest rates for RBC's loans and deposits, assesses investment opportunities and reviews the structure of assets and liabilities.

RBC also has specialized units that help monitor market and regulatory developments pertinent to interest rates and liquidity position, as well as prepare cash position reports as needed to measure the liquidity and reserves position of RBC.

RBC also uses the repricing gap report. The repricing gap report is a tool used by RBC for measuring market risk arising from non-trading portfolios. 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 targets are set for time bands up to one year.

The table below demonstrates the sensitivity of net interest income to reasonably possible changes in interest rates:

	2011					
	Change in basis points	Net interest income estimated effect (in millions)	Change in basis points	Net interest income estimated effect (in millions)	Change in basis points	Net interest income estimated effect (in millions)
PhP	+50	₱22.12	+100	₱44.24	+150	₱66.35
	-50	(22.12)	-100	(44.24)	-150	(66.35)
USD	+50	(3.04)	+100	(6.07)	+150	(9.11)
	-50	3.04	-100	6.07	-150	9.11



2010						
	Change in basis points	Net interest income estimated effect (in millions)	Change in basis points	Net interest income estimated effect (in millions)	Change in basis points	Net interest income estimated effect (in millions)
PhP	+50	₱22.71	+100	₱45.43	+150	₱68.14
	-50	(22.71)	-100	(45.43)	-150	(68.14)
USD	+50	(1.70)	+100	(3.40)	+150	(5.10)
	-50	1.70	-100	3.40	-150	5.10

In addition, the table below demonstrates the sensitivity of equity to reasonably possible changes in interest rates.

2011						
	Change in basis points	Equity estimated effect (in millions)	Change in basis points	Equity estimated effect (in millions)	Change in basis points	Equity estimated effect (in millions)
PhP	+50	(₱185.53)	+100	(₱360.03)	+150	(₱524.33)
	-50	197.48	-100	407.90	-150	632.36
USD	+50	(47.02)	+100	(91.61)	+150	(133.95)
	-50	49.61	-100	102.01	-150	157.40

2010						
	Change in basis points	Equity estimated effect (in millions)	Change in basis points	Equity estimated effect (in millions)	Change in basis points	Equity estimated effect (in millions)
PhP	+50	(₱21.10)	+100	(₱41.62)	+150	(₱61.56)
	-50	21.72	-100	44.06	-150	67.06
USD	+50	(33.66)	+100	(65.00)	+150	(94.23)
	-50	36.19	-100	75.14	-150	117.13

Foreign currency risk

RBC seeks to maintain a square or minimal position on its foreign currency exposure. Foreign currency liabilities generally consist of foreign currency deposits in RBC's Foreign Currency Deposit Unit (FCDU). Foreign currency deposits are generally used to fund RBC's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held in the FCDU. In addition, the BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU. RBC uses VaR methodology for measuring foreign currency risk.



5. Fair Value of Financial Assets and Liabilities

The following methods and assumptions were used to estimate the fair value of each class of financial instrument 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 6.1% to 7.1% in 2011 and 8.0% to 10.0% in 2010.

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.

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.

Noninterest-bearing refundable security deposits

The fair values are determined as the present value of estimated future cash flows using prevailing market rates. The Group used discount rate of 5.0% in 2011. In 2010, discount rates used ranged from 4.3% to 8.7%.



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 0.2% to 7.1% in 2011 and 0.3% to 10.0% in 2010.

Derivative financial instruments

The fair values of the interest rate swaps and commodity 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. The fair values of embedded prepayment option are estimated based on prices derived using the binomial pricing methodology.

As of December 31, 2011 and 2010, except for the following financial instruments, the carrying values of the Group's financial assets and liabilities as reflected in the consolidated statements of financial position and related notes approximate their respective fair values.

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Trade receivables	₱8,696,770,491	₱8,370,810,859	₱9,756,363,020	₱9,656,500,995
Finance receivables	12,160,584,030	12,466,282,512	9,687,998,417	9,730,442,208
Other receivables	1,810,567,109	1,890,398,754	1,883,815,536	1,733,451,218
	22,667,921,630	22,727,492,125	21,328,176,973	21,120,394,421
Refundable security deposits (included under 'Other current assets' and 'Other noncurrent assets' in the consolidated statements of financial position)	413,198,162	373,731,733	526,999,627	523,338,615
	₱23,081,119,792	₱23,101,223,858	₱21,855,176,600	₱21,643,733,036
Financial Liabilities				
Financial liabilities at amortized cost:				
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	₱7,702,783,632	₱7,743,748,398	₱9,749,514,636	₱9,455,069,817
Deposits from real estate buyers and lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	3,581,696,892	3,486,439,743	3,588,112,422	3,393,480,211
Long-term debt (including current portion)	71,517,494,294	74,640,154,594	97,656,098,141	103,666,506,714
	₱82,801,974,818	₱85,870,342,735	₱110,993,725,199	₱116,515,056,742



Fair Value Hierarchy of Financial Instruments

The following table shows the Group's financial instruments carried at fair value, analyzed between those whose fair value is based on:

- (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.

	December 31, 2011		
	Level 1	Level 2	Total
Financial Assets			
Financial assets at FVPL:			
Held-for-trading:			
Debt securities:			
Private	₱7,354,988,626	₱40,497,717	₱7,395,486,343
Government	1,273,482,420	–	1,273,482,420
	8,628,471,046	40,497,717	8,668,968,763
Equity securities:			
Quoted	2,231,686,695	–	2,231,686,695
	10,860,157,741	40,497,717	10,900,655,458
Derivative financial assets:			
Not designated as accounting hedges	–	283,287,725	283,287,725
	10,860,157,741	323,785,442	11,183,943,183
AFS investments:			
Debt securities:			
Government	7,613,169,977	–	7,613,169,977
Private	3,440,104,893	–	3,440,104,893
	11,053,274,870	–	11,053,274,870
Equity securities:			
Quoted	44,677,024,055	–	44,677,024,055
	55,730,298,925	–	55,730,298,925
	₱66,590,456,666	₱323,785,442	₱66,914,242,108
Financial Liabilities			
Financial liabilities at FVPL:			
Derivative financial liabilities:			
Not designated as accounting hedges	₱–	₱303,930,885	₱303,930,885



	December 31, 2010		Total
	Level 1	Level 2	
Financial Assets			
Financial assets at FVPL:			
Held-for-trading:			
Debt securities:			
Private	₱6,471,600,623	₱-	₱6,471,600,623
Government	1,289,922,199	-	1,289,922,199
	7,761,522,822	-	7,761,522,822
Equity securities:			
Quoted	2,440,000,567	-	2,440,000,567
	10,201,523,389	-	10,201,523,389
Derivative financial assets:			
Not designated as accounting hedges	-	1,186,178,607	1,186,178,607
	10,201,523,389	1,186,178,607	11,387,701,996
AFS investments:			
Debt securities:			
Government	4,775,865,587	-	4,775,865,587
Private	3,597,910,124	-	3,597,910,124
	8,373,775,711	-	8,373,775,711
Equity securities:			
Quoted	1,266,522,333	-	1,266,522,333
	9,640,298,044	-	9,640,298,044
	₱19,841,821,433	₱1,186,178,607	₱21,028,000,040
Financial Liabilities			
Financial liabilities at FVPL:			
Derivative financial liabilities:			
Not designated as accounting hedges	₱-	₱262,393,820	₱262,393,820
Designated as accounting hedges	-	546,764,107	546,764,107
	₱-	₱809,157,927	₱809,157,927

In 2011 and 2010, there were no transfers among the three levels of the fair value hierarchy.

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), and other industrial chemicals.
- Banking - commercial banking operations, including deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing.
- Telecommunications - service provider of voice and data telecommunications services which include international gateway facilities, a local exchange network and traditional business services (fax, telex, leased lines and other value-added network products, value-added network provider using electronics data interchange). This segment is presented under discontinued operations.
- Other supplementary businesses - printing services, textile, insurance brokering, foreign exchange and securities dealing.

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

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), interest income, market valuation gain (loss) on financial assets, foreign exchange gain (loss), other revenues, 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 following tables present the financial information of each of the operating segments in accordance with PFRS except for 'Core earnings', 'Earnings before interest and income taxes (EBIT)' and 'Earnings before interest, income taxes and depreciation/amortization (EBITDA)' as of and for the years ended December 31, 2011, 2010 and 2009.



The Group's operating segment information follows:

	December 31, 2011									
	CONTINUING OPERATIONS							DISCONTINUED OPERATIONS		TOTAL OPERATIONS
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL	Tele-communications	
Revenue										
Sale of goods and services:										
External customers	₱67,167,630,481	₱33,935,402,775	₱12,594,288,123	₱4,781,883,298	₱2,359,933,505	₱-	₱-	₱120,839,138,182	₱4,524,649,269	₱125,363,787,451
Intersegment revenue	-	-	-	990,764,289	-	-	(990,764,289)	-	-	-
	67,167,630,481	33,935,402,775	12,594,288,123	5,772,647,587	2,359,933,505	-	(990,764,289)	120,839,138,182	4,524,649,269	125,363,787,451
Equity in net income of associates and joint ventures	25,469,633	42,318,202	2,037,713,779	-	-	112,098,169	-	2,217,599,783	-	2,217,599,783
Total revenue	67,193,100,114	33,977,720,977	14,632,001,902	5,772,647,587	2,359,933,505	112,098,169	(990,764,289)	123,056,737,965	4,524,649,269	127,581,387,234
Cost of sales and services (Note 29)	50,645,273,658	23,562,125,309	6,458,368,346	5,792,194,377	684,063,083	-	(990,764,289)	86,151,260,484	496,535,978	86,647,796,462
Gross income	₱16,547,826,456	₱10,415,595,668	₱8,173,633,556	(₱19,546,790)	₱1,675,870,422	₱112,098,169	₱-	36,905,477,481	4,028,113,291	40,933,590,772
General and administrative expenses (Note 30)								19,531,574,050	3,625,943,506	23,157,517,556
Impairment losses and others (Note 33)								329,638,645	59,401,794	389,040,439
Operating income								17,044,264,786	342,767,991	17,387,032,777
Financing cost and other charges (Note 34)								(5,524,734,190)	(116,858,869)	(5,641,593,059)
Finance income (Note 27)								3,443,238,660	1,398,694,829	4,841,933,489
Other operating income (Note 28)								1,326,045,353	7,713,286	1,333,758,639
Core earnings								16,288,814,609	1,632,317,237	17,921,131,846
Market valuation loss on financial assets								(655,486,203)	(43,945,006)	(699,431,209)
Foreign exchange loss								(245,881,638)	(33,963,568)	(279,845,206)
Income before income tax								15,387,446,768	1,554,408,663	16,941,855,431
Provision for income tax (Note 37)								1,962,532,759	12,697,904	1,975,230,663
Income after income tax								13,424,914,009	1,541,710,759	14,966,624,768
Gain on sale of subsidiary								-	11,570,087,639	11,570,087,639
Net income								₱13,424,914,009	₱13,111,798,398	₱26,536,712,407
Net income (loss) of equity holders of the Parent Company	₱2,975,039,881	₱2,436,369,647	₱4,460,830,244	(₱383,972,661)	₱271,582,246	₱722,596,022	(₱2,005,085,557)	₱8,477,359,822	₱13,035,501,339	₱21,512,861,161
Earnings before interest and income tax	₱6,888,747,621	₱3,570,146,011	₱4,353,793,757	(₱268,017,986)	₱579,539,354	₱1,920,056,029	₱-	₱17,044,264,786	₱342,767,991	₱17,387,032,777
Depreciation and amortization (Notes 15, 16, 17, 18, 20 and 32)	3,292,308,003	2,632,410,923	2,113,120,088	146,162,144	83,639,461	54,079,595	-	8,321,720,214	1,546,551,044	9,868,271,258
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱10,181,055,624	₱6,202,556,934	₱6,466,913,845	(₱121,855,842)	₱663,178,815	₱1,974,135,624	₱-	₱25,365,985,000	₱1,889,319,035	₱27,255,304,035

(Forward)



December 31, 2011

	CONTINUING OPERATIONS							TOTAL	DISCONTINUED	TOTAL
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations		OPERATIONS Tele- communications	
Other information										
Non-cash expenses other than depreciation and amortization (Note 33):										
Impairment losses on receivables (Note 11)	₱5,625,813	₱611,385	₱770,804	₱6,911,560	₱88,598,316	₱-	₱-	₱102,517,878	₱59,401,794	₱161,919,672
Impairment losses on intangible assets and goodwill (Notes 18 and 19)	147,514,765	-	-	-	-	-	-	147,514,765	-	147,514,765
Inventory obsolescence and market decline (Note 12)	4,005,060	-	-	59,779,747	-	-	-	63,784,807	-	63,784,807
Impairment losses on property, plant and equipment (Note 16)	10,065,297	-	-	-	-	-	-	10,065,297	-	10,065,297
Impairment losses on investment properties (Note 15)	-	-	-	-	619,075	-	-	619,075	-	619,075
Impairment losses on other noncurrent assets (Note 20)	-	-	-	-	5,136,823	-	-	5,136,823	-	5,136,823
	₱167,210,935	₱611,385	₱770,804	₱66,691,307	₱94,354,214	₱-	₱-	₱329,638,645	₱59,401,794	₱389,040,439



December 31, 2010

	CONTINUING OPERATIONS							DISCONTINUED OPERATIONS		TOTAL OPERATIONS
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL	Tele-communications	
Revenue										
Sale of goods and services:										
External customers	₱57,719,996,079	₱29,088,798,959	₱10,581,142,605	₱3,306,184,683	₱1,734,465,754	₱-	₱-	₱102,430,588,080	₱16,543,916,906	₱118,974,504,986
Intersegment revenue	-	-	-	566,078,600	-	-	(566,078,600)	-	-	-
	57,719,996,079	29,088,798,959	10,581,142,605	3,872,263,283	1,734,465,754	-	(566,078,600)	102,430,588,080	16,543,916,906	118,974,504,986
Equity in net income of associates and joint ventures	26,194,500	25,248,534	2,648,908,487	-	-	68,373,201	-	2,768,724,722	-	2,768,724,722
Total revenue	57,746,190,579	29,114,047,493	13,230,051,092	3,872,263,283	1,734,465,754	68,373,201	(566,078,600)	105,199,312,802	16,543,916,906	121,743,229,708
Cost of sales and services (Note 29)	41,113,405,237	16,792,906,706	5,131,720,440	3,745,456,507	419,356,008	-	(566,078,600)	66,636,766,298	2,074,712,276	68,711,478,574
Gross income	₱16,632,785,342	₱12,321,140,787	₱8,098,330,652	₱126,806,776	₱1,315,109,746	₱68,373,201	₱-	38,562,546,504	14,469,204,630	53,031,751,134
General and administrative expenses (Note 30)								17,608,251,599	13,017,906,040	30,626,157,639
Impairment losses and others (Note 33)								345,983,265	359,883,551	705,866,816
Operating income								20,608,311,640	1,091,415,039	21,699,726,679
Financing cost and other charges (Note 34)								(5,692,984,165)	(394,490,003)	(6,087,474,168)
Finance income (Note 27)								2,174,020,038	32,872,466	2,206,892,504
Other operating income (Note 28)								838,658,136	49,363,271	888,021,407
Core earnings								17,928,005,649	779,160,773	18,707,166,422
Market valuation gain (loss) on financial assets								1,695,172,376	(68,234,326)	1,626,938,050
Foreign exchange gain								1,938,838,537	907,458,980	2,846,297,517
Income before income tax								21,562,016,562	1,618,385,427	23,180,401,989
Provision for income tax (Note 37)								1,610,249,143	655,589,514	2,265,838,657
Net income								₱19,951,767,419	₱962,795,913	₱20,914,563,332
Net income (loss) from equity holders of the Parent Company	₱5,014,063,930	₱6,555,670,912	₱4,818,939,274	(₱102,146,004)	₱298,339,070	(₱89,038,495)	(₱920,377,070)	₱15,575,451,617	₱746,148,184	₱16,321,599,801
Earnings before interest and income tax	₱7,678,208,385	₱6,475,374,244	₱3,867,898,445	(₱90,617,302)	₱342,860,225	₱2,334,587,643	₱-	₱20,608,311,640	₱1,091,415,039	₱21,699,726,679
Depreciation and amortization (Notes 15, 16, 17, 18, 20 and 32)	3,419,905,367	2,100,929,764	1,912,198,868	131,665,885	65,085,613	39,407,744	-	7,669,193,241	5,877,050,996	13,546,244,237
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱11,098,113,752	₱8,576,304,008	₱5,780,097,313	₱41,048,583	₱407,945,838	₱2,373,995,387	₱-	₱28,277,504,881	₱6,968,466,035	₱35,245,970,916
Other information										
Non-cash expenses other than depreciation and amortization (Note 33):										
Impairment losses on receivables (Note 11)	₱163,552,126	₱2,127,309	₱-	₱1,248,635	₱151,285,298	₱12,670,357	₱-	₱330,883,725	₱357,402,880	₱688,286,605
Inventory obsolescence and market decline (Note 12)	248,805	-	-	14,850,735	-	-	-	15,099,540	2,480,671	17,580,211
	₱163,800,931	₱2,127,309	₱-	₱16,099,370	₱151,285,298	₱12,670,357	₱-	₱345,983,265	₱359,883,551	₱705,866,816



December 31, 2009

	CONTINUING OPERATIONS							DISCONTINUED OPERATIONS		TOTAL OPERATIONS
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL	Tele-communications	
Revenue										
Sale of goods and services:										
External customers	₱50,452,959,964	₱23,311,006,311	₱10,376,286,528	₱5,570,751,354	₱1,134,848,716	₱-	₱-	₱90,845,852,873	₱14,020,021,311	₱104,865,874,184
Intersegment revenue	-	-	-	564,551,354	-	-	(564,551,354)	-	-	-
	50,452,959,964	23,311,006,311	10,376,286,528	6,135,302,708	1,134,848,716	-	(564,551,354)	90,845,852,873	14,020,021,311	104,865,874,184
Equity in net income (loss) of associates and joint ventures	25,246,000	(25,474,123)	2,903,040,251	-	-	186,490,631	-	3,089,302,759	-	3,089,302,759
Total revenue	50,478,205,964	23,285,532,188	13,279,326,779	6,135,302,708	1,134,848,716	186,490,631	(564,551,354)	93,935,155,632	14,020,021,311	107,955,176,943
Cost of sales and services (Note 29)	37,477,094,637	14,420,146,122	5,036,271,310	6,092,856,205	284,770,693	-	(564,551,354)	62,746,587,613	1,656,424,753	64,403,012,366
Gross income	₱13,001,111,327	₱8,865,386,066	₱8,243,055,469	₱42,446,503	₱850,078,023	₱186,490,631	₱-	31,188,568,019	12,363,596,558	43,552,164,577
General and administrative expenses (Note 30)								16,267,082,415	11,037,702,389	27,304,784,804
Impairment losses and others (Note 33)								774,348,807	299,281,443	1,073,630,250
Operating income								14,147,136,797	1,026,612,726	15,173,749,523
Financing cost and other charges (Note 34)								(5,625,251,343)	(684,673,612)	(6,309,924,955)
Finance income (Note 27)								1,527,596,236	36,263,261	1,563,859,497
Other operating income (Note 28)								232,248,730	17,051,592	249,300,322
Core earnings								10,281,730,420	395,253,967	10,676,984,387
Market valuation gain (loss) on financial assets								2,431,727,915	(102,048,885)	2,329,679,030
Foreign exchange gain (loss)								(525,326,950)	503,699,503	(21,627,447)
Income before income tax								12,188,131,385	796,904,585	12,985,035,970
Provision for (benefit from) income tax (Note 37)								1,286,121,558	(68,891,662)	1,217,229,896
Net income								₱10,902,009,827	₱865,796,247	₱11,767,806,074
Net income (loss) from equity holders of the Parent Company	₱2,482,978,163	₱3,257,833,344	₱4,865,312,459	(₱511,103,296)	₱202,811,777	(₱1,982,226,173)	(₱505,470,784)	₱7,810,135,490	₱735,506,110	₱8,545,641,600
Earnings before interest and income tax	₱4,650,690,173	₱3,138,568,639	₱4,110,947,313	₱30,828,344	₱241,993,240	₱1,974,109,088	₱-	₱14,147,136,797	₱1,026,612,726	₱15,173,749,523
Depreciation and amortization (Notes 15, 16, 17, 18, 20 and 32)	3,196,942,269	1,917,683,713	1,668,846,295	127,702,927	55,780,264	32,556,875	-	6,999,512,343	4,819,148,414	11,818,660,757
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱7,847,632,442	₱5,056,252,352	₱5,779,793,608	₱158,531,271	₱297,773,504	₱2,006,665,963	₱-	₱21,146,649,140	₱5,845,761,140	₱26,992,410,280
Other information										
Non-cash expenses other than depreciation and amortization (Note 33):										
Impairment losses on receivables (Note 11)	₱228,279,324	₱209,662,427	₱1,000,601	₱-	₱37,565,551	₱430,771	₱-	₱476,938,674	₱288,655,343	₱765,594,017
Realized loss on AFS investments (Note 10)	185,454,636	-	-	-	-	62,358,161	-	247,812,797	-	247,812,797
Inventory obsolescence and market decline (Note 12)	-	-	-	49,597,336	-	-	-	49,597,336	10,626,100	60,223,436
	₱413,733,960	₱209,662,427	₱1,000,601	₱49,597,336	₱37,565,551	₱62,788,932	₱-	₱774,348,807	₱299,281,443	₱1,073,630,250



Other information on the Group's operating segment follows:

	December 31, 2011									
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Total Continuing Operations	Discontinued Operations Tele- communications	Consolidated
Investments in associates and joint ventures (Note 14)	₱89,966,944	₱409,478,237	₱31,036,493,201	₱-	₱-	₱520,025,486	₱-	₱32,055,963,868	₱-	₱32,055,963,868
Segment assets	₱68,373,683,901	₱55,871,946,737	₱65,118,791,480	₱12,746,546,689	₱31,515,878,991	₱153,364,856,958	(₱72,183,286,824)	₱314,808,417,932	₱-	₱314,808,417,932
Short-term debt (Note 23)	₱7,197,788,918	₱-	₱-	₱2,868,424,854	₱-	₱9,026,420,492	₱-	₱19,092,634,264	₱-	₱19,092,634,264
Long-term debt (Note 23)	₱11,208,210,724	₱20,871,893,433	₱15,000,000,000	₱-	₱-	₱24,437,390,137	₱-	₱71,517,494,294	₱-	₱71,517,494,294
Segment liabilities	₱26,347,172,407	₱44,159,471,451	₱26,082,193,270	₱4,314,877,711	₱26,170,627,184	₱71,431,296,718	(₱64,096,040,787)	₱134,409,597,954	₱-	₱134,409,597,954
Capital expenditures (Notes 15 and 16)	₱4,559,453,861	₱9,685,660,582	₱11,082,104,773	₱8,233,931,355	₱166,238,050	₱1,103,993,948	₱-	₱34,831,382,569	₱1,280,729,400	₱36,112,111,969
	December 31, 2010									
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Total Continuing Operations	Discontinued Operations Tele- communications	Consolidated
Investments in associates and joint ventures (Note 14)	₱89,497,240	₱369,644,738	₱29,361,243,640	₱-	₱-	₱605,376,630	₱-	₱30,425,762,248	₱-	₱30,425,762,248
Segment assets	₱65,367,175,366	₱50,116,559,705	₱53,101,135,224	₱7,679,208,825	₱24,590,673,476	₱157,085,570,977	(₱122,514,595,174)	₱235,425,728,399	₱90,897,908,000	₱326,323,636,399
Short-term debt (Note 23)	₱5,111,859,534	₱-	₱-	₱2,255,696,545	₱-	₱7,535,085,610	₱-	₱14,902,641,689	₱449,404,721	₱15,352,046,410
Long-term debt (Note 23)	₱11,226,348,770	₱18,432,708,704	₱15,000,000,000	₱-	₱-	₱37,732,864,045	₱-	₱82,391,921,519	₱15,264,176,622	₱97,656,098,141
Segment liabilities	₱23,528,934,357	₱39,729,399,583	₱25,363,707,010	₱9,687,852,790	₱19,955,942,974	₱88,934,335,230	(₱121,190,325,898)	₱86,009,846,046	₱90,853,393,000	₱176,863,239,046
Capital expenditures (Notes 15 and 16)	₱3,582,808,089	₱8,069,677,765	₱4,698,283,286	₱1,319,212,632	₱137,321,822	₱74,099,624	₱-	₱17,881,403,218	₱12,730,978,969	₱30,612,382,187



December 31, 2009

	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Total Continuing Operations	Discontinued Operations Tele- communications	Consolidated
Investments in associates and joint ventures	₱88,302,733	₱366,355,686	₱26,626,094,598	₱-	₱-	₱1,011,126,142	₱-	₱28,091,879,159	₱-	₱28,091,879,159
Segment assets	₱60,917,950,331	₱35,591,204,150	₱51,479,307,022	₱5,248,099,544	₱16,893,565,238	₱164,601,785,584	(₱140,577,520,694)	₱194,154,391,175	₱83,725,608,216	₱277,879,999,391
Short-term debt	₱5,665,218,301	₱-	₱-	₱2,168,777,981	₱-	₱4,913,434,449	₱-	₱12,747,430,731	₱1,212,643,276	₱13,960,074,007
Long-term debt	₱12,246,869,931	₱17,110,126,732	₱15,115,000,000	₱-	₱-	₱39,911,277,821	₱-	₱84,383,274,484	₱13,359,923,482	₱97,743,197,966
Segment liabilities	₱24,431,619,892	₱30,770,012,847	₱25,912,830,845	₱7,157,097,505	₱14,880,400,126	₱96,237,964,699	(₱108,780,982,692)	₱90,608,943,222	₱82,376,561,514	₱172,985,504,736
Capital expenditures	₱3,874,730,827	₱3,417,786,209	₱3,851,120,580	₱149,606,829	₱60,602,281	₱76,093,420	₱-	₱11,429,940,146	₱11,455,872,915	₱22,885,813,061



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 revenue' deducted by the 'Financing cost and other charges'. EBIT is computed by reconciling the finance cost and other charges and provision for income tax to the net income attributable to equity holders of the Parent Company while EBITDA is computed by adding back to the EBIT the depreciation and amortization expenses during the period.

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.

Geographical Information

The Group operates in the Philippines, Thailand, Malaysia, Indonesia, China, Hong Kong, Singapore and Vietnam.

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2011	2010	2009
Domestic	₱83,492,489,141	₱73,358,458,236	₱65,646,831,027
Foreign	39,564,248,824	31,840,854,566	28,288,324,605
	₱123,056,737,965	₱105,199,312,802	₱93,935,155,632

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:

	2011	2010
Domestic	₱119,709,649,378	₱177,225,341,831
Foreign	39,528,685,895	36,789,883,404
	₱159,238,335,273	₱214,015,225,235

7. Cash and Cash Equivalents

This account consists of:

	2011	2010
Cash on hand	₱781,049,127	₱783,767,940
Cash in banks	8,350,559,234	12,564,138,386
Cash equivalents	24,763,734,644	28,762,097,196
	₱33,895,343,005	₱42,110,003,522

Cash in bank 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 0.2% to 4.9%, 0.3% to 4.8% and 0.1% to 7.3% in 2011, 2010 and 2009, 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, 2011 and 2010. The notional amount is the basis upon which changes in the value of derivatives are measured.

	December 31, 2011					
	Notional Amounts				Derivative Assets	Derivative Liabilities
	US Dollar	Euro	Philippine Peso	Philippine Peso Equivalent		
Derivatives Not Designated as Accounting Hedges						
Freestanding:						
Interest rate swaps	US\$180,000,000	€-	₱2,000,000,000	₱9,891,200,000	₱172,496,875	₱218,686,239
Commodity options*	-	-	-	-	16,880,208	60,857,586
Foreign currency forwards	10,980,390	900,000	-	532,538,518	7,076,882	1,395,542
Currency options	-	900,000	-	51,158,520	7,552,893	22,991,518
Cross currency swaps	7,687,500	-	-	395,565,163	79,280,867	-
	US\$198,667,890	€1,800,000	₱2,000,000,000	₱10,870,462,201	₱283,287,725	₱303,930,885
Presented in the consolidated statements of financial position as:						
Current					₱110,790,850	₱85,244,646
Noncurrent (Notes 20 and 24)					172,496,875	218,686,239
					₱283,287,725	₱303,930,885

*Nominal quantity amounted to 600,000 US barrels as of December 31, 2011.



December 31, 2010

	Notional Amounts				Derivative Assets	Derivative Liabilities
	US Dollar	Euro	Philippine Peso	Philippine Peso Equivalent		
Derivatives Not Designated as Accounting Hedges						
Freestanding:						
Interest rate swaps	US\$200,630,192	€-	₱2,000,000,000	₱10,795,627,617	₱111,066,241	₱431,768,813
Commodity options*	-	-	-	-	489,917,466	-
Foreign currency forwards	6,885,000	19,512,607	-	1,434,223,278	2,419,926	595,499
Currency options	-	300,000	-	17,410,050	-	12,499,304
Cross currency swaps	12,723,500	-	-	645,604,563	102,271,000	-
Embedded:						
Currency forwards	247,395,482	-	-	10,845,817,931	480,503,974	-
	467,634,174	19,812,607	2,000,000,000	23,738,683,439	1,186,178,607	444,863,616
Derivatives Designated as Accounting Hedges						
Freestanding:						
Interest rate swaps	200,000,000	-	-	8,768,000,000	-	364,294,311
	US\$667,634,174	€19,812,607	₱2,000,000,000	₱32,506,683,439	₱1,186,178,607	₱809,157,927
Presented in the consolidated statements of financial position as:						
Current					₱1,075,112,366	₱262,393,820
Noncurrent (Notes 20 and 24)					111,066,241	546,764,107
					₱1,186,178,607	₱809,157,927

*Nominal quantity amounted to 845,000 US barrels as of December 31, 2010.



Derivatives not designated as accounting hedges

The Group's derivatives not designated as accounting hedges include transactions to take positions for risk management purposes. Also included under this heading are any derivatives which do not meet PAS 39 hedging requirements.

- Interest rate swaps

On May 28, 2008, the Group entered to an interest rate swap agreement with a bank, with a total notional amount of ₱2.0 billion to hedge its interest rate exposures on the Inverse Floating Rate Notes bearing an interest of 15.7% less 3-month (3M) benchmark rate (PDST-F). The interest rate swap has a term of five years and interest exchange is every 5th day of March, June, September and December. Under the agreement, the Group agreed with the counterparty to exchange at quarterly intervals, the Group's floating rate payments on the Inverse Floating Rate Note based on 3M PSDT-F (but not to exceed 15.7%) with fixed rate payments based on a 7.0% coupon rate. The swap agreement effectively fixes the Group's interest rate exposure on the inverse floating note to 8.8%. The interest rate swap will mature on the same date as the hedged Inverse Floating Rate Notes. As of December 31, 2011 and 2010, the positive fair values of this interest rate swap agreement amounted to ₱172.5 million and ₱111.1 million, respectively.

On June 27, 2008, the Group entered into an interest rate swap option (swaption) with a notional amount of US\$100.0 million. Under the swaption, the Group provided an option to the counterparty to enter into a swap where the Group would pay a fixed rate of 3.7% and receive LIBOR every interest payment date (every June 16 and December 16). The option is exercisable on December 12, 2008. If the option is exercised, the first swap payment would cover the interest period December 16, 2008 to June 16, 2009. The option premium amounted to \$0.3 million and was recognized in the consolidated statements of comprehensive income.

At December 12, 2008, the option was exercised and the resulting interest rate swap was used to hedge the interest cash flow variability arising from the movements in the benchmark LIBOR of the remaining US\$100.0 million of the US\$300.0 million loan starting December 16, 2008. The notional amount of the interest rate swap is subject to semi-annual amortization of US\$20.0 million starting June 16, 2011 and will be fully settled on June 16, 2013. As of December 31, 2011 and 2010, the outstanding notional amount is US\$60.0 million and US\$100.0 million, respectively.

As of December 31, 2011 and 2010, the negative fair values of this interest rate swap amounted to ₱72.9 million and ₱182.5 million, respectively.

On October 6, 2008, the Group entered to an interest rate swap agreement with a bank, with a total notional amount of US\$54.1 million to hedge its interest rate exposures on the long-term USD floating rate liability. The interest rate swap has a term of eight years and interest exchange is every 29th day of March and 28th day of September.

In 2010, the Group entered to an interest rate swap agreement with a bank, with a total notional amount of US\$46.5 million to hedge its interest rate exposures on the long-term USD floating rate liability. The interest rate swap has a term of eight years and interest exchange is every 28th day of June and 29th day of December. As of December 31, 2010, the negative fair value of this interest rate swap with outstanding notional amount of US\$100.6 million amounted to ₱249.3 million. In 2011, the derivative liability was derecognized as part of the Group's disposal of its entire ownership interest in Digitel.



- **Commodity options**

The Group entered into fuel derivatives to manage its exposure to fuel price fluctuations. Such fuel derivatives are not designated as accounting hedges. The gains or losses on these instruments are accounted for directly as a credit to or charge against profit or loss. As of December 31, 2011 and 2010, the Group has outstanding fuel hedging transactions with notional quantity of 600,000 US barrels and 845,000 US barrels, respectively. The notional quantity is the amount of derivatives' underlying asset or liability, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The options can be exercised at various calculation dates with specified quantities on each calculation date. As of December 31, 2011, the options have various maturity dates through December 31, 2012.

As of December 31, 2011, the positive and negative fair values of the commodity options amounted to ₱16.9 million and ₱60.9 million, respectively. As of December 31, 2010, the positive fair value of the commodity options amounted to ₱489.9 million.

- **Foreign currency forwards**

The Group entered into short-term nondeliverable foreign currency forward contracts. The Group's short-term forwards have varying tenors ranging from one to three months and have a total notional amount of US\$11.0 million and €0.9 million as of December 31, 2011 and US\$6.9 million and €19.5 million as of December 31, 2010. The positive and negative fair values of these foreign currency forwards amounted to ₱7.1 million and ₱1.4 million and ₱2.4 million and ₱0.6 million as of December 31, 2011 and 2010, respectively.

- **Currency options**

The Group entered into currency options that are all due within one year from respective reporting dates and have a total notional amount of €0.9 million and €0.3 million as of December 31, 2011 and 2010, respectively. The positive and negative fair values of these currency options amounted to ₱7.6 million and ₱23.0 million and nil and ₱12.5 million as of December 31, 2011 and 2010, respectively.

- **Currency swaps**

On January 27, 2010, July 16, 2009 and June 11, 2008, the Group entered into a long-term currency swap agreements to hedge the foreign exchange risk on certain AFS investments. As of December 31, 2011 and 2010, the positive fair value of the currency swaps amounted to ₱79.3 million and ₱102.3 million, respectively, and the outstanding notional amount is US\$7.7 million and US\$12.7 million, respectively.

- **Embedded forwards**

The Group has derivatives embedded in some of its contracts. Such derivatives pertain to embedded currency forwards noted in purchase, sales and service contracts, denominated in a currency which is not the functional currency of a substantial party to the contract or routine currency of the transaction for the contracts. The total outstanding notional amount of currency forwards embedded in nonfinancial contracts amounted to US\$247.4 million as of December 31, 2010. The nonfinancial contracts consist mainly of foreign currency-denominated purchase orders with various expected delivery dates. The nonfinancial contracts have various expected delivery dates ranging from 12 to 40 months.

As of December 31, 2010, the positive fair value of the embedded forwards amounted to ₱480.5 million. In 2011, the derivative asset was derecognized as part of the Group's disposal of its entire ownership interest in Digitel.



Derivatives designated as accounting hedges

As part of its asset and liability management, the Group uses derivatives, particularly interest rate swaps, as cash flow hedges in order to reduce its exposure to market risks that is achieved by hedging portfolios of floating rate financial instruments.

The accounting treatment explained in Note 2 to the consolidated financial statements, *Hedge Accounting*, varies according to the nature of the hedged item and compliance with the hedge criteria. Hedges entered into by the Group which provide economic hedges but do not meet the hedge accounting criteria are included under derivatives not designated as accounting hedges.

- Interest rate swaps

On April 23, 2008 and May 9, 2008, the Group entered into two interest rate swaps with amortizing notional amount of US\$100.0 million each. The swaps are intended to hedge the interest rate exposure due to the movements in the benchmark LIBOR on \$200.0 million of the \$300.0 million Guaranteed Term Loan Facility due 2013 (Note 23). Under the swaps, the Group pays fixed and receives LIBOR every interest payment date (every June 16 and December 16). The notional amount of the interest rate swap is subject to semi-annual amortization of \$20.0 million starting June 16, 2011. The effectivity of both swaps is on June 16, 2008 and maturity date is on June 16, 2013. The terms of the swaps (i.e., benchmark rate, notional amount, fixing dates and maturity date) coincide with the hedged loan.

As of December 31, 2010, the negative fair value of the swaps amounted to ₱364.3 million and the outstanding notional amount is US\$120.0 million.

Hedge Effectiveness Results

As of December 31, 2011 and 2010, the net effective fair value changes on the Group's cash flow hedges that were deferred in other comprehensive income under 'Net unrealized gain (loss) on cash flow hedge' amounted to ₱175.8 million and ₱52.3 million, respectively.

The distinction of the results of hedge accounting into "Effective" or "Ineffective" represent designations based on PAS 39 and are not necessarily reflective of the economic effectiveness of the instruments.

In December 2011, the Group opted to discontinue the use of hedge accounting, thus the cumulative changes in fair value of the derivatives amounting to ₱188.5 million that was deferred in other comprehensive income was recycled to profit or loss under 'Market valuation gain on derivative financial instruments' in the consolidated statements of comprehensive income.

As of December 31, 2011, the negative fair value of the swaps amounted to ₱145.8 million and the outstanding notional amount is US\$120.0 million.



Net Unrealized Loss on Cash Flow Hedge

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

	2011	2010	2009
Beginning balance	(P364,294,311)	(P416,590,436)	(P862,252,206)
Net changes shown in other comprehensive income (Note 35):			
Net changes in fair value of derivatives taken to other comprehensive income	175,838,098	52,296,125	248,808,336
Amounts transferred to profit or loss	188,456,213	-	196,853,434
	364,294,311	52,296,125	445,661,770
	P-	(P364,294,311)	(P416,590,436)

Fair value changes on derivatives

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

	2011	2010
Balance at beginning of year:		
Derivative assets	P1,186,178,607	P663,231,959
Derivative liabilities	(809,157,927)	(750,340,498)
	377,020,680	(87,108,539)
Net changes in fair value of derivatives taken to profit or loss:		
Continuing operations	498,667,680	500,985,612
Discontinued operations (Note 43)	(43,945,006)	(68,234,326)
Net changes in fair value of derivatives taken to other comprehensive income	175,838,098	52,296,125
Fair value of settled instruments	(807,983,448)	(20,918,192)
Effect of disposal of a subsidiary	(220,241,164)	-
	(397,663,840)	464,129,219
Balance at end of year:		
Derivative assets	283,287,725	1,186,178,607
Derivative liabilities	(303,930,885)	(809,157,927)
	(P20,643,160)	P377,020,680

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

	2011	2010
Debt securities:		
Private	₱7,452,781,453	₱6,528,895,745
Government	1,273,482,420	1,289,922,199
	8,726,263,873	7,818,817,944
Equity securities:		
Quoted	2,231,686,695	2,440,000,567
Unquoted	4,516	4,516
	2,231,691,211	2,440,005,083
	₱10,957,955,084	₱10,258,823,027

In 2011, the Group has recognized net market valuation loss on financial assets at FVPL amounting to ₱1.2 billion. In 2010 and 2009, the Group recognized net market valuation gains on financial assets at FVPL amounting to ₱1.2 billion and ₱2.0 billion, respectively.

Interest income on FVPL consists of (Note 27):

	2011	2010	2009
Debt securities:			
Private	₱658,507,026	₱585,286,153	₱698,650,939
Government	94,821,394	104,017,469	64,450,422
	₱753,328,420	₱689,303,622	₱763,101,361

Reclassification of Financial Assets at FVPL

Following the amendments to PAS 39 and PFRS 7, the Group reclassified certain trading assets from the 'Financial assets at FVPL' category to the 'AFS investments' category in the December 31, 2008 consolidated statements of financial position. The global credit crunch in 2008 had prompted the amendments to be issued by the IASB, and the adoption of these amendments permitted the Group to revisit the existing classification of their financial assets. The Group identified assets, eligible under the amendments, for which at July 1, 2008, it had a clear change of intent to hold for the foreseeable future rather than to exit or trade in the short term. The disclosures below detail the impact of the reclassifications in the Group's consolidated financial statements.

The following table shows the carrying values of the reclassified assets:

	September 30, 2011*	September 30, 2010*	September 30, 2009*	September 30, 2008*
Private bonds	₱2,451,989,177	₱3,238,990,528	₱3,851,715,862	₱3,296,606,883
Government securities	2,165,354,695	2,543,989,688	2,559,491,290	2,224,382,820
Equity securities	872,487,250	943,694,250	896,441,088	783,853,000
	₱5,489,831,122	₱6,726,674,466	₱7,307,648,240	₱6,304,842,703

*URC and Subsidiaries' financial year-end



As of reclassification date, effective interest rates on reclassified trading assets ranged from 6.1% to 18.9%, with expected recoverable cash flows of ₱12.5 billion. The range of effective interest rates were determined based on weighted average rates by business.

Prior to reclassification, reduction in the fair values of the Group's financial assets at FVPL at July 1, 2008 amounted to ₱1.3 billion, which is included under 'Market valuation gain (loss) on financial assets at FVPL' in the 2008 consolidated statements of comprehensive income.

Had the reclassification not been made, the Group's consolidated net income would have included an additional market valuation loss on financial assets at FVPL amounting to ₱0.4 billion in 2011 and an additional market valuation gain on financial assets at FVPL amounting to ₱0.4 billion and ₱1.1 billion, respectively, in 2010 and 2009.

After reclassification, the reclassified financial assets contributed the following amounts to income before income taxes for the years ended December 31, 2011, 2010 and 2009, respectively:

	2011	2010	2009
Increase (reduction) in:			
Interest income	₱7,474,245	₱16,478,340	₱15,402,694
Foreign exchange gains (losses)	(23,298,431)	(42,496,452)	7,907,802
Provision for impairment losses	-	-	(185,454,636)

The reclassification was compliant with the criteria and rules set forth in SEC Memorandum Circular No. 10, Series of 2008, on Amendments to PAS 39 and PFRS 7, as issued by the Philippine Securities and Exchange Commission (SEC).

10. Available-for-Sale Investments

This account consists of investments in:

	2011	2010
Debt securities:		
Government	₱7,613,169,977	₱4,775,865,587
Private	3,440,104,893	3,597,910,124
	11,053,274,870	8,373,775,711
Equity securities:		
Quoted	44,677,024,055	1,266,522,333
Unquoted	17,065,871	226,975,871
	44,694,089,926	1,493,498,204
	₱55,747,364,796	₱9,867,273,915

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

	2011	2010
Current portion	₱12,271,628,856	₱9,867,273,915
Noncurrent portion	43,475,735,940	-
	₱55,747,364,796	₱9,867,273,915



In 2011, the Group disposed its entire investment in Digital in exchange for 27.6 million PLDT shares with a fair value of ₱64.3 billion at the date of exchange. As a result of the transaction, the Group recognized an ₱11.6 billion gain in the consolidated statements of comprehensive income, booked under 'Gain from sale of a subsidiary' under discontinued operations (Note 43). Included in the 27.6 million shares are 10.4 million shares which are under option agreements that the Parent Company had entered into with Philippine associate of First Pacific Company Limited and NTT Docomo, Inc. With prior consent of PLDT, the 10.4 million shares were sold in November 2011. As a result of the transaction, the Group's remaining investment in PLDT shares decreased to 17.2 million shares with corresponding fair value of ₱40.1 billion. The Group has classified the remaining PLDT shares as AFS investments which have a carrying value of ₱43.5 billion as of December 31, 2011.

As of December 31, 2010, AFS investments include the investments reclassified from HTM investments, with carrying value of ₱753.4 million at the time of reclassification, as a result of the Group's participation in the Bond Exchange Program.

In 2011 and 2010, the Group did not recognize any permanent decline in value on its AFS investments. In 2009, the Group recognized permanent decline on its AFS investments under private debt securities amounting to ₱185.5 million and under quoted equity securities amounting to ₱62.3 million (included under 'Impairment losses and others' in the consolidated statements of comprehensive income) (Note 33).

Interest income recognized on AFS debt investments are as follows (Note 27):

	2011	2010	2009
Debt securities:			
Government	₱536,727,522	₱353,189,546	₱125,210,572
Private	254,549,893	323,429,132	292,158,000
	₱791,277,415	₱676,618,678	₱417,368,572

Movements in the net unrealized gain (loss) on AFS investments follow:

	2011		Total
	Parent Company	Non-controlling Interests	
Balance at beginning of year	₱316,447,250	₱203,090,146	₱519,537,396
Net changes shown in other comprehensive income (Note 35):			
Fair value changes during the period on AFS investments of the Parent Company and its subsidiaries	3,188,042,736	(85,761,570)	3,102,281,166
Realized gain on sale of AFS investments (Note 28)	(44,527,355)	(24,863,608)	(69,390,963)
	3,143,515,381	(110,625,178)	3,032,890,203
Net changes in fair value of AFS investments of an associate (Note 35)	4,508,521	-	4,508,521
	3,148,023,902	(110,625,178)	3,037,398,724
Balance at end of year	₱3,464,471,152	₱92,464,968	₱3,556,936,120



	2010		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	₱197,432,263	₱50,132,492	₱247,564,755
Net changes shown in other comprehensive income (Note 35):			
Fair value changes during the period on AFS investments of the Parent Company and its subsidiaries	187,660,479	157,090,810	344,751,289
Realized gain on sale of AFS investments (Note 28)	(68,821,240)	(4,133,156)	(72,954,396)
	118,839,239	152,957,654	271,796,893
Net changes in fair value of AFS investments of an associate (Note 35)	175,748	–	175,748
	119,014,987	152,957,654	271,972,641
Balance at end of year	₱316,447,250	₱203,090,146	₱519,537,396

	2009		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	(₱1,342,345,620)	(₱717,804,732)	(₱2,060,150,352)
Net changes shown in other comprehensive income (Note 35):			
Fair value changes during the period on AFS investments of the Parent Company and its subsidiaries	1,385,740,601	699,500,070	2,085,240,671
Realized loss (gain) on sale of AFS investments (Note 28)	(29,534,936)	1,437,984	(28,096,952)
Reclassification adjustments for losses determined to be permanent decline included in profit or loss (Notes 33 and 35)	180,813,627	66,999,170	247,812,797
	1,537,019,292	767,937,224	2,304,956,516
Net changes in fair value of AFS investments of an associate (Note 35)	2,758,591	–	2,758,591
	1,539,777,883	767,937,224	2,307,715,107
Balance at end of year	₱197,432,263	₱50,132,492	₱247,564,755

11. Receivables

This account consists of:

	2011	2010
Finance receivables	₱12,577,903,770	₱10,198,213,416
Trade receivables	9,216,879,739	12,035,940,022
Due from related parties (Note 39)	1,356,382,048	2,226,813,907
Interest receivable	715,334,659	711,403,659
Other receivables	2,308,878,490	2,465,740,847
	26,175,378,706	27,638,111,851
Less allowance for impairment losses	1,132,858,193	3,011,613,678
	₱25,042,520,513	₱24,626,498,173



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

	2011	2010
Current portion	₱13,629,203,361	₱15,689,046,262
Noncurrent portion	11,413,317,152	8,937,451,911
	₱25,042,520,513	₱24,626,498,173

Noncurrent receivables consist of:

	2011	2010
Trade receivables	₱1,189,418,089	₱589,558,480
Finance receivables	10,223,899,063	8,347,893,431
	₱11,413,317,152	₱8,937,451,911

Trade Receivables

Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱2.5 billion as of December 31, 2011 and 2010. These are collectible in monthly installments over a period of between one year to five years and earn annual interest ranging from 8.2% to 9.8% based on the remaining principal balance. Interest income earned from installment contract receivables amounted to ₱227.6 million, ₱234.2 million and ₱111.1 million in 2011, 2010 and 2009, respectively (Note 27).

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

Finance Receivables

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

	2011	2010
Receivables from customers:		
Commercial	₱7,763,177,168	₱5,707,520,977
Real estate	2,614,517,808	2,180,067,491
Consumption	2,064,871,818	1,985,635,932
Domestic bills purchased	135,745,968	325,494,068
	12,578,312,762	10,198,718,468
Less unearned interest and discounts	408,992	505,052
	₱12,577,903,770	₱10,198,213,416

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, 2011 and 2010 amounted to ₱110.8 million and ₱128.2 million, respectively.



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

	2011	2010	2009
Receivables from customers:			
Commercial	₱531,137,224	₱419,193,811	₱336,696,334
Consumption	368,913,374	312,436,100	292,560,298
Real estate	231,570,335	190,097,977	152,171,504
Domestic bills purchased	754,832	1,127,396	1,099,216
Unquoted debt securities	43,563,929	9,075,686	141,025
Sales contract receivable	1,034,341	1,434,874	-
	₱1,176,974,035	₱933,365,844	₱782,668,377

Interest income on impaired loans in 2011, 2010 and 2009 amounted to ₱11.7 million, ₱10.3 million and ₱27.8 million, respectively.

Others

Other receivables include unquoted debt securities, claims receivables, creditable withholding tax and other receivables. Unquoted debt securities amounting to ₱602.6 million and ₱500.2 million as of December 31, 2011 and 2010, respectively, pertain to investments in private bonds with local companies and are presented net of unamortized discount amounting to ₱2.4 million and ₱4.8 million, respectively. Unquoted debt securities earn interest at annual fixed rates ranging from 0.0% to 8.9% in 2011 and 2010.

As of December 31, 2011 and 2010, claims receivables amounted to ₱224.6 million and ₱183.3 million, respectively, and creditable withholding tax amounted to ₱268.9 million and ₱265.9 million, respectively.

Allowance for Impairment Losses on Receivables

Changes in the allowance for impairment losses on receivables follow:

	December 31, 2011					
	Individual Assessment			Collective Assessment		Total
	Trade Receivables	Finance Receivables	Other Receivables	Trade Receivables	Finance Receivables	
Balance at beginning of year	₱520,158,311	₱396,570,396	₱221,821,677	₱1,759,418,691	₱113,644,603	₱3,011,613,678
Provision for impairment losses	11,819,603	20,769,898	2,099,959	59,401,794	67,828,418	161,919,672
Accounts written-off	(15,329,908)	(142,754,093)	(13,509,758)	-	(38,739,482)	(210,333,241)
Effect of disposal of a subsidiary (Note 43)	(60,060,305)	-	(14,982,673)	(1,755,298,938)	-	(1,830,341,916)
Balance at end of year	₱456,587,701	₱274,586,201	₱195,429,205	₱63,521,547	₱142,733,539	₱1,132,858,193



	December 31, 2010					Total
	Individual Assessment			Collective Assessment		
	Trade Receivables	Finance Receivables	Other Receivables	Trade Receivables	Finance Receivables	
Balance at beginning of year	₱677,794,332	₱98,554,451	₱108,643,961	₱1,947,243,604	₱89,447,959	₱2,921,684,307
Beginning balance of the acquired subsidiary (Note 45)	–	180,413,407	1,571,213	–	–	181,984,620
Provision for impairment losses	55,321,567	117,602,538	124,276,860	357,402,880	33,682,760	688,286,605
Accounts written-off	(200,024,919)	–	(12,670,357)	(545,227,793)	(9,486,116)	(767,409,185)
Effect of changes in foreign currency rates	(12,932,669)	–	–	–	–	(12,932,669)
Balance at end of year	₱520,158,311	₱396,570,396	₱221,821,677	₱1,759,418,691	₱113,644,603	₱3,011,613,678

Breakdown of provision for impairment losses on receivables follow:

	2011	2010	2009
Continuing operations (Note 33)	₱102,517,878	₱330,883,725	₱476,938,674
Discontinued operations (Note 43)	59,401,794	357,402,880	288,655,343
	₱161,919,672	₱688,286,605	₱765,594,017

12. Inventories

This account consists of inventories held as follows:

	2011	2010
At cost:		
Raw materials	₱3,598,336,480	₱2,968,663,884
Finished goods	3,017,249,923	2,592,851,886
	6,615,586,403	5,561,515,770
At NRV:		
Subdivision land, condominium and residential units for sale	8,491,028,487	6,197,307,815
Spare parts, packaging materials and other supplies	2,997,982,794	3,168,516,970
Work-in-process	486,414,046	123,324,844
By-products	18,070,095	34,418,138
	11,993,495,422	9,523,567,767
Materials in-transit	1,834,802,837	1,227,970,661
	₱20,443,884,662	₱16,313,054,198

Under the terms of agreements covering liabilities under trust receipts amounting to ₱4.2 billion and ₱2.1 billion as of December 31, 2011 and 2010, respectively, certain inventories have been released to the Group in trust for the creditor banks (Note 23). The Group is accountable to the banks for the value of the trusted 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 ₱470.1 million, ₱459.7 million and ₱438.4 million in 2011, 2010 and 2009, respectively.



The Group recognized inventory obsolescence and market decline included under 'Impairment losses and others' in the following sections of the consolidated statements of comprehensive income:

	2011	2010	2009
Continuing operations (Note 33)	₱63,784,807	₱15,099,540	₱49,597,336
Discontinued operations (Note 43)	-	2,480,671	10,626,100
	₱63,784,807	₱17,580,211	₱60,223,436

In 2009, the Group recognized losses on its inventories which were severely damaged by a typhoon amounting to ₱0.1 billion (included under 'Other income (loss)' in profit or loss in the consolidated statements of comprehensive income).

13. Other Current Assets

This account consists of:

	2011	2010
Funds under escrow (Note 43)	₱4,340,500,000	₱-
Input value-added tax (VAT)	1,698,955,523	4,734,148,479
Advances to suppliers	932,900,119	622,669,290
Prepaid expenses	451,387,692	870,463,452
Utility deposits	3,519,980	5,740,785
Restricted cash in bank	61,251	21,966,461
Others	58,064,957	14,192,962
	₱7,485,389,522	₱6,269,181,429

Funds under Escrow

As part of the Sale and Purchase Agreement (SPA) entered into by the Parent Company and PLDT (the Parties), an Escrow Agreement was executed on November 10, 2011 by the Parties with a third party Bank (Escrow Agent) which states that upon exercise of the options by the Parties, the Parent Company will deliver an amount of ₱4.3 billion to the Escrow Agent. The Escrow account is interest bearing and has a term of six months from the closing date of the SPA. Subject to the terms and conditions of SPA, the funds will be released to the Parent Company if certain conditions on working capital and net debt of Digitel Group are met. As of May 4, 2012, the Parent Company's management and the buyer are in the process of completing post-closing exercise, which is customary in nature.

Input VAT

As of December 31, 2011 and 2010, the gross amount of output VAT deducted from input VAT amounted to ₱3.3 billion and ₱5.6 billion, respectively. The Group believes that the amount of input VAT is fully realizable in the future.



Prepaid Expenses

This includes:

	2011	2010
Prepaid rent	₱179,403,127	₱307,122,061
Prepaid insurance	124,986,548	119,503,439
Prepaid advertising	38,619,931	31,174,783
Prepaid taxes	35,338,582	284,975,016
Prepaid office supplies	4,427,028	4,120,510
Other prepaid expenses	68,612,476	123,567,643
	₱451,387,692	₱870,463,452

Restricted Cash in Bank

Restricted cash pertains to cash in bank being held as collateral by the counterparty in relation to the Group's existing derivative transactions. These amounts are not immediately available for use in the Group's operations. The amount of cash to be reserved is determined based on the fair value of the derivative on the date of valuation.

14. Investments in Associates and Joint Ventures

This account consists of:

	2011	2010
Acquisition cost:		
Balance at beginning of year	₱19,727,475,601	₱19,312,878,180
Additional investments	172,144,748	594,409,921
Effect of disposal of a subsidiary	(292,869,840)	-
Return of investment from an associate	(20,522,040)	(179,812,500)
Balance at end of year	19,586,228,469	19,727,475,601
Accumulated equity in net earnings:		
Balance at beginning of year	10,998,327,321	8,927,251,457
Equity in net earnings	2,217,599,783	2,768,724,722
Effect of disposal of a subsidiary	43,415,334	-
Cash dividends received	(575,078,473)	(697,648,858)
Balance at end of year	12,684,263,965	10,998,327,321
Share in net unrealized gain on AFS investments of an associate:		
Balance at beginning of year	1,536,336	1,360,588
Share in net changes in fair value of AFS investments of an associate	4,508,521	175,748
Balance at end of year	6,044,857	1,536,336
Cumulative translation adjustment	76,876,974	75,711,565
	32,353,414,265	30,803,050,823
Less allowance for impairment losses	297,450,397	377,288,575
	₱32,055,963,868	₱30,425,762,248



The Group's equity in the net assets of its associates and joint ventures and the related percentages of ownership are shown below:

	Percentage of Ownership		Equity in Net Assets	
	2011	2010	2011	2010
(In Million Pesos)				
Associates				
Foreign:				
United Industrial Corp., Limited (UICL)	36.09	35.99	₱31,036.5	₱29,361.3
Domestic:				
Cebu Light Industrial Park, Inc. (CLIP)	20.00	20.00	65.0	55.4
Oriental Petroleum and Minerals Corporation (OPMC)	19.40	19.40	415.2	334.5
Jobstreet.com Philippines, Inc. (JPI)	40.00	40.00	39.8	25.4
Sterling Holdings and Security Corporation (SHSC)	49.00	49.00	–	–
Bauang Private Power Corporation (BPPC)/First Private Power Corporation (FPPC)	18.66	18.66	–	190.1
			31,556.5	29,966.7
Joint Ventures				
Domestic:				
SIA Engineering (Philippines) Corp. (SIAEP)	23.53	22.94	244.0	252.5
Aviation Partnership (Philippines) Corp. (APPC)	32.95	32.11	131.7	117.1
Hunt-Universal Robina Corporation (HURC)	32.08	32.07	90.0	89.5
Philippine Academy for Aviation Training (PAAT)	40.34	–	33.8	–
Digitel Crossing (DC)	–	19.83	–	–
			499.5	459.1
			₱32,056.0	₱30,425.8

Investment in UICL

UICL follows the revaluation method of measuring investment properties while the Group follows the cost method of measuring its 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.

Financial information of UICL follows:

	2011	2010
Current assets	₱36,424,858,560	₱27,678,586,135
Noncurrent assets	208,384,343,431	208,758,782,594
Current liabilities	37,311,631,376	33,194,307,055
Noncurrent liabilities	21,932,845,398	25,187,533,925
Non-controlling interest	52,371,826,869	52,258,990,698
Revenue	45,794,324,786	33,673,880,390
Cost of sales	25,684,149,658	19,128,414,463
Net income	18,118,998,882	7,510,333,330

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, 2011 and 2010, the Group's investments in the following listed investee companies have a fair value of:

	2011	2010
UICL	₱45,886,710,309	₱41,704,635,852
OPMC	650,728,898	504,506,623

Investment in CLIPI

The Group's investment in CLIPI includes deposits for future subscription on 20.0% of the latter's proposed increase in authorized capital stock amounting to ₱12.0 million. Such increase in CLIPI's authorized capital stock has not been effected as of December 31, 2011 and 2010.



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

2011							
Associate	Statement of Financial Position				Statement of Comprehensive Income		
	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Costs and Expenses	Net Income
OPMC	₱1,660,462,665	₱1,799,397,588	₱526,511,429	₱155,841,248	₱1,076,964,560	₱659,319,065	₱417,645,495
CLIPi	600,472,986	292,839,283	526,826,163	41,409,115	199,256,325	147,636,362	51,619,963
JPI	350,553,619	15,429,221	327,072,098	3,517,695	286,621,377	160,850,804	71,769,739

2010							
Associate	Statement of Financial Position				Statement of Comprehensive Income		
	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Costs and Expenses	Net Income (Loss)
OPMC	₱996,088,684	₱1,481,703,049	₱24,844,435	₱132,875,182	₱773,041,782	₱255,859,337	₱149,491,920
CLIPi	526,682,111	339,241,517	586,755,828	2,301,973	94,342,162	84,397,904	9,102,149
BPPC	251,028,366	423,801	13,639,150	-	455,088,194	388,586,375	(7,252,272)
JPI	233,638,685	11,678,023	202,057,745	3,299,855	227,025,603	111,681,941	69,004,713



Investment in FPPC/BPPC

On October 14, 2010, the BOD and stockholders of FPPC and BPPC approved a Plan of Merger where FPPC shall be merged into and be part of BPPC, and its separate corporate existence shall cease by operation of law. Subsequently, on December 13, 2010, the SEC approved the Certificate of Filing of the Articles and Plan of Merger. On December 15, 2010, the effective date of the Merger, FPPC transferred its assets and liabilities at their carrying values to BPPC.

Pursuant to the Articles of Merger, BPPC issued common stock to holders of FPPC common stock upon the surrender and cancellation of the common stock of FPPC. The merger was accounted for in accordance with the pooling of interest method where the identifiable assets acquired and liabilities assumed from FPPC are recognized at their carrying values and is accounted for prospectively.

In 2011 and 2010, the Group received return of capital from FPPC/BPPC in the amount of ₱20.5 million and ₱179.8 million, respectively.

Investment in Joint Ventures

SIAEP

SIAEP is a jointly controlled entity which was incorporated on July 27, 2008 and was established for the purpose of providing line and light maintenance services to foreign and local airlines, utilizing the facilities and services at airports in the Philippines, as well as aircraft maintenance and repair organizations.

PAAT

The investment in PAAT represents 40.3% investments by the Group in PAAT. PAAT was created to provide training for pilots, cabin crews, aviation management services and guest services for purposes of addressing the Group's training requirements and to pursue business opportunities for training third parties in the commercial fixed wing aviation industry, including other local and international airline companies. As of December 31, 2011, the Group's investment in PAAT amounted to ₱33.8 million, net of subscription payable of ₱101.3 million. On January 27, 2012, PAAT was formally incorporated.

DC

Under the terms of the JV agreement on DC, the Group shall invest a total of US\$12.0 million, representing a 40% interest of Digitel in the JV. As of December 31, 2010, the Group's investment cost and accumulated equity in net losses of DC amounted to ₱292.2 million and ₱43.4 million, respectively. The carrying value of the Group's investment in DC amounting to ₱249.5 million has been fully impaired as of December 31, 2010. In 2011, the investment in DC was derecognized as part of the Group's disposal of its entire ownership interest in Digitel.



The summary of information below is adjusted to the proportionate share of the Group in the assets and liabilities as at December 31, 2011 and 2010 and the income and expenses of the jointly controlled entities for the years ended December 31, 2011 and 2010.

2011							
Joint Venture	Statement of Financial Position				Statement of Comprehensive Income		
	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Costs and Expenses	Net Income (Loss)
APPC	₱130,640,715	₱17,484,399	₱58,939,161	₱-	₱166,527,392	₱118,104,727	₱34,386,685
HURC	107,246,918	926,556	82,557,057	186,628	211,028,204	190,770,482	16,341,316
SIAEP	62,834,435	142,269,566	53,665,036	-	64,471,287	75,113,018	(11,136,180)
2010							
Joint Venture	Statement of Financial Position				Statement of Comprehensive Income		
	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Costs and Expenses	Net Income (Loss)
APPC	₱124,981,674	₱16,303,322	₱64,137,903	₱-	₱138,906,299	₱120,927,529	₱17,978,770
HURC	103,644,873	1,474,011	79,348,562	649,426	215,778,002	123,270,308	17,477,037
SIAEP	45,559,234	144,268,970	31,214,911	-	1,052,392	5,235,854	(4,183,462)
DC	39,203,398	82,324,256	10,168,472	10,260,009	21,965,803	20,943,062	4,770,891



15. Investment Properties

Movements in this account follow:

	2011			
	Land and Land Improvements	Buildings and Improvements	Construction In-Progress	Total
Cost				
Balance at beginning of year	₱11,816,859,415	₱29,873,050,038	₱1,494,802,196	₱43,184,711,649
Additions	7,005,314,453	679,500,890	3,973,233,028	11,658,048,371
Retirement/disposals	(1,981,968)	(101,313,154)	–	(103,295,122)
Transfers/other adjustments	(96,889,972)	494,274,358	(176,568,293)	220,816,093
Balance at end of year	18,723,301,928	30,945,512,132	5,291,466,931	54,960,280,991
Accumulated Depreciation and Amortization				
Balances at beginning of year	50,382,165	11,044,216,347	–	11,094,598,512
Depreciation and amortization	6,940,466	1,770,925,890	–	1,777,866,356
Retirements/disposals	(55,279)	(5,176,279)	–	(5,231,558)
Transfers/other adjustments	10,996,376	197,760,984	–	208,757,360
Balance at end of year	68,263,728	13,007,726,942	–	13,075,990,670
Allowance for Impairment Losses				
Provision for impairment losses (Note 33)	619,075	–	–	619,075
Net Book Value at End of Year	₱18,654,419,125	₱17,937,785,190	₱5,291,466,931	₱41,883,671,246
<hr/>				
	2010			
	Land and Land Improvements	Buildings and Improvements	Construction In-Progress	Total
Cost				
Balance at beginning of year	₱10,111,824,149	₱26,213,113,183	₱2,651,257,533	₱38,976,194,865
Additions	1,707,728,663	917,470,013	1,591,352,411	4,216,551,087
Retirement/disposals	(24,000,472)	–	–	(24,000,472)
Transfers/other adjustments	21,307,075	2,742,466,842	(2,747,807,748)	15,966,169
Balance at end of year	11,816,859,415	29,873,050,038	1,494,802,196	43,184,711,649
Accumulated Depreciation and Amortization				
Balances at beginning of year	46,387,003	9,444,919,234	–	9,491,306,237
Depreciation and amortization	4,799,085	1,599,297,113	–	1,604,096,198
Retirements/disposals	(803,923)	–	–	(803,923)
Balance at end of year	50,382,165	11,044,216,347	–	11,094,598,512
Net Book Value at End of Year	₱11,766,477,250	₱18,828,833,691	₱1,494,802,196	₱32,090,113,137

Investment properties consist mainly of land held for appreciation, shopping malls and commercial centers and office buildings that are held to earn rentals. Also included under this account are the properties acquired by the Group's banking segment through foreclosure. Most of the Group's properties are in prime locations across the Philippines.

Borrowing Costs

Borrowing costs capitalized to subdivision land, condominium and residential units for sale and investment properties under construction amounted to ₱1.0 billion in 2011 and 2010 and ₱0.6 million in 2009. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2011, 2010 and 2009 ranges from 7.5% to 12.0%.



Fair Value of Investment Properties

The fair value of investment properties, which has been determined based on valuations performed by an independent and professional property appraiser performed on various dates, exceeds its carrying cost. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The fair value of investment properties as of December 31, 2011 and 2010 amounted to ₱51.1 billion and ₱50.1 billion, respectively.

The fair value of the investment properties was arrived at using the *Market Data Approach*. In this approach, the fair value of the investment properties is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as a basis for comparison are situated within the immediate vicinity of the subject property.

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 ₱6.2 billion, ₱5.6 billion and ₱5.2 billion in 2011, 2010 and 2009, respectively.

Direct Operating Expenses

Direct operating expenses pertaining to rental operations (included under 'Cost of sales and services' and 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱2.2 billion, ₱1.8 billion and ₱1.6 billion in 2011, 2010 and 2009, respectively.

Depreciation and Amortization

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

	2011	2010	2009
Depreciation and amortization expense included under:			
Cost of services (Note 29)	₱1,756,889,603	₱1,596,776,495	₱1,420,605,645
General and administrative expenses (Note 30)	20,976,753	7,319,703	5,353,839
	₱1,777,866,356	₱1,604,096,198	₱1,425,959,484

Collaterals

As of December 31, 2011 and 2010, 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, 2011					Sub-total
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Tele-communications Equipment	Investment in Cable Systems	
Cost						
Balance at beginning of year	₱4,022,664,045	₱19,371,135,535	₱45,079,276,023	₱76,661,977,708	₱790,726,855	₱145,925,780,166
Additions	140,770,256	517,960,255	3,121,383,746	26,562,000	–	3,806,676,257
Effect of disposal of a subsidiary (Note 43)	(475,998,730)	(4,051,858,503)	(2,027,653,984)	(76,688,539,708)	(790,726,855)	(84,034,777,780)
Transfers, disposals and other adjustments	(104,093,907)	(72,396,491)	(52,699,402)	–	–	(229,189,800)
Balance at end of year	3,583,341,664	15,764,840,796	46,120,306,383	–	–	65,468,488,843
Accumulated Depreciation and Amortization						
Balance at beginning of year	591,046,110	8,295,032,545	28,261,827,334	30,907,766,533	238,198,373	68,293,870,895
Depreciation and amortization	59,006,637	708,350,834	2,787,448,541	979,577,000	10,732,800	4,545,115,812
Effect of disposal of a subsidiary (Note 43)	–	(1,959,644,638)	(1,115,898,647)	(31,869,430,533)	(248,931,173)	(35,193,904,991)
Disposals and other adjustments	(57,672,421)	130,635,948	(1,009,153,769)	(17,913,000)	–	(954,103,242)
Balance at end of year	592,380,326	7,174,374,689	28,924,223,459	–	–	36,690,978,474
Allowance for impairment losses						
Provision for impairment losses (Note 33)	–	–	10,065,297	–	–	10,065,297
Net Book Value at End of Year	₱2,990,961,338	₱8,590,466,107	₱17,186,017,627	₱–	₱–	₱28,767,445,072



	December 31, 2011				
	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱9,572,560,515	₱37,801,123,369	₱36,581,784,809	₱386,517,787	₱230,267,766,646
Additions	526,472,077	5,656,557,836	14,361,998,726	102,358,702	24,454,063,598
Effect of disposal of a subsidiary (Note 43)	(4,898,964,587)	-	(31,905,616,838)	-	(120,839,359,205)
Transfers, disposals and other adjustments	(90,938,223)	1,894,273,973	(1,582,986,772)	(386,517,787)	(395,358,609)
Balance at end of year	5,109,129,782	45,351,955,178	17,455,179,925	102,358,702	133,487,112,430
Accumulated Depreciation and Amortization					
Balance at beginning of year	6,914,130,420	8,634,228,218	-	-	83,842,229,533
Depreciation and amortization	548,642,626	2,589,737,564	-	-	7,683,496,002
Effect of disposal of a subsidiary (Note 43)	(4,211,731,743)	-	-	-	(39,405,636,734)
Disposals and other adjustments	(73,409,919)	(10,915,198)	-	-	(1,038,428,359)
Balance at end of year	3,177,631,384	11,213,050,584	-	-	51,081,660,442
Allowance for impairment losses					
Provision for impairment losses (Note 33)	-	-	-	-	10,065,297
Net Book Value at End of Year	₱1,931,498,398	₱34,138,904,594	₱17,455,179,925	₱102,358,702	₱82,395,386,691



December 31, 2010						
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Tele- communications Equipment	Investment in Cable Systems	Sub-total
Cost						
Balance at beginning of year	₱3,732,515,791	₱18,137,067,379	₱43,120,859,847	₱49,897,066,990	₱758,846,202	₱115,646,356,209
Additions	396,225,368	836,673,048	1,605,317,626	321,534,312	–	3,159,750,354
Transfers, disposals and other adjustments	(106,077,114)	397,395,108	353,098,550	26,443,376,406	31,880,653	27,119,673,603
Balance at end of year	4,022,664,045	19,371,135,535	45,079,276,023	76,661,977,708	790,726,855	145,925,780,166
Accumulated Depreciation and Amortization						
Balance at beginning of year	399,166,287	7,420,637,719	25,887,769,257	27,382,972,193	192,698,516	61,283,243,972
Depreciation and amortization	59,266,548	828,018,941	2,767,259,768	3,508,427,387	45,499,857	7,208,472,501
Disposals and other adjustments	132,613,275	46,375,885	(393,201,691)	16,366,953	–	(197,845,578)
Balance at end of year	591,046,110	8,295,032,545	28,261,827,334	30,907,766,533	238,198,373	68,293,870,895
Net Book Value at End of Year	₱3,431,617,935	₱11,076,102,990	₱16,817,448,689	₱45,754,211,175	₱552,528,482	₱77,631,909,271

December 31, 2010					
	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱8,119,061,420	₱32,613,670,640	₱49,636,832,786	₱432,441,740	₱206,448,362,795
Additions	801,089,415	5,017,924,206	16,827,344,744	589,722,381	26,395,831,100
Transfers, disposals and other adjustments	652,409,680	169,528,523	(29,882,392,721)	(635,646,334)	(2,576,427,249)
Balance at end of year	9,572,560,515	37,801,123,369	36,581,784,809	386,517,787	230,267,766,646
Accumulated Depreciation and Amortization					
Balance at beginning of year	5,994,344,963	6,865,298,784	–	–	74,142,887,719
Depreciation and amortization	1,022,490,135	2,059,928,151	–	–	10,290,890,787
Disposals and other adjustments	(102,704,678)	(290,998,717)	–	–	(591,548,973)
Balance at end of year	6,914,130,420	8,634,228,218	–	–	83,842,229,533
Net Book Value at End of Year	₱2,658,430,095	₱29,166,895,151	₱36,581,784,809	₱386,517,787	₱146,425,537,113



Construction in-Progress

DTPI

Projects under construction consists of a cellular tower where relays, routers, power transmission including a generator set, base station and subsystems may be found in a typical infrastructure. These facilities, when rolled out, are subjected to rigid testing for serviceability and traffic utilization, including its ability to inter-operate with other network elements, thereby ensuring seamless inter-connectivity (voice and data). These projects are turn-key and must await final acceptance and certification before the projects under construction qualifying as available for use are transferred to the related 'Property, plant and equipment', when the construction or installation and related activities necessary to prepare the asset for their intended use are completed, and the asset are ready for commercial service.

In 2011, the above construction in-progress was derecognized as part of the Group's disposal of its entire ownership interest in Digitel.

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, 2011 and 2010, the Group's capitalized pre-delivery payments as construction in-progress amounted to ₱6.9 billion and ₱4.8 billion, respectively.

JGSOC

Construction in-progress amounting to ₱6.7 billion and ₱1.2 billion as of December 31, 2011 and 2010, 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 ₱67.0 million and ₱11.6 million as of December 31, 2011 and 2010, respectively, represents the expansion of PE and PP plant.

Borrowing Costs

Borrowing costs capitalized as part of property, plant and equipment under construction amounted to nil and ₱1.6 million in 2011 and 2010, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2010 amounted to 8.8%.

Depreciation and Amortization

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

	2011	2010	2009
Continuing operations:			
General and administrative expenses (Note 30)	₱3,079,058,001	₱2,500,489,561	₱2,298,354,099
Cost of sales (Note 29)	3,158,287,988	3,168,777,966	2,932,577,881
Cost of services (Note 29)	275,168,145	249,688,653	177,103,340
Discontinued operations (Note 43)	1,170,981,868	4,371,934,607	3,616,280,837
	₱7,683,496,002	₱10,290,890,787	₱9,024,316,157



Investment in Cable Systems

Investment in cable systems represents Digitel's indefeasible rights of use of circuits in certain cable systems. In 2011, investment in cable systems was derecognized as part of the Group's disposal of its entire ownership interest in Digitel.

Property, Plant and Equipment Pledged as Collateral

Passenger aircraft held as securing assets under various loans

In 2005 and 2006, CAI entered into Export Credit Agency (ECA)-backed loan facilities (ECA loans) to partially finance the purchase of ten Airbus A319 aircraft. In 2007, CAI also entered into a commercial loan facility to partially finance the purchase of two Airbus A320 aircraft, one CFM 565B4/P engine, two CFM 565B5/P engines and one Quick Engine Change (QEC) Kit. In 2008, CAI entered into both ECA loans and commercial loans to partially finance the purchase of six Avion de Transport Regional (ATR) 72-500 turboprop aircraft. Then in 2009, ECA loans were availed to finance the purchase of two ATR 72-500 turboprop aircraft. In 2010, CAI entered into ECA loan to finance the purchase of three Airbus A320 aircraft. In 2011, CAI entered into ECA-backed loan facilities to finance the purchase of three additional Airbus A320 aircraft (Note 23).

Under the terms of the ECA loans and the commercial loan facilities, upon the event of default, the outstanding amount of the loan (including accrued interest) will be payable by CALL or ILL or BLL or SLL or SALL or VALL, or by the guarantors which are CPAHI and the Parent Company. Failure to pay the obligation will allow the respective lenders to foreclose the securing assets.

As of December 31, 2011 and 2010, the carrying amounts of the securing assets (included under the 'Property, plant and equipment' in the consolidated statements of financial position) amounted to ₱30.4 billion and ₱26.6 billion, respectively.

Others

Certain property, plant and equipment of URC with an aggregate net book value of ₱34.3 million and ₱46.6 million have been pledged as security for certain long-term debt as of December 31, 2011 and 2010, respectively (Note 23).

Operating Fleet

As of December 31, 2011 and 2010, the Group's operating fleet follows:

	2011	2010
Owned (Note 23):		
Airbus A319	10	10
Airbus A320	8	5
ATR 72-500	8	7
Under operating lease (Note 41):		
Airbus A320	11	9
	37	31

The additions in 'Passenger aircraft' includes capitalized asset retirement obligation related to new operating lease agreements amounting to ₱279.9 million and nil in 2011 and 2010, respectively. Moreover, a change in accounting estimates increased ARO asset by ₱705.7 million in 2010 with recognition of ARO liability (Note 24).



17. Biological Assets

The composition and movements in this account follow:

	December 31, 2011						
	Swine (At Fair Value Less Estimated Costs to Sell)			Poultry (At Cost)			Total
	Breeder	Commercial	Sub-total	Breeder	Commercial	Sub-total	
Cost							
Balance at beginning of year	₱396,710,301	₱787,198,756	₱1,183,909,057	₱145,480,795	₱59,678,045	₱205,158,840	₱1,389,067,897
Additions	350,854,991	2,839,957,501	3,190,812,492	-	593,208,152	593,208,152	3,784,020,644
Disposal	(335,315,726)	(2,638,517,118)	(2,973,832,844)	(14,881,183)	(591,877,478)	(606,758,661)	(3,580,591,505)
Balance at end of year	412,249,566	988,639,139	1,400,888,705	130,599,612	61,008,719	191,608,331	1,592,497,036
Accumulated Depreciation							
Balance at beginning of year	37,487,487	-	37,487,487	56,003,374	-	56,003,374	93,490,861
Depreciation	26,163,535	-	26,163,535	-	-	-	26,163,535
Disposal	(24,635,060)	-	(24,635,060)	(1,151,283)	-	(1,151,283)	(25,786,343)
Balance at end of year	39,015,962	-	39,015,962	54,852,091	-	54,852,091	93,868,053
Gains (losses) arising from changes in fair value less estimated costs to sell	10,072,563	(138,382,729)	(128,310,166)	-	-	-	(128,310,166)
Net Book Value at End of Year	₱383,306,167	₱850,256,410	₱1,233,562,577	₱75,747,521	₱61,008,719	₱136,756,240	₱1,370,318,817

	December 31, 2010						
	Swine (At Fair Value Less Estimated Costs to Sell)			Poultry (At Cost)			Total
	Breeder	Commercial	Sub-total	Breeder	Commercial	Sub-total	
Cost							
Balance at beginning of year	₱423,205,686	₱1,007,768,708	₱1,430,974,394	₱184,271,162	₱52,859,437	₱237,130,599	₱1,668,104,993
Additions	324,040,327	2,442,514,305	2,766,554,632	22,487,266	165,074,879	187,562,145	2,954,116,777
Disposal	(334,426,674)	(2,634,447,729)	(2,968,874,403)	(61,277,633)	(158,256,271)	(219,533,904)	(3,188,408,307)
Balance at end of year	412,819,339	815,835,284	1,228,654,623	145,480,795	59,678,045	205,158,840	1,433,813,463
Accumulated Depreciation							
Balance at beginning of year	40,929,558	-	40,929,558	61,296,050	-	61,296,050	102,225,608
Depreciation	29,767,994	-	29,767,994	109,337,200	-	109,337,200	139,105,194
Disposal	(33,210,065)	-	(33,210,065)	(114,629,876)	-	(114,629,876)	(147,839,941)
Balance at end of year	37,487,487	-	37,487,487	56,003,374	-	56,003,374	93,490,861
Losses arising from changes in fair value less estimated costs to sell	(16,109,038)	(28,636,528)	(44,745,566)	-	-	-	(44,745,566)
Net Book Value at End of Year	₱359,222,814	₱787,198,756	₱1,146,421,570	₱89,477,421	₱59,678,045	₱149,155,466	₱1,295,577,036

The Group has about 206,201 and 170,624 heads of swine as of December 31, 2011 and 2010, respectively, and about 470,969 and 478,236 heads of poultry as of December 31, 2011 and 2010, respectively.

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

	2011	2010
Current portion	₱911,265,129	₱846,876,801
Noncurrent portion	459,053,688	448,700,235
	₱1,370,318,817	₱1,295,577,036



19. Goodwill

Movements in the Group's Goodwill account follow:

	2011	2010
Cost		
Balance at beginning of year	₱1,075,014,724	₱1,075,014,724
Disposal of investment	(28,247,244)	-
Balance at end of year	1,046,767,480	1,075,014,724
Accumulated Impairment Losses		
Balance at beginning of year	184,639,704	184,639,704
Provision for impairment losses (Note 33)	63,500,000	-
Balance at end of year	248,139,704	184,639,704
Net Book Value	₱798,627,776	₱890,375,020

The Group's goodwill pertains to: (a) the acquisition of Advanson in December 2007, (b) the acquisition of Acesfood in May 2007, (c) the excess of the acquisition cost over the fair values of the net assets acquired by Hongkong China Foods Co., Ltd. (HCFCL) and URC Asean Brands Co., Ltd. (UABCL) in 2000, and (d) the acquisition of Southern Negros Development Corporation (SONEDCO) in 1998. The goodwill arising from the acquisitions of HCFCL, UABCL, Acesfood and Advanson was translated at the applicable year-end exchange rate.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of reporting date. The recoverable amounts of the intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 9.3% to 10.0%. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates were based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

In 2011, the Group recognized provision for impairment losses amounting to ₱63.5 million (included under 'Impairment losses and others' in profit or loss in the consolidated statements of comprehensive income) on the goodwill pertaining to SONEDCO (Note 33). The Group also derecognized goodwill of ₱28.2 million in relation to the disposal of Shantou SEZ Toyo Food Industrial Co. Ltd. (Shantou SEZ Toyo) and Guangdong Acesfood Co. Ltd. (Guangdong Acesfood) (Note 44).



20. Other Noncurrent Assets

This account consists of:

	2011	2010
Security and miscellaneous deposits	₱486,258,247	₱581,938,092
Deferred tax assets (Note 37)	242,595,026	231,357,830
Derivative assets (Note 8)	172,496,875	111,066,241
Input VAT	150,799,015	–
Deferred subscriber acquisition and retention costs	–	1,454,924,519
Pension assets (Note 36)	–	77,904,820
Others	663,511,437	1,225,302,257
	₱1,715,660,600	₱3,682,493,759

Security Deposits

As of December 31, 2010, security deposits include deposits amounting to ₱273.5 million which relate to the Group's leased buildings, cellsite lots and commercial spaces. These will be collected in full or offset against rent payable at the end of the lease terms subject to adjustments by the lessor to cover damages incurred on the properties. In 2011, these security deposits were derecognized as part of the Group's disposal of its entire ownership interest in Digital.

Deferred Subscriber Acquisition and Retention Costs

Changes in deferred subscriber acquisition and retention costs follow:

	2011	2010
Balance at beginning of year	₱1,454,924,519	₱1,510,120,411
Deferral of subscriber acquisition and retention costs	297,522,051	1,449,920,497
Amortization	(375,569,176)	(1,505,116,389)
Effect of disposal of a subsidiary	(1,376,877,394)	–
Balance at end of year	₱–	₱1,454,924,519

Others

Others include repossessed chattels and utility deposits.

In 2011, provision for impairment losses on other noncurrent assets recognized under 'Impairment losses and others' in profit or loss in the consolidated statements of comprehensive income amounted to ₱5.1 million (Note 33).



21. Accounts Payable and Accrued Expenses

This account consists of:

	2011	2010
Trade payables	₱8,267,951,604	₱8,451,724,454
Accrued expenses	8,193,504,665	9,591,950,670
Deposit liabilities	6,326,435,391	8,561,959,697
Due to related parties (Note 39)	631,507,140	532,241,305
Airport and other related fees payable	330,044,660	435,286,079
Withholding taxes payable	107,597,736	358,995,687
Output value added tax	8,957,536	265,529,734
Dividends payable	8,689,011	7,568,707
Other payables	1,103,535,331	1,347,632,808
	₱24,978,223,074	₱29,552,889,141

Trade Payables

Trade payables are noninterest-bearing and are normally settled on 30- to 60-day terms. Trade payables arise mostly from purchases of inventories, which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations. Trade payables also include importation charges related to raw materials purchases, as well as occasional acquisitions of production equipment and spare parts. Obligations arising from purchase of inventories necessary for the daily operations and maintenance of aircraft which include aviation fuel, expendables and consumables, equipment and in-flight supplies are also charged to this account.

Accrued Expenses

Accrued expenses consists of accruals for:

	2011	2010
Landing and take-off, navigational charges, and other aircraft-related expenses	₱1,701,604,461	₱1,478,647,591
Accrued interest payable	1,244,509,791	1,387,850,779
Advertising and promotions	1,240,988,242	2,207,835,484
Compensation and benefits	957,869,667	1,055,626,303
Taxes and licenses	790,682,556	782,987,412
Import bills payable	604,225,375	223,552,924
Contracted services	522,201,437	567,831,599
Utilities	248,324,819	514,151,938
Rental expense	209,234,327	519,505,480
Freight and handling costs	160,409,857	167,692,606
Insurance	91,624,863	92,181,719
Royalties	14,997,384	301,330,370
Other accrued expenses	406,831,886	292,756,465
	₱8,193,504,665	₱9,591,950,670

Other accrued expenses include accruals for travel and transportation, repairs and maintenance and other professional services.



Deposit Liabilities

Deposit liabilities represent the savings, demand and time deposit liabilities of RBC. Of the total deposit liabilities of RBC as of December 31, 2011 and 2010, 70.4% and 66.5%, respectively, are subject to periodic interest repricing. Remaining deposit liabilities of RBC incur interest at annual fixed rates of up to 2.8% for both years.

As of December 31, 2011 and 2010, under existing BSP regulations, non-FCDU deposit liabilities are subject to statutory reserve of 2.0% and liquidity reserve of 6.0% for both years. As of December 31, 2011 and 2010, RBC is in compliance with such regulation.

The liquidity and statutory reserves of RBC as reported to the BSP are as follows:

	2011	2010
Cash and other cash items	₱669,931,514	₱516,719,879
Due from BSP	3,047,421,010	194,660,936
	₱3,717,352,524	₱711,380,815

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 (Note 29):

	2011	2010
Savings	₱500,579,872	₱11,467,073
Time	145,802,586	277,310,307
Demand	15,092,128	102,875,442
	₱661,474,586	₱391,652,822

Airport and Other Related Fees Payable

Airport and other related fees payable are amounts payable to the Philippine Tourism Authority and Air Transportation Office on aviation security, terminal fees and travel taxes.

Other Payables

Other payables mostly consists of management bonus and royalty payables.

22. Other Current Liabilities

This account consists of:

	2011	2010
Unearned revenue	₱5,253,433,343	₱5,295,750,754
Deposits from real estate buyers	845,695,426	1,011,306,997
Customer's deposits	246,517,350	625,289,500
Advances from agents and others	191,017,007	159,557,017
Deposits from lessees	174,545,141	162,257,882
	₱6,711,208,267	₱7,254,162,150

Unearned Revenue

The unearned revenue account pertains to the Group's unearned air transportation revenue in 2011 and unearned air transportation revenue and unearned telecommunications revenue in 2010.



Unearned transportation revenue

Passenger ticket and cargo waybill sales are initially recorded under 'Unearned 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).

As of December 31, 2011 and 2010, the Group's unearned air transportation revenue amounted to ₱5.3 billion and ₱4.6 billion, respectively.

Unearned telecommunications revenue

Unearned telecommunications revenue represents the unused/unexpired airtime value of prepaid cards and over-the-air reload services sold. Proceeds from sale of prepaid cards and airtime values through the over-the-air reloading services are initially recognized as unearned revenue by the Group. Revenue is recognized upon the actual usage of the airtime value of the card, net of free service allocation. The unused value of prepaid card is likewise recognized as revenue upon expiration.

As of December 31, 2010, the Group's unearned telecommunications revenue amounted to ₱689.4 million. In 2011, unearned telecommunications revenue was derecognized as part of the Group's disposal of its entire ownership interest in Digitel.

Advances from Agents and Others

Advances from agents and others represent cash bonds required from major sales and ticket offices or agents.

23. Short-term and Long-term Debt

Short-term Debt

Short-term debt consists of:

	2011	2010
Parent Company:		
Foreign currency - with interest rate of 1.1% in 2011	₱3,726,400,000	₱-
Philippine Peso - with interest rate of 3.0% in 2010	-	679,400,000
	₱3,726,400,000	₱679,400,000
Subsidiaries:		
Foreign currencies - with interest rates ranging from 0.4% to 4.4% in 2011 and 0.3% to 2.5% in 2010	13,862,966,061	11,967,545,114
Philippine Peso - with interest rates ranging from 4.0% to 4.5% in 2011 and 4.5% to 5.6% in 2010	1,503,268,203	2,705,101,266
	15,366,234,264	14,672,646,410
	₱19,092,634,264	₱15,352,046,410



As of December 31, 2011 and 2010, short-term debt of certain subsidiaries include trust receipts and acceptances payable amounting to ₱4.2 billion and ₱2.1 billion, respectively. The trust receipts and acceptances payable are secured by the trustee inventories (Note 12).

In 2011, 2010 and 2009, the Group has incurred interest expense on short-term notes amounting to ₱264.3 million, ₱253.8 million and ₱949.6 million, respectively (Note 34).

Long-term Debt

Long-term debt (net of debt issuance costs) consists of:

	Maturities	Interest Rates	2011	2010
Parent Company:				
Fixed Rate Retail Bonds	2014	8.25%	₱8,933,149,468	₱8,913,511,988
Fixed Rate Corporate Notes	2013	8.00%	4,294,472,920	4,286,316,088
Bayerische HypoVereinsbank AG (HypoVereinsbank) loan	2011	3.72%	–	375,431,950
			13,227,622,388	13,575,260,026
Subsidiaries:				
Foreign currencies:				
JGSPL				
US\$300.0 million guaranteed notes	2013	8.00%	11,209,767,749	11,078,059,256
US\$300.0 million guaranteed term loan facility	2013	USD LIBOR + 2.45%	–	13,079,544,763
URCPL				
US\$200.0 million guaranteed notes	2012	8.25%	8,197,807,089	8,215,279,157
Digitel				
Term loan facilities	Various dates through 2015	USD LIBOR + 0.30% to 2.70%	–	15,261,864,425
Zero-coupon convertible bonds	2013	12.00%	–	2,312,197
CAI				
ECA loans (Note 16)	Various dates through 2018	3.37% to 5.83% 0.85% to 2.05% in 2011 and 0.86% to 2.54% in 2010 (US Dollar LIBOR 6 months or 3 months plus margin)	10,896,597,403	10,630,161,421
Commercial loan from foreign banks	Various dates through 2017	4.11% to 5.67% in 2011 and in 2010 1.65% to 1.71% in 2011 and 1.64% to 2.12% in 2010 (US Dollar LIBOR 6 months plus margin)	7,696,377,955 2,079,277,203	5,150,528,642 2,387,334,644
			199,640,872	264,683,997
			40,279,468,271	66,069,768,502
Philippine Peso:				
URC				
₱3.0 billion loan facility	2014	8.75%	2,984,699,202	2,977,963,795
Philippine Sugar Corporation restructured loan	2013	7.50%	25,704,433	33,105,818
RLC				
₱5.0 billion loan facility	2014	8.50%	5,000,000,000	5,000,000,000
₱5.0 billion loan facility	2014	8.25%	5,000,000,000	5,000,000,000
₱3.0 billion loan facility	2012	6.38%	3,000,000,000	3,000,000,000
₱2.0 billion bonds	2013	15.70% - PDST-F rate	2,000,000,000	2,000,000,000
			18,010,403,635	18,011,069,613
			58,289,871,906	84,080,838,115
			71,517,494,294	97,656,098,141
Less current portion			13,622,011,230	10,602,053,608
			₱57,895,483,064	₱87,054,044,533



Except for the balances of subsidiaries reporting at September 30 fiscal year end, the foreign exchanges rates used to revalue the foreign currency borrowings were ₱43.84 to US\$1.00 in December 31, 2011 and 2010, respectively. The foreign exchange rates used by the subsidiaries reporting at fiscal year end were ₱43.72 to US\$1.00 and ₱43.88 to US\$1.00 in September 30, 2011 and 2010, respectively

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱19.7 million (US\$0.5 million) and ₱948.2 million (US\$21.6 million) as of December 31, 2011 and 2010, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱97.7 million and ₱132.2 million as of December 31, 2011 and 2010, respectively.

Except for the liability under the minimum capacity purchase agreement, repayments of the long-term debt (gross of debt issuance costs) follow:

	2011	2010
Due in:		
2011	₱–	₱10,870,674,413
2012	13,676,929,895	21,346,566,015
2013	20,012,873,193	24,851,953,936
2014	24,474,400,064	26,403,294,121
2015	2,456,666,932	4,343,676,955
Thereafter	11,014,051,942	10,920,372,683
	₱71,634,922,026	₱98,736,538,123

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

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

In 2011, the Parent Company had completed the repayment of the HypoVereinsbank facility, which had an outstanding balance of ₱375.4 million (US\$8.6 million) as of December 31, 2010.

Parent Company ₱4.3 Billion Fixed Rate Corporate Notes

On September 10, 2008, the Parent Company issued an aggregate amount of ₱4.3 billion fixed rate corporate notes. The notes bear an annual interest of 8.0% payable semi-annually and the principal amount will be paid on September 16, 2013. In 2011, 2010 and 2009, the interest expense recognized related to this loan amounted to ₱353.0 million, ₱350.4 million and ₱300.4 million, respectively.

Parent Company ₱9.0 Billion Fixed Retail Bonds

On November 19, 2009, the Parent Company issued ₱9.0 billion retail bonds constituting direct, unconditional, unsubordinated, and unsecured obligations of the Parent Company ranking *pari passu* at all time times without preference with all outstanding unsubordinated debt and unsecured obligations of the Parent Company, except for any statutory preference or priority established under Philippine law. The Bonds bears fixed interest rate of 8.25% calculated based on 30/360 day count and payable semiannually every 20th of May and November until November 20, 2014.



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

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

Subsidiaries' Foreign Currency Loans

JGSPL US\$ LIBOR + 2.45% Guaranteed Term Loan Facility Due 2013

In June 2008, JGSPL issued US\$300.0 million US\$ LIBOR + 2.45% guaranteed notes, due on June 16, 2013, which are unconditionally and irrevocably guaranteed by the Parent Company. Unless previously redeemed, the US\$ LIBOR + 2.45% guaranteed notes will be repaid in five equal semi-annual installments amounting to US\$60.0 million beginning on the 6th interest period until maturity.

In December 2011, JGSPL exercised its option to settle the loan in full prior to maturity date.

JGSPL 8.00% Guaranteed Notes Due 2013

In January 2006, JGSPL issued US\$300.0 million 8.00% guaranteed notes due 2013 which are unconditionally and irrevocably guaranteed by the Parent Company. Unless previously purchased and cancelled, the 8.00% guaranteed notes will be redeemed at their principal amount on January 18, 2013.

URCPL 8.25% Guaranteed Notes Due 2012

On January 14, 2005, URCPL issued US\$200.0 million 8.25% notes due 2012 guaranteed by URC. Unless previously redeemed or purchased and cancelled, the notes will be redeemed at their principal amount, plus accrued and unpaid interest on January 20, 2012.

These corporate notes contain negative covenants which include among others maintenance of the guarantor of a debt-to-equity ratio of not greater than 2.0 to 1.0.

Reacquisition of bonds

On October 29, 2008, the Group reacquired a portion of its bonds payable with a face value of ₱241.7 million (US\$5.0 million) for a total proceeds of ₱228.0 million (US\$4.5 million). The Group recognized gain on reacquisition of bonds amounting to ₱20.8 million (included under 'Others - net' in profit or loss in the consolidated statements of comprehensive income).

On February 20, 2010, the Group made a partial principal repayment on its bonds payable with a face value of ₱342.8 million (US\$7.4 million).

Digitel Zero Coupon Convertible Bonds

On December 8, 2003, Digitel issued zero coupon convertible bonds due 2013 (Digitel Bonds) with face value of US\$31.1 million and issue price of US\$10.0 million. Unless previously converted, cancelled or redeemed, the bonds are convertible into Digitel's common shares at ₱1.0 par value at the end of the tenth year after the issue date and are redeemable at the option of Digitel, in whole or in part, at the end of each year starting one year after the issue date and every year thereafter at the following redemption dates and values:

<u>Redemption Date</u>	<u>Redemption Value^(a)</u>
End of 1st year from issue date	US\$35.29
End of 2nd year from issue date	38.75

(Forward)



<u>Redemption Date</u>	<u>Redemption Value^(a)</u>
End of 3rd year from issue date	42.63
End of 4th year from issue date	46.97
End of 5th year from issue date	51.83
End of 6th year from issue date	57.28
End of 7th year from issue date	63.38
End of 8th year from issue date	70.21
End of 9th year from issue date	77.87
End of 10th year from issue date	86.44

^(a)Per US\$100 of face value

Alternately, the bondholders will have the right to convert the Digital bonds into common shares of Digital at redemption date. The number of conversion shares to be received by the bondholders upon exercise of the conversion right is equivalent to the total redemption value which the bondholders would have received if the Digital bonds were redeemed multiplied by the exchange rate for the relevant date divided by the ₱1.0 par value. Unless previously converted, purchased or cancelled or redeemed, the Digital bonds shall be converted into the common shares of Digital at the end of the tenth year of the issue date. In January 2006, the conversion options expired due to an amendment on the bond agreement.

The Parent Company subscribed and paid a total of \$9,996,392 for the bonds (“JGSHI-subscribed Bonds”). On January 3, 2006, Digital entered into a Memorandum of Agreement (MOA) with the Parent Company to amend the conversion options of JGSHI-subscribed Bonds. On the said MOA, the conversion rights provided for in the terms and conditions of the Bonds as contained in the Application to Purchase and in the Prospectus, the Parent Company agreed that any conversion of its JGSHI-subscribed Bonds into Digital shares shall be subjected to the consent of Digital.

The Digital bonds constitute direct, unconditional, unsubordinated and unsecured obligations of Digital and shall at all times rank *pari passu* and without preference among themselves and at least equally with all other present and future unsubordinated, unsecured obligations of Digital, except as may be preferred by virtue of mandatory provision of law.

The bondholders have the option, through a resolution approved by 75.0% of the face value of the bonds then outstanding, to require a lien on unencumbered assets of Digital not subject to a dispute, valued at approximately US\$200,000, subject to the limitations, conditions and restrictions of a Mortgage Trust Indenture (MTI). The MTI will be administered by a security trustee appointed in compliance with the MTI.

DCPL Bonds Due 2014

In November 2004, Digital Capital Philippines Ltd (DCPL), a subsidiary of Digital, issued bonds to JGSPL due 2014 with face value of US\$590.1 million and issue price of US\$190.0 million. The proceeds of the bonds were used for Digital’s expansion projects. The issuance of DCPL Bonds was approved by Digital’s shareholders in its special stockholders’ meeting held on May 28, 2001. The subscription of DCPL Bonds was also approved by the Parent Company’s BOD on December 5, 2003, which was ratified by the Parent Company’s shareholders in its meeting held on July 22, 2004. This transaction being among entities under common control has been agreed by the Parent Company, DCPL and JGSPL, as an equity transaction.



The DCPL bonds are exchangeable to common shares of Digitel based on the redemption values as determined on specified dates. In anticipation of the plan or intent to convert or redeem the bonds in 2011, the issuer and bondholder agreed to bring the bond carrying value to its redemption value as at December 31, 2010.

Digitel Term Loan Facilities

Digitel and its wholly owned subsidiary, Digitel Mobile Phils., Inc. (DMPI), entered into various term loan facility agreements to finance various purchase and supply agreements. Said term loan facilities follow:

- Digitel US\$14.0 million HypoVereinsbank loan

In January 2001, Digitel and HypoVereinsbank signed a buyer's credit agreement to finance the export contract of Digitel with a certain foreign supplier. HypoVereinsbank agreed to make available the total amount of US\$14.0 million, in two tranches of US\$11.8 million and US\$2.2 million. The amount is used to finance 85.0% of the export contract value totaling US\$16.5 million. Said loan is payable in 14 equal, consecutive, semi-annual installments beginning six months after the final acceptance of all units purchased but not later than June 30, 2002. Digitel will pay interest equivalent to USD LIBOR plus 0.75%.

- Digitel US\$43.5 million Nordea Bank AG (Nordea) loan

On January 12, 2004, Digitel entered into an export credit facility with Nordea in the aggregate principal amount of up to US\$43.5 million. Under the export credit facility, Nordea shall make available the amount of the loan for the sole purpose of financing up to (i) 85.00% of the offshore contract value amounting to US\$40.6 million, and (ii) 85.00% of the Swedish Export Credits Guarantee Board (EKN) premium. The interest payable on the loan shall be the USD LIBOR plus 0.75% per annum. The loan is payable in 14 consecutive equal semi-annual installments, the first of which shall fall due on March 15, 2005, subject to EKN's rules and regulations.

- DMPI US\$20.0 million Nordic Investment Bank (Nordic) loan

On October 12, 2004, DMPI entered into a term loan facility with Nordic in the amount of up to US\$20.0 million, guaranteed by Digitel and the Parent Company. The loan shall bear interest equivalent to the sum of USD LIBOR plus 2.70% per annum. The loan is payable in 12 consecutive equal semi-annual installments on the payment dates starting on March 15, 2006 and September 15, 2011.

- DMPI US\$23.6 million Societe Generale (SG) and Calyon loan

On April 11, 2005, DMPI entered into an equipment supply contract with a certain foreign supplier for the supply of equipment, software and offshore services (the Equipment supply contract). Under the terms and conditions of the Export Credit Agreement, SG and Calyon agreed to make available a credit of up to US\$23.6 million. The amount shall be used to finance the Equipment Supply Contract, to the extent covered by the insurance of SINOSURE, a credit insurance agency. The aggregate amount of all disbursements under the facility shall be payable in 14 consecutive equal semi-annual installments, the first one of which will become due six months after repayment date and thereafter, each of them falling due on the following interest payment date. DMPI shall pay interest equivalent to USD LIBOR plus 0.60% per annum.



- DMPI US\$19.0 million Calyon and SG loan

On May 5, 2005, DMPI entered into a supply and service contract with Alcatel CIT and Alcatel Philippines Inc. for the supply of various telecommunications materials, software and services for the Global System for Mobile Communication (GSM) Cellular Mobile Short-term Core Extension Project (the Supply and Service Contract). Under the terms and conditions of the loan, Calyon and SG agreed to make available a credit of up to US\$19.0 million. The amount shall be used to finance the Supply and Service Contract, to the extent covered by the insurance of COFACE, a French credit insurance agency. The aggregate amount of all disbursements under the Loan shall be payable in 14 consecutive equal semi-annual installments, the first one of which will become due six months after the starting date for repayment date and thereafter, each of them falling due on the following interest payment date. DMPI shall pay interest equivalent to USD LIBOR plus 0.40% per annum.

- DMPI US\$18.7 million Nordea loan

On April 4, 2006, DMPI entered into a loan facility with Nordea. Under the terms of the facility, Nordea shall make available the amounts of (i) US\$17.1 million and (ii) 100.00% of the premium payable to EKN, the aggregate amounts not to exceed the commitment of US\$18.7 million. The Nordea loan is guaranteed by Digitel and the Parent Company. The loan bears interest equivalent to the sum of USD LIBOR plus 0.35% per annum. The loan is payable in 18 consecutive equal semi-annual installments, the first of which shall fall due on October 30, 2006, subject to EKN's rules and regulations.

- DMPI US\$12.7 million SG and Calyon loan

On March 9, 2006, DMPI entered into a purchase agreement with Huawei Technologies Co., Ltd., for the supply of equipment and software for the GSM services in the National Capital Region (the Phase 6A 200 Sites Project). Under the terms and conditions of the loan, SG and Calyon agreed to make available a credit of up to US\$12.7 million. The amount shall be used to finance the Phase 6A 200 Sites Project, to the extent covered by the insurance of SINOSURE, a credit insurance agency.

The loan is payable in 14 consecutive equal semi-annual installments, the first one of which will become due six months after the starting date for repayment and thereafter, each of them falling due on the following interest payment date.

- DMPI ING Bank N.V. (ING) loans

In 2006, DMPI entered into various purchase agreements with certain suppliers and service contractors.

Pursuant to the aforementioned purchase agreements, DMPI entered into a loan agreement with ING where ING agreed to make available amounts up to US\$61.2 million to finance the purchase agreements.

The amounts loaned from ING shall be paid in 14 consecutive equal semi-annual installments (the start payment dates for which the various drawdowns are stipulated in the contract). The loans bear interest equivalent to the sum of USD LIBOR plus margins ranging from 0.30% to 0.60% per annum.



- DMPI US\$27.9 million ING Amsterdam Loans

On December 14, 2007, DMPI entered into a purchase agreements with Huawei Technologies Co., Ltd. The purchase agreements relate to the supply of equipment, hardware, software, and services for the Phase 7 CORE Expansion, Phase 1 3G Network and Phase 7 Intelligent Network Expansion.

Pursuant to the aforementioned purchase agreements, DMPI entered into loan agreements in 2008 with ING Amsterdam where the latter agreed to make available amounts up to US\$34.2 million to finance the purchase agreements.

The amounts loaned from ING is payable in 14 consecutive equal semi-annual installments starting 18 months from the date of signing of contract. The loan is guaranteed by the Parent Company.

- DMPI US\$96.6 million Nordea Bank and ING Bank Loan

On April 28, 2009, DMPI entered in to a loan facility with Nordea and ING Bank. Under the terms of facility, Nordea and ING shall finance up to \$71.6 million, being 85.0% of the Export Contract Value purchase by DMPI from Ericsson Inc. certain equipment and \$24.7 million, being 29.6% of the Export Contract Value for local costs incurred to Ericsson Inc.

The amount owned is payable in 17 consecutive equal semi-annual payments at a fixed rate of 3.68% per annum plus a risk premium in respect of Nordea and ING at a rate of 0.75% per annum plus 0.2% margin per annum calculated on the loan. The loan is guaranteed by Digitel and the Parent Company.

- DMPI US\$40.6 million Hongkong and Shanghai Banking Corporation Limited (HSBC)
In 2009, DMPI entered into a loan facility wherein HSBC will finance the payments to be made by DMPI for the supply of equipment and services availed by DMPI with Huawei Technologies for the Phase 7 South Luzon Base Station Expansion Project.

The loaned amount will be paid in 14 equal semi-annual installments with an interest rate of 1.8% per annum plus LIBOR. The loan is guaranteed by the Parent Company.

- DMPI US\$49.9 million China CITIC loan

In 2009, DMPI entered into a loan facility with China CITIC for the supply of the equipment, software, and related materials for the Phase 2 3G Expansion, transmission for the Phase 2 3G Expansion and Phase 8A NCR and South Luzon BSS Expansion Projects. The loaned amount will be paid in 14 equal semi-annual installments with an interest rate of 1.8% per annum plus LIBOR. The loan is guaranteed by the Parent Company.

The foregoing liabilities of Digitel, except for the liability under the minimum purchase agreement are guaranteed up to a certain extent by Digitel's majority stockholders and the Parent Company. In addition, the covering loan agreements of such liabilities contain covenants which, among others, restrict the incurrence of loans or debts not in the ordinary course of business, merger or disposition of any substantial portion of Digitel's assets, distribution of capital or profits, redemption of any of its issued shares, and reduction of Digitel's registered and paid-up capital.



As a result of the disposal of Digitel, as discussed in Note 43 to the consolidated financial statements, PLDT assumed the obligations of the Parent Company, as guarantor under the Digitel and DMPI loan agreements covered by guarantees from the Parent Company. Digitel and DMPI obtained the required consent of the lenders and export credit agencies for the replacement of the Parent Company by PLDT as guarantor under these loans. As at December 31, 2011, all long-term debt of Digitel Group were derecognized as part of the Group's disposal of its entire ownership interest in Digitel.

CAI Commercial Loan From Foreign Banks

In 2007, CAI entered into a commercial loan facility to partially finance the purchase of two Airbus A320 aircraft, one CFM 565B4/P engine, two CFM 565B5/P engines and one QEC Kit. The security trustee of the commercial loan facility established ILL, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to a: (a) 10-year finance lease arrangement for the aircraft, (b) six-year finance lease arrangement for the engines and (c) five-year finance lease arrangement for the QEC Kit. The quarterly rental payments of CAI correspond to the principal and interest payments made by ILL to the commercial lenders and are guaranteed by the Parent Company. CAI has the option of purchasing the aircraft, the engines and the QEC Kit for a nominal amount at the end of such leases.

In 2008, CAI also entered into a commercial loan facility, in addition to ECA loans, to partially finance the purchase of six ATR 72-500 turboprop aircraft. The security trustee of the commercial loan facility established BLL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to CAI. The commercial loan facility is payable in 12 equal, consecutive, semi-annual installments starting six months after the utilization date.

The terms of the commercial loan from foreign banks follow:

- Term of 10 years starting from the delivery date of each Airbus A320 aircraft.
- Term of six and five years for the engines and QEC Kit, respectively.
- Term of six years starting from the delivery date of each ATR 72-500 turboprop aircraft.
- Annuity style principal repayments for the two Airbus A320 aircraft and six ATR 72-500 turboprop aircraft, and equal principal repayments for the engines and the QEC Kit. Principal repayments shall be made on a quarterly and semi-annual basis for the two Airbus A320 aircraft, engines and the QEC Kit and six ATR 72-500 turboprop aircraft, respectively.
- Interest on the commercial loan facility for the two Airbus A320 aircraft shall be 3-month LIBOR plus margin. On February 29, 2009, the interest rates on the two Airbus A320 aircraft, engines and QEC Kit were fixed ranging from 4.11% to 5.76%.
- Interest on the commercial loan facility for the six ATR 72-500 turboprop aircraft shall be 6-month LIBOR plus margin.
- The commercial loan facility provides for material breach as an event of default.
- Upon default, the outstanding amount of loan will be payable, including interest accrued. The lenders will foreclose on secured assets.

CAI's ECA Loans

In 2005 and 2006, CAI entered into ECA-backed loan facilities to partially finance the purchase of ten Airbus A319 aircraft. The security trustee of the ECA loans established CALL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to 12-year finance lease agreements. The quarterly rental payments made by CAI to CALL correspond to the principal and interest payments made by CALL to the ECA-backed lenders. The quarterly lease rentals to CALL are guaranteed by CPAHI and the Parent Company. CAI has the option of purchasing the aircraft for a nominal amount at the end of such leases.



In 2008, CAI entered into ECA loans to partially finance the purchase of six ATR 72-500 turboprop aircraft. The security trustee of the ECA loans established BLL, a special purpose company, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to 10-year finance lease agreements. The semi-annual rental payments made by CAI to BLL corresponds to the principal and interest payments made by BLL to the ECA-backed lenders. The semi-annual lease rentals to BLL are guaranteed by the Parent Company. CAI has the option of purchasing the aircraft for a nominal amount at the end of such leases.

The Company pre-terminated the lease agreement with BLL related to the disposal of one ATR 72-500 turboprop aircraft. The outstanding balance of the related loans and accrued interests amounting to ₱638.1 million (US\$14.5 million) and ₱13.0 million (US\$0.3 million), respectively, were also pre-terminated. The proceeds from the insurance claim on the related aircraft were used to settle the loan and accrued interest. The Parent Company was released as guarantor on the related loans.

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

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

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

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 seven Airbus A320 aircraft, follow:

- Term of 12 years starting from the delivery date of each Airbus 319 and Airbus A320 aircraft, and 10 years from the delivery date of each ATR 72-500 turboprop aircraft.
- Annuity style principal repayments for the first four Airbus A319 aircraft, eight ATR 72-500 turboprop aircraft and four Airbus A320 aircraft, and equal principal repayments for the last six Airbus A319 aircraft and last three Airbus A320 aircraft. Principal repayments shall be made on a semi-annual basis for ATR 72-500 turboprop aircraft. Principal repayments shall be made on a quarterly basis for Airbus A319 and A320 aircraft.
- Interest on loans from the ECA lenders related to CALL and BLL is at fixed rates, which range from 3.8% to 5.8%. Interest on loans from ECA lenders related to SLL is fixed at 3.4%



for one aircraft and US dollar LIBOR 6 months plus margin for the other aircraft. Interest on loans from the ECA lenders related to SALL and VALL for the seven Airbus A320 aircraft is US dollar LIBOR 3 months plus margin.

- As provided under the ECA-backed facility, CALL, BLL, SLL, SALL and VALL 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 and VALL 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 becomes insolvent; (e) failure to discharge any attachment or sequestration order against CALL's, BLL's, SLL's, SALL's and VALL'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, CAI, the Parent Company or CPAHI of any transaction document or security interest; and (j) occurrence of an event of default under the lease agreement with CAI.
- Upon default, the outstanding amount of the loan will be payable, including interest accrued. The ECA lenders will foreclose on the secured assets, namely the aircraft.
- An event of default under any ECA loan agreement will occur if an event of default as enumerated above occurs under any other ECA loan agreement.

Philippine Peso Loans

URC Philippine Sugar Corporation Restructured Loan

Republic Act (RA) No. 7202 dated February 24, 1992 provided for, among others, the condonation of all penalties and surcharges on loans granted to sugar producers from crop year 1974-1975 up to and including 1984-1985. The guidelines for the implementation of RA No. 7202 was issued under Executive Order No. 31 dated October 29, 1992, directing all government lending financial institutions to write-off from their respective books the interest in excess of 12.0% yearly and all penalties and surcharges due.

Certain assets of URC with a net book value of ₱34.3 million and ₱46.6 million as of December 31, 2011 and 2010, respectively, were used to secure the loan (Note 16). The loan is payable in 25 equal annual amortizations of ₱9.9 million. Unpaid interest on the loan amounted to ₱1.4 million and ₱1.9 million as of December 31, 2011 and 2010, respectively.

URC ₱3.0 Billion 8.75% Fixed Corporate Notes Due 2014

On March 24, 2009, URC issued fixed corporate notes amounting to ₱3.0 billion to various financial institutions for capital expenditures and general corporate purposes. The notes bear a fixed interest rate of 8.75%, payable semi-annually in arrears, and have a term of five years, maturing on March 27, 2014.

The notes contain negative covenants that, among others, prohibit merger or consolidation with other entities if it is not the surviving entity, nor shall it create or form another corporation or subsidiary when a material adverse effect will result. The notes also contain affirmative covenants which include among others maintenance of a debt-to-equity ratio of not greater than 2.0 to 1.0 and interest coverage ratio of not lesser than 2.0 to 1.0.



RLC ₱3.0 Billion Bonds due in May 2012

On May 24, 2007, RLC issued a ₱3.0 billion Fixed Rate Corporate Note Facility constituting direct, unconditional, unsubordinated, general and unsecured obligations of RLC ranking at least *pari passu* in all respects and ratably without preference or priority (except for any statutory preference or priority applicable in the winding-up of RLC) with all other outstanding unsecured and unsubordinated obligations of the Group. The term of the bonds is five years and one day from issue date to be issued in one tranche.

The interest rate shall be 6.38% per annum and shall be payable semi-annually, computed based on the outstanding balance with payments commencing on the issue date and ending on the maturity date.

Debt covenants include provision that RLC must ensure that it will remain at least 51.0% owned by the Parent Company.

RLC ₱2.0 Billion Loan Facility due in June 2013

On June 4, 2008, RLC issued a ₱2.0 billion Inverse Floating Rate Note Facility constituting direct, unconditional, unsubordinated, general and unsecured obligations of RLC ranking at least *pari passu* in all respects and ratably without preference or priority (except for any statutory preference or priority applicable in the winding-up of RLC) with all other outstanding unsecured and unsubordinated obligations (contingent or otherwise, present and future) of RLC. The term of the bonds is five years and one day from issue date.

The interest rate is at 15.70% less the 3-month Benchmark Rate on an interest determination date rounded off to the nearest 1/100 or 1.00% per annum and shall be payable quarterly, computed based on the outstanding balance, with payments commencing on the issue date and ending on the maturity date.

Debt covenants include provision that RLC must ensure that it will remain at least 51.0% owned by the Parent Company.

RLC ₱5.0 Billion Retail Bonds due in July 2014

On July 13, 2009, RLC issued ₱5.0 billion bonds constituting direct, unconditional, unsubordinated and unsecured obligations of RLC ranking *pari passu* in all respects and ratably without any preference or priority with all other outstanding unsecured and unsubordinated obligations of RLC. The bond is payable with a lump-sum payment on July 14, 2014 or shall be redeemable at par upon maturity or on a date which is five years and one day from issue date.

The interest rate is 8.50% per annum and shall be payable semi-annually, computed based on the outstanding balance, with payments commencing on the issue date and ending on the maturity date. The payment of the interest shall begin on January 14, 2010.

RLC ₱5.0 Billion Retail Bonds due in August 2014

On August 26, 2009, RLC issued ₱5.0 billion bonds constituting direct, unconditional, unsubordinated and unsecured obligations of RLC ranking *pari passu* in all respects and ratably without any preference or priority with all other outstanding unsecured and unsubordinated obligations of RLC. The bonds are payable with a lump-sum payment on August 27, 2014 or shall be redeemable at par upon maturity or on a date which is five years and one day from issue date.

The interest rate is 8.25% per annum and shall be payable semi-annually, computed based on the outstanding balance with payments commencing on the issue date and ending on the maturity date. The payment of the interest shall begin on February 27, 2010.



Breakdown of total interest expense and other related charges on long-term debts follows:

	2011	2010	2009
Continuing operations (Note 34)	₱4,696,891,236	₱4,965,239,282	₱3,929,451,088
Discontinued operations (Note 43)	90,813,031	280,435,831	585,493,258
	₱4,787,704,267	₱5,245,675,113	₱4,514,944,346

In 2011, 2010 and 2009, the Group recognized amortization of bond issue costs amounting to ₱125.7 million, ₱104.0 million and ₱91.4 million, respectively.

24. Other Noncurrent Liabilities

This account consists of:

	2011	2010
ARO (Notes 16 and 34)	₱2,437,668,334	₱2,572,134,065
Deposits from lessees	1,820,384,583	1,692,237,015
Deposit liabilities	1,376,348,241	1,187,554,939
Accrued rent expense	1,080,362,640	977,436,619
Due to related parties (Note 39)	994,856,747	920,294,635
Deposits from real estate buyers	741,071,742	722,310,528
Accrued maintenance cost	670,810,817	923,451,428
Derivative liabilities (Note 8)	218,686,239	546,764,107
Pension liabilities (Note 36)	455,086,450	543,271,577
Accrued project costs	-	10,708,408,526
Others	634,761,102	1,186,517,910
	₱10,430,036,895	₱21,980,381,349

ARO

The Group is legally required under certain leased property and lease contracts to restore certain leased passenger aircraft and leased properties to stipulated return conditions and to bear the costs of restoration such as dismantling and deinstallation at the end of the contract period. These costs are accrued based on an internal estimate made by the work of both third party and Group's engineer which includes estimates of certain redelivery costs at the end of the operating lease.

In 2010, the Group employed third party professionals to re-evaluate the Group's estimates on ARO. In relation to this, the Group recorded additional ARO asset and liability amounting to ₱705.7 million.



Movements in the Group's ARO follow:

	2011	2010
Balance at beginning of year	₱2,572,134,065	₱1,585,192,428
Accretion expense from:		
Continuing operations (Note 34)	191,472,734	170,402,866
Discontinued operations (Note 43)	21,553,220	42,282,032
Capitalized to property, plant and equipment (Note 16)	279,926,767	68,605,494
Payments of restorations during the year	(103,876,326)	-
Effect of disposal of a subsidiary	(523,542,126)	-
Additional provision for the year	-	705,651,245
Balance at end of year	₱2,437,668,334	₱2,572,134,065

Deposits from Lessees

Deposits from lessees represent cash received from tenants representing three to six months' rent which shall be refunded to tenants at the end of lease term. The Group recognized discount on deposits from lessees amounting to ₱114.0 million and ₱97.0 million as of December 31, 2011 and 2010, respectively. The related interest expense on the discount amounted to ₱72.6 million, ₱71.3 million and ₱68.6 million in 2011, 2010 and 2009, respectively (Note 34). 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 ₱104.0 million, ₱84.0 million and ₱91.0 million as of December 31, 2011, 2010 and 2009, respectively. The rental income on amortization of unearned rental income amounted to ₱70.0 million, ₱72.0 million and ₱53.0 million in 2011, 2010 and 2009, respectively.

Deposit Liabilities

Deposit liabilities represent time deposit liabilities of RBC with maturities of beyond 12 months from reporting date. Of the total deposit liabilities of RBC as of December 31, 2011 and 2010, 70.4% and 66.5%, respectively, are subject to periodic interest repricing. Remaining deposit liabilities bear annual fixed interest rates of up to 2.8% in 2011 and 2010.

Deposits from Real Estate Buyers

Deposits from real estate buyers represent cash received from buyers which shall be applied against the total contract price of the subdivision land, condominium and residential units that are for sale. The deposits from buyers are normally applied against the total contract price within a year from the date the deposits were made.

'Deposits from real estate buyers' are cash collections in excess of the receivables recognized under the percentage-of-completion method which amounted to ₱1.6 billion and ₱1.7 billion as of December 31, 2011 and 2010, respectively.

Accrued Maintenance

This account pertains mostly to accrual of maintenance cost of aircraft based on the number of flying hours but will be settled beyond one year based on management's assessment.

Accrued Project Costs

Accrued project costs represented costs of unbilled materials, equipment and labor relating to telecommunications projects which were already eligible for capitalization as of December 31, 2010. The determination of costs to be capitalized is based on the contract price multiplied by the percentage of shipped materials and/or delivered services.



25. Equity

Details of the Group capital stock follow:

Authorized Capital Stock

	2011		
	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

	2010		
	Par Value	Shares	Amount
Common shares	₱1.00	12,850,800,000	₱12,850,800,000
Preferred non-voting shares	1.00	2,000,000,000	2,000,000,000
		14,850,800,000	₱14,850,800,000

Details of issued and fully paid, outstanding and acquired shares follow:

	2011		2010	
	Shares	Amount	Shares	Amount
Common shares				
Issued and fully paid	6,895,273,657	₱6,895,273,657	6,895,273,657	₱6,895,273,657
Less treasury shares	155,745,430	974,690,819	155,745,430	974,690,819
Total issued and outstanding	6,739,528,227	₱5,920,582,838	6,739,528,227	₱5,920,582,838
Preferred voting				
Issued and outstanding	4,000,000,000	₱40,000,000	—	₱—

Preferred voting shares

The preferred voting shares have, among others, the following rights, privileges and preferences:

- 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.
- The shares shall be non-redeemable.
- 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.
- 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:

- 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.
- 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.

On January 27, 2011, the stockholders' of the Parent Company approved the amendment of its articles of incorporation to implement the following: (a) increase in authorized capital stock from Fourteen Billion Eight Hundred Fifty Million Eight Hundred Thousand Pesos (₱14,850,800,000) to Fourteen Billion Eight Hundred Ninety Million Eight Hundred Thousand Pesos (₱14,890,800,000); and (b) to create Four Billion (4,000,000,000) voting and non-redeemable preferred shares with a par value of One Centavo (₱0.01) per share, for a total par value of Forty Million Pesos (₱40,000,000).

On July 26, 2011, the SEC approved the Parent Company's increase in authorized capital stock.

Treasury shares

In 2010, a subsidiary acquired 57,663,430 number of shares of common stock of the Parent Company for an amount of ₱252.8 million.



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, 2011, 2010 and 2009:

	2011	2010	2009
Common shares	1,171	1,233	1,349
Preferred non-voting shares	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:

	2011	2010
(a) Gross debt		
Short-term debt (Note 23)	₱19,092,634,264	₱15,352,046,410
Long-term debt (Note 23)	71,517,494,294	97,656,098,141
Derivative liabilities (Note 8)	303,930,885	809,157,927
	₱90,914,059,443	₱113,817,302,478
(b) Capital	₱180,398,819,978	₱149,460,397,353
(c) Debt-to-capital ratio (a/b)	0.50:1	0.76:1



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

Regulatory Capital

The BSP, under BSP Circular 538 dated August 4, 2006, has prescribed guidelines in implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform Base II Accord recommendations. The new BSP guidelines took effect on July 1, 2007.

RBC's regulatory capital consists of Tier 1 (core) capital, which comprises share capital and retained earnings including current year profit less required deductions such as deferred income tax and unsecured credit accommodations to directors, officers, stockholders and related interest (DOSRI). Certain adjustments are made to PFRS-based results and reserves as prescribed by the BSP. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes, among others, general loan loss provision. The risk based capital ratio of RBC is expressed as a percentage of qualifying capital to risk weighted assets, which are computed based on BSP regulations.

Under existing BSP regulations, the determination of RBC's compliance with the regulatory requirements and ratios is based on the amount of RBC's "unimpaired capital" (regulatory net worth) as reported to BSP, which is determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects. The combined capital accounts of RBC should not be less than an amount equal to 10% of its risk assets.

As approved, the BSP decided to maintain the present minimum overall capital adequacy ratio (CAR) of banks and quasi-banks at 10.00%. However, consistent with Basel II recommendations, it approved major methodological revisions to the calculation of minimum capital that universal banks, commercial banks and their subsidiary banks and quasi-banks should hold against actual credit risk exposures.

The guidelines for allocating minimum capital to cover market risk was also amended to some extent, primarily to align specific market risk charges on trading book assets with the revised credit risk exposure guidelines. A completely new feature is the introduction of bank capital charge for operational risk. The required disclosures to the public of bank capital structure and risk exposures are also enhanced to promote greater market discipline in line with the so-called Pillar 3 of the Basel II recommendations.

The following table sets the regulatory capital of RBC as reported to the BSP (in millions):

	2011	2010*
Tier 1 capital	₱4,822	₱2,337
Tier 2 capital	145	-
Gross qualifying capital	4,967	2,337
Less required deductions	-	-
Total qualifying capital	₱4,967	₱2,337
Risk weighted assets	₱17,048	₱1,742
Tier 1 capital ratio	28.28%	134.16%
Tier 2 capital ratio	0.85%	-
Risk-based capital adequacy ratio	29.13%	134.16%

* Pertains to RBC only, which is prior to the merger.



Regulatory capital consists of Tier 1 capital, which comprises paid-up common stock, surplus, surplus reserves including current year profit, less total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI.

The other component of regulatory capital is Tier 2 capital, which represents the general loan loss provisions capped at a maximum of 1.25% of gross risk weighted assets. The general loan loss provisions are based on regulatory accounting principle..

As of December 31, 2011 and 2010, the Group had complied with all externally imposed capital requirements.

Restricted Retained Earnings

Parent Company

In 2003, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱8.0 billion for payment of various bonds of certain wholly owned subsidiaries.

On December 28, 2009, the Parent Company's BOD approved the additional appropriation of retained earnings amounting to ₱15.0 billion, which shall be used for the settlement of the Parent Company's various obligations and capital expenditure commitments.

On December 30, 2010, the Parent Company's BOD approved the additional appropriation of retained earnings amounting to ₱19.0 billion, which shall be used for the settlement of the Parent Company's various obligations and capital expenditure commitments.

URC

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

In 2011, URC's BOD approved additional appropriation of retained earnings amounting to ₱5.0 billion which was allotted for URC's expansion plans. On the same date, however, the BOD of URC also approved the reversal of the previously appropriated retained earnings amounting to ₱3.0 billion.

RLC

On May 14, 2003, the BOD of RLC approved the appropriation of ₱3.5 billion, out of the unappropriated retained earnings, for future expansion.

On September 15, 2009, the BOD of RLC approved the additional appropriation of ₱7.0 billion, out of the unappropriated retained earnings of RLC, to support its capital expenditure requirement.

CAI

On December 9, 2011, CAI's BOD approved the appropriation of retained earnings amounting to ₱933.5 million from the unrestricted retained earnings for purposes of CAI's re-fleeting program.

RBC

As of December 31, 2011, 2010 and 2009, RBC's surplus reserve amounted to ₱108.6 million, ₱103.9 million and ₱98.9 million, respectively, which were appropriated for self-insurance and for its trust operations.

RBC's BOD approved to appropriate reserves for self-insurance amounting to ₱3.6 million in 2011 and 2010 and ₱3.9 million in 2009.



EHI

As of December 31, 2011, 2010 and 2009, EHI's appropriated retained earnings amounted to ₱35.0 million to be used for investment purposes.

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 ₱46.3 billion, ₱30.9 billion and ₱34.4 billion as of December 31, 2011, 2010 and 2009, 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:

	2011	2010	2009
Date of declaration	July 7, 2011	June 28, 2010	June 26, 2009
Dividend per share	₱0.08	₱0.05	₱0.03
Total dividends	₱543.8 million	₱339.9 million	₱203.9 million
Date of record	July 27, 2011	July 16, 2010	July 24, 2009
Date of payment	August 22, 2011	August 6, 2010	August 19, 2009

Details of the Parent Company's dividend declaration on its preferred stock in follows:

Date of declaration	July 7, 2011
Dividend per share	₱0.0008
Total dividends	₱3.2 million
Date of record	July 27, 2011
Date of payment	August 22, 2011

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

URC

Details of URC's dividend declarations follow:

	2011	2010	2009
Date of declaration	May 11, 2011	April 15, 2010	April 16, 2009
Dividend per share	₱1.90	₱0.94	₱0.25
Total dividends	₱3.9 billion	₱1.9 billion	₱0.5 billion
Date of record	May 31, 2011	May 5, 2010	May 15, 2009
Date of payment	June 27, 2011	May 20, 2010	June 10, 2009

RLC

Details of RLC's dividend declarations follow:

	2011	2010	2009
Date of declaration	May 11, 2011	April 15, 2010	April 16, 2009
Dividend per share	₱0.36	₱0.48	₱0.25
Total dividends	₱1.5 billion	₱1.3 billion	₱0.7 billion
Date of record	May 31, 2011	May 5, 2010	May 15, 2009
Date of payment	June 27, 2011	May 20, 2010	June 10, 2009



CAI

Details of CAI's dividend declaration in 2011 follow:

Date of declaration	March 17, 2011
Dividend per share – regular	₱2.00
Total dividends – regular	₱1.2 billion
Dividend per share – special	₱1.00
Total dividends – special	₱0.6 billion
Date of record	April 14, 2011
Date of payment	May 12, 2011

Treasury Shares

The Group has outstanding 155.7 million treasury shares amounting to ₱974.7 million as of December 31, 2011 and 2010 and 98.1 million treasury shares amounting to ₱721.8 million as of December 31, 2009.

Equity Reserve

On October 26, 2010, CAI had an IPO which include issuance of Primary shares and Secondary shares. The Secondary shares that were sold were owned by CPAHI, a wholly owned subsidiary of the Parent Company.

As a result of the IPO, the Group's remaining ownership over CAI is 65.5%. The Group recognized net gain from CAI's IPO amounting to ₱18.6 billion included in 'Equity reserve' in the consolidated statements of changes in equity. The net gain from CAI's IPO will only be recycled to profit or loss in the consolidated statements of comprehensive income in the event that the Group will lose its control over CAI.

Non-controlling Interests

Below is the rollforward of non-controlling interests:

	2011	2010	2009
Beginning balance	₱31,891,251,796	₱21,736,756,026	₱19,750,489,997
Total comprehensive income:			
Net income attributable to non-controlling interests	5,023,851,246	4,592,963,531	3,222,164,474
Other comprehensive income attributable to non-controlling interests:			
Net gain (loss) on AFS investments	(110,625,178)	152,957,654	767,937,224
Cumulative translation adjustments	(49,550,215)	(39,286,413)	(14,273,905)
	(160,175,393)	113,671,241	753,663,319
	4,863,675,853	4,706,634,772	3,975,827,793
Cash dividends paid to non-controlling interests	(2,579,518,135)	(1,217,749,826)	(468,346,673)
Additional non-controlling interests in subsidiaries	952,889,242	7,383,795,370	–
Increase in subsidiaries' treasury shares	(288,849,407)	(718,184,546)	(1,256,286,392)
Issuance of capital stock of a subsidiary	5,298,191,460	–	–
Adjustment on subscription receivables	–	–	(264,928,699)
Effect of disposal of a subsidiary (Note 43)	(1,022,135,705)	–	–
	₱39,115,505,104	₱31,891,251,796	₱21,736,756,026



The increase in non-controlling interests amounting to ₱0.9 billion in 2011 was mainly attributable to the merger of RSB to RBC while the ₱7.4 billion increase in 2010 was a result of the IPO of CAI.

Share buy-back program of the subsidiaries

On October 22, 2009, RLC's BOD approved the creation and implementation of a share buy-back program allotting up to ₱1.0 billion to reacquire a portion of RLC's issued and outstanding common shares, representing approximately 3.1% of current market capitalization. As of December 31, 2009, the Parent Company bought 5,592,600 shares at a cost of ₱69.0 million.

On December 8, 2009, URC's BOD also approved the purchase of 81.5 million of its common shares through the share buy-back program at ₱14.0 per share or a total consideration of ₱1.1 billion. The purchase increased the outstanding treasury shares to 156.6 million shares, equivalent to 7.0% of its outstanding shares.

In November and December 2010, URC repurchased a total of 8.0 million shares for a total consideration of ₱290.0 million, pursuant to its share buy-back program.

On January 12, 2011, URC's BOD approved the extension of URC's share buy-back program, allotting additional ₱2.5 billion to reacquire a portion of URC's issued and outstanding common shares. The extension of the share buy-back program shall have the same terms and conditions as the share buy-back program approved by the BOD on November 13, 2007.

On February 28, 2011, the BOD of CAI approved the creation and implementation of a share buy-back program up to ₱2.0 billion worth of CAI's common share. The share buy-back program shall commence upon approval and shall end upon utilization of the said amount, or as may be otherwise determined by the BOD of CAI. As of December 31, 2011, CAI has repurchased a total of 7,283,220 shares.

As a result of the above transactions, the Parent Company and the non-controlling interests recognized loss amounting to ₱717.5 million and ₱288.8 million in 2011, respectively, which are charged directly to 'Equity reserve' account attributable to the equity holders of the Parent Company and the non-controlling interests.

Stock rights offering of RLC

On February 16, 2011, a 1:2 stock rights offering to stockholders of record as of March 30, 2011 (ex-date March 25, 2011) was approved by the BOD of RLC. Accordingly, RLC received subscriptions for 1,364,610,228 shares at an offer price of ₱10.0 per share on April 11-15, 2011.

As a result of the stock rights offering, RLC issued 516,912,492 number of shares to the non-controlling interests of the Parent Company which had a total proceeds amounting to ₱5.3 billion.

26. Banking Revenue

This account consists of:

	2011	2010	2009
Interest income (Note 27)	₱1,831,335,393	₱1,361,977,076	₱1,015,457,670
Trading and securities gains	415,861,968	251,580,794	32,077,313
Service fees and commission income	112,736,144	120,907,884	87,313,733
	₱2,359,933,505	₱1,734,465,754	₱1,134,848,716



27. Interest Income

This account consists of:

	2011	2010	2009
Interest income from:			
Cash in banks and cash equivalents	₱2,290,811,698	₱835,915,600	₱323,006,288
Finance receivables (Note 11)	1,176,974,035	933,365,844	782,668,377
AFS debt investments (Note 10)	791,277,415	676,618,678	417,368,572
Investments in financial assets at FVPL (Note 9)	753,328,420	689,303,622	763,101,361
Installment contract receivables (Note 11)	227,648,380	234,195,441	111,115,924
Others	34,534,105	166,597,929	145,793,384
	₱5,274,574,053	₱3,535,997,114	₱2,543,053,906

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

	2011	2010	2009
Finance income	₱3,443,238,660	₱2,174,020,038	₱1,527,596,236
Banking revenue (Note 26)	1,831,335,393	1,361,977,076	1,015,457,670
	₱5,274,574,053	₱3,535,997,114	₱2,543,053,906

28. Other Operating Income

This account consists of:

	2011	2010	2009
Dividend income	₱244,958,962	₱192,886,520	₱152,951,456
Realized gain on sale of AFS investments (Note 10)	69,390,963	72,954,396	28,096,952
Gain on sale of financial assets at FVPL	6,574,271	100,414,480	9,488,003
Others	1,005,121,157	472,402,740	41,712,319
	₱1,326,045,353	₱838,658,136	₱232,248,730

Others include rent income, commission income from insurance brokerage business, gain (loss) on sale of PPE.



29. Cost of Sales and Services

This account consists of:

	2011	2010	2009
Raw materials used	₱42,213,713,864	₱33,909,798,842	₱31,322,026,530
Direct labor	2,473,797,570	1,978,803,934	1,900,284,484
Overhead cost	11,546,679,551	9,392,906,165	8,342,982,808
Total manufacturing cost	56,234,190,985	45,281,508,941	41,565,293,822
Work-in-process	(363,089,202)	(2,202)	42,205,137
Cost of goods manufactured	55,871,101,783	45,281,506,739	41,607,498,959
Finished goods	(424,398,037)	(988,723,595)	1,397,900,529
Cost of sales	55,446,703,746	44,292,783,144	43,005,399,488
Cost of services	30,704,556,738	22,343,983,154	19,741,188,125
Cost of sales and services	₱86,151,260,484	₱66,636,766,298	₱62,746,587,613

Overhead costs are broken down as follows:

	2011	2010	2009
Utilities and rental	₱5,005,830,664	₱3,128,070,940	₱2,627,422,993
Depreciation and amortization	3,159,902,443	3,171,545,602	2,935,345,517
Repairs and maintenance	1,387,402,899	1,255,770,951	1,108,490,964
Personnel	1,173,551,341	1,237,064,340	1,071,950,477
Rental	146,735,657	130,391,613	140,328,813
Handling and delivery charges	113,895,035	97,648,773	92,264,695
Royalties	74,091,734	73,810,601	106,148,087
Research and development	43,950,080	58,033,639	50,164,915
Others	441,319,698	240,569,706	210,866,347
	₱11,546,679,551	₱9,392,906,165	₱8,342,982,808

Cost of services is broken down as follows:

	2011	2010	2009
Air transportation	₱23,562,125,309	₱16,792,906,706	₱14,420,146,122
Real estate	5,448,778,564	4,134,814,048	4,130,396,012
Hotel operations	1,009,589,782	996,906,392	905,875,298
Banking	684,063,083	419,356,008	284,770,693
	₱30,704,556,738	₱22,343,983,154	₱19,741,188,125



30. General and Administrative Expenses

This account consists of:

	2011	2010	2009
Advertising and promotions	₱4,393,143,054	₱4,339,125,593	₱3,702,495,055
Outside services	3,322,782,943	2,762,986,817	2,454,603,684
Depreciation and amortization (Notes 15, 16 and 32)	3,100,034,754	2,507,809,264	2,303,707,938
Personnel (Note 31)	2,931,474,386	2,588,241,218	2,427,305,298
Aircraft and engine lease	1,718,431,374	1,604,855,579	1,723,886,536
Travel and transportation	635,641,616	530,926,801	515,131,758
Rental	606,043,577	569,734,389	557,883,250
Taxes, licenses and fees	568,622,031	533,516,620	365,175,179
Sales commission	411,452,597	320,782,375	282,921,729
Insurance	379,133,542	298,113,871	237,540,588
Utilities and supplies	339,371,168	321,622,004	267,515,066
Repairs and maintenance	254,124,725	227,460,319	246,191,959
Communication	142,188,028	129,017,772	169,890,461
Entertainment, amusement and recreation (Note 37)	81,436,864	66,402,052	74,168,730
Others	647,693,391	807,656,925	938,665,184
	₱19,531,574,050	₱17,608,251,599	₱16,267,082,415

Others

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

31. Personnel Expenses

Personnel expenses consist of:

	2011	2010	2009
Salaries and wages	₱5,142,455,441	₱4,807,208,089	₱4,027,015,093
Other employee benefits	1,265,073,668	964,244,051	1,031,452,960
Pension expense (Note 36)	195,742,829	141,965,379	155,565,792
	₱6,603,271,938	₱5,913,417,519	₱5,214,033,845

The breakdown of personnel expenses follows:

	2011	2010	2009
Cost of sales and services	₱3,671,797,552	₱3,325,176,301	₱2,786,728,547
General and administrative expenses (Note 30)	2,931,474,386	2,588,241,218	2,427,305,298
	₱6,603,271,938	₱5,913,417,519	₱5,214,033,845



32. Depreciation and Amortization

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

	2011	2010	2009
Continuing operations			
Cost of sales and services	₱5,221,685,460	₱5,161,383,977	₱4,695,804,405
General and administrative expenses (Note 30)	3,100,034,754	2,507,809,264	2,303,707,938
Discontinued operations	1,546,551,044	5,877,050,996	4,819,148,414
	₱9,868,271,258	₱13,546,244,237	₱11,818,660,757

33. Impairment Losses and Others

This account consists of:

	2011	2010	2009
Provision for impairment losses on:			
Receivables	₱102,517,878	₱330,883,725	₱476,938,674
Intangible assets	84,014,765	—	—
Goodwill	63,500,000	—	—
Property, plant and equipment	10,065,297	—	—
Investment properties	619,075	—	—
Other noncurrent assets	5,136,823	—	—
Inventory obsolescence and market decline	63,784,807	15,099,540	49,597,336
Permanent decline in value of AFS investments (Notes 10 and 35)	—	—	247,812,797
	₱329,638,645	₱345,983,265	₱774,348,807

34. Financing Costs and Other Charges

This account consists of:

	2011	2010	2009
Interest expense	₱5,309,762,126	₱5,582,121,320	₱5,376,570,040
Bank charges and others	214,972,064	110,862,845	74,263,490
Dividends on cumulative redeemable preferred shares	—	—	174,417,813
	₱5,524,734,190	₱5,692,984,165	₱5,625,251,343



The Group's interest expense is incurred from the following:

	2011	2010	2009
Long-term debt (Note 23)	₱4,696,891,236	₱4,965,239,282	₱3,929,451,088
Short-term debt (Note 23)	264,330,251	253,777,149	949,601,373
Accretion of ARO	191,472,734	170,402,866	107,095,744
Advances from affiliates	82,469,024	120,299,521	244,974,361
Others	74,598,881	72,402,502	145,447,474
	₱5,309,762,126	₱5,582,121,320	₱5,376,570,040

Amortization of debt issuance costs included in the consolidated statements of comprehensive income amounted to ₱125.7 million in 2011, ₱104.0 million in 2010 and ₱91.4 million in 2009.

Dividends on cumulative redeemable preferred shares represent 12.0% and 11.8% dividend for Tranche 1 Series A and Tranche 2 Series A, respectively, of the Group's nonconvertible, nonvoting, nonparticipating, cumulative and redeemable preferred shares. On July 29, 2009 and August 5, 2009, the Parent Company redeemed its issued cumulative preferred shares designated as Tranche 1 Series A and Tranche 2 Series A, respectively, with a price amounting to ₱2.1 billion.

Others include interest expense on amortization of discount on deposits from lessees amounting to ₱72.6 million, ₱71.3 million and ₱68.6 million in 2011, 2010 and 2009, respectively (Note 24).

35. Components of Other Comprehensive Income

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

	2011	2010	2009
Cumulative translation adjustments	(₱136,058,643)	(₱91,091,377)	(₱95,351,176)
Net gains on AFS investments (Note 10):			
Net changes in fair value during the period	3,102,281,166	344,751,289	2,085,240,671
Reclassification adjustment included in profit or loss arising from:			
Disposal of AFS investments	(69,390,963)	(72,954,396)	(28,096,952)
Permanent decline in fair value	-	-	247,812,797
	3,032,890,203	271,796,893	2,304,956,516
Net gains from cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to other comprehensive income	175,838,098	52,296,125	248,808,336
Amounts transferred to profit or loss	188,456,213	-	196,853,434
	364,294,311	52,296,125	445,661,770
Net changes in fair value of AFS investments of an associate (Note 10)	4,508,521	175,748	2,758,591
	₱3,265,634,392	₱233,177,389	₱2,658,025,701



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

	2011		
	Before tax	Tax Benefit	Net of tax
AFS investments of Parent Company and its subsidiaries	₱3,020,137,300	₱12,752,903	₱3,032,890,203
Net movement on cash flow hedge	364,294,311	–	364,294,311
Cumulative translation adjustments	(136,058,643)	–	(136,058,643)
Net changes in fair value of AFS investments of an associate (Note 10)	4,508,521	–	4,508,521
	₱3,252,881,489	₱12,752,903	₱3,265,634,392

	2010		
	Before tax	Tax Expense	Net of tax
AFS investments of Parent Company and its subsidiaries	₱287,618,959	₱15,822,066	₱271,796,893
Net movement on cash flow hedge	52,296,125	–	52,296,125
Cumulative translation adjustments	(91,091,377)	–	(91,091,377)
Net changes in fair value of AFS investments of an associate (Note 10)	175,748	–	175,748
	₱248,999,455	₱15,822,066	₱233,177,389

	2009		
	Before tax	Tax Benefit	Net of tax
AFS investments of Parent Company and its subsidiaries	₱2,302,785,316	₱2,171,200	₱2,304,956,516
Net movement on cash flow hedge	445,661,770	–	445,661,770
Cumulative translation adjustments	(95,351,176)	–	(95,351,176)
Net changes in fair value of AFS investments of an associate (Note 10)	2,758,591	–	2,758,591
	₱2,655,854,501	₱2,171,200	₱2,658,025,701

36. Employee Benefits

Pension Plans

Except for URC and RLC, the Parent Company and certain consolidated subsidiaries have unfunded, noncontributory, defined benefit pension plans covering substantially all of their regular employees. The plans provide for retirement, separation, disability and death benefits to its members. The benefits are based on a defined formula with minimum lump-sum guarantee of 22.5 days pay per year of service.

URC and RLC have funded, noncontributory, defined benefit pension plans covering all their regular employees. The pension fund are being administered and managed by certain stockholders as trustees. URC and RLC, however, reserve 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.



Total pensions assets and liabilities recognized in the consolidated statements of financial position follow:

	2011	2010
Pension assets (Note 20)	P-	P77,904,820
Pension liabilities (Note 24)	455,086,450	543,271,577

The amounts recognized as pension liabilities of the Parent Company, RLC and certain subsidiaries follow:

	2011	2010
Present value of defined benefit obligation	P625,405,444	P770,190,122
Fair value of plan assets	52,103,163	56,813,768
Unfunded status	573,302,281	713,376,354
Unrecognized actuarial gains	(134,588,722)	(170,104,777)
Pension liabilities at end of year	P438,713,559	P543,271,577

URC's pension assets (liabilities) on its pension plan follow:

	2011	2010
Present value of funded obligation	P1,351,799,927	P1,220,977,777
Fair value of plan assets	1,221,431,248	1,247,197,112
Funded status (unfunded obligation)	(130,368,679)	26,219,335
Unrecognized actuarial losses	113,995,788	72,951,908
Less asset not recognized due to limit	-	21,266,423
Net plan asset (liability)	(P16,372,891)	P77,904,820
Asset limit to be recognized in the consolidated statements of financial position	P-	P77,904,820
Net plan assets in excess of the asset ceiling limit (not recognized in the consolidated statements of financial position)	P-	P21,266,423

Asset limits recognized in the consolidated statements of financial position were determined as follows:

	2011	2010
(a) Retirement asset	P-	P77,904,820
(b) Asset ceiling limit		
i. Unrecognized actuarial losses	-	72,951,908
ii. Present value of available reduction in future contributions	-	26,219,335
Limit	-	99,171,243
Lower of (a) and (b)	P-	P77,904,820



Movements in the fair value of plan assets follow:

	2011		
	URC	RLC	Total
Balance at beginning of year	₱1,247,197,112	₱56,813,768	₱1,304,010,880
Expected return on plan assets	48,391,248	(2,499,806)	45,891,442
Actual contributions	–	6,503,240	6,503,240
Benefits paid	(90,431,051)	(15,585,482)	(106,016,533)
Actuarial gains	16,273,939	6,871,443	23,145,382
Balance at end of year	₱1,221,431,248	₱52,103,163	₱1,273,534,411
Actual return on plan assets	₱64,665,187	₱–	₱64,665,187

	2010		
	URC	RLC	Total
Balance at beginning of year	₱1,354,691,200	₱60,559,560	₱1,415,250,760
Expected return on plan assets	67,734,560	(3,039,272)	64,695,288
Actual contributions	–	8,117,961	8,117,961
Benefits paid	(142,232,831)	(11,253,211)	(153,486,042)
Actuarial gains (losses)	(32,995,817)	2,428,730	(30,567,087)
Balance at end of year	₱1,247,197,112	₱56,813,768	₱1,304,010,880
Actual return on plan assets	₱34,738,743	₱–	₱34,738,743

There are no reimbursement rights recognized as a separate asset as of December 31, 2011 and 2010.

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 to be settled.

Net plan assets consist of the following:

	2011			
	URC		RLC	
	Amount	%	Amount	%
Cash	₱35,992	–	₱189,176	0.36
Receivables (Note 39)	1,575,702,384	129.00	65,981,946	126.64
Liabilities (Note 39)	(354,307,128)	(29.00)	(14,067,959)	(27.00)
	₱1,221,431,248	100.00	₱52,103,163	100.00

	2010			
	URC		RLC	
	Amount	%	Amount	%
Cash	₱544,419	0.04	₱225,331	0.40
Receivables (Note 39)	1,553,392,757	124.55	65,034,281	114.47
Liabilities (Note 39)	(306,740,064)	(24.59)	(8,445,844)	(14.87)
	₱1,247,197,112	100.00	₱56,813,768	100.00

RLC expects to contribute about ₱7.0 million into the pension fund for the year ending 2012.



Changes in the present value of the Group's defined benefit obligations follow:

	2011		
	URC	Others*	Total
Balance at beginning of year	₱1,220,977,777	₱770,190,122	₱1,991,167,899
Current service cost	69,431,700	57,281,582	126,713,282
Interest cost	94,503,680	38,689,401	133,193,081
Benefits paid	(90,431,051)	(29,858,414)	(120,289,465)
Actuarial losses – net	57,317,821	80,887,447	138,205,268
Effect of disposal of a subsidiary	–	(291,784,694)	(291,784,694)
Balance at end of year	₱1,351,799,927	₱625,405,444	₱1,977,205,371

* Others include RLC, which has a funded, noncontributory, defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.

	2010		
	URC	Others*	Total
Balance at beginning of year	₱1,038,335,900	₱526,194,596	₱1,564,530,496
Current service cost	59,860,000	61,697,357	121,557,357
Interest cost	102,068,419	57,511,969	159,580,388
Benefits paid	(142,232,831)	(29,551,494)	(171,784,325)
Actuarial losses – net	162,946,289	94,311,623	257,257,912
Effect of curtailment	–	60,026,071	60,026,071
Balance at end of year	₱1,220,977,777	₱770,190,122	₱1,991,167,899

* Others include RLC, which has a funded, noncontributory, defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.

Components of pension expense (included under 'Personnel expenses' in the 'General and administrative expenses' under continuing and discontinued operations in the consolidated statements of comprehensive income) follow (Note 31):

	2011		
	URC	Others*	Total
Current service cost	₱69,431,700	₱57,281,582	₱126,713,282
Interest cost	94,503,680	38,689,401	133,193,081
Expected return on plan assets	(48,391,248)	2,499,806	(45,891,442)
Net actuarial losses (gains) recognized during the year	(21,266,423)	2,942,656	(18,323,767)
Amortization of increase in liability	–	51,675	51,675
Total pension expense	₱94,277,709	₱101,465,120	₱195,742,829
Pension expense recorded under:			
Continuing operations	₱94,277,709	₱101,465,120	₱195,742,829
Discontinued operations	–	–	–

* Others include RLC, which has a funded, noncontributory, defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.



	2010		
	URC	Others*	Total
Current service cost	₱59,860,000	₱61,697,357	₱121,557,357
Interest cost	102,068,419	57,511,969	159,580,388
Expected return on plan assets	(67,734,560)	3,039,272	(64,695,288)
Net actuarial losses (gains) recognized during the year	(31,080,477)	620,990	(30,459,487)
Total pension expense	₱63,113,382	₱122,869,588	₱185,982,970
Pension expense recorded under:			
Continuing operations	₱63,113,382	₱78,851,997	₱141,965,379
Discontinued operations	–	44,017,591	44,017,591

* Others include RLC, which has a funded, noncontributory, defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.

	2009		
	URC	Others*	Total
Current service cost	₱32,126,200	₱48,871,988	₱80,998,188
Interest cost	92,085,900	42,127,835	134,213,735
Expected return on plan assets	(73,766,600)	(3,166,100)	(76,932,700)
Net actuarial losses (gains) recognized during the year	52,346,900	(8,432,713)	43,914,187
Effect of curtailment	–	(6,155,870)	(6,155,870)
Amortization of increase in liability	–	86,125	86,125
Total pension expense	₱102,792,400	₱73,331,265	₱176,123,665
Pension expense recorded under:			
Continuing operations	₱102,792,400	₱52,773,392	₱155,565,792
Discontinued operations	–	20,557,873	20,557,873

* Others include RLC, which has a funded, noncontributory, defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.

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

	2011		2010		2009	
	URC	Others*	URC	Others*	URC	Others*
Retirement age	60	60	60	60	60	60
Average remaining working life (in years)	11	11	9	10	11	5 to 19
Discount rate	7.2%	7.2%	7.7%	8.2%	9.8%	11.2%
Salary rate increase	5.5%	5.5%	5.5%	5.0%	5.5%	5.5% to 7.5%
Expected rate of return on plan assets	4.0%	4.5%	3.9%	5.5%	5.0%	5.0%

* Others include RLC, which has a funded, noncontributory, defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.



Amounts for the current annual period and previous four annual periods are as follows:

	URC				
	2011	2010	2009	2008	2007
Defined benefit obligation	₱1,351,799,927	₱1,220,977,777	₱1,038,335,854	₱1,113,492,800	₱934,438,200
Plan assets	1,221,431,248	1,247,197,112	1,354,691,166	1,341,210,300	1,218,540,900
Deficit (surplus)	₱130,368,679	(₱26,219,335)	(₱316,355,312)	(₱227,717,500)	(₱284,102,700)
Experience adjustments on:					
Plan assets	₱16,273,939	(₱32,995,817)	₱6,390,700	(₱5,111,600)	(₱18,194,700)
Plan liabilities	(1,502,508)	(3,797,073)	(7,144,800)	(176,556,600)	78,783,300

	Others*				
	2011	2010	2009	2008	2007
Defined benefit obligation	₱625,405,444	₱770,190,122	₱526,194,596	₱379,041,001	₱336,173,450
Plan assets	52,103,163	56,813,768	60,559,560	57,568,490	104,000
Deficit	₱573,302,281	₱713,376,354	₱465,635,036	₱321,472,511	₱336,069,450
Experience adjustments on:					
Plan assets	₱6,871,443	₱2,428,730	₱12,070	₱7,876,242	₱251,500
Plan liabilities	(9,648,177)	(20,389,616)	81,239,100	(3,194,328)	81,519,200

* Others include RLC, which has a funded, noncontributory, defined benefit pension plan, and the Parent Company and certain consolidated subsidiaries with unfunded, noncontributory, defined benefit pension plans.

37. Income Taxes

Provision for income tax from continuing operations consists of:

	2011	2010	2009
Corporate	₱1,514,167,521	₱1,529,848,866	₱1,013,723,819
Final	382,382,532	64,035,658	37,298,648
Deferred	65,982,706	16,364,619	235,099,091
	₱1,962,532,759	₱1,610,249,143	₱1,286,121,558

Republic Act (RA) No. 9337

RA No. 9337, *An Act Amending the National Internal Revenue Code (NIRC) of 1997*, provides 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 beginning January 1, 2009.

The NIRC of 1997 also provides for rules on the imposition of a 2.0% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Company commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Parent Company has elected to claim itemized deductions instead of OSD for its 2011, 2010 and 2009 RCIT computations.



Entertainment, Amusement and Recreation (EAR) Expenses

Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1.0% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (included under 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounting to ₱81.4 million, ₱66.4 million and ₱74.2 million in 2011, 2010 and 2009, respectively (Note 30).

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

	2011	2010
Deferred tax assets on:		
Unrealized foreign exchange loss	₱92,377,935	₱121,633,292
Unfunded profit sharing	50,882,812	39,296,193
Unfunded pension benefits	13,055,074	10,812,937
Allowance for impairment losses on receivables		
and property, plant and equipment	3,981,523	2,470,321
Others	90,230,032	82,445,187
	250,527,376	256,657,930
Deferred tax liabilities on:		
Unrealized foreign exchange gain	(₱7,034,387)	(₱11,649,234)
Unrealized gain on AFS investments	(897,963)	(13,650,866)
	(7,932,350)	(25,300,100)
Net deferred tax asset	₱242,595,026	₱231,357,830

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

	2011	2010
Deferred tax assets on:		
ARO liability	₱731,300,500	₱664,825,542
Accrued rent expense	351,900,680	328,377,115
Allowance for impairment losses on receivables		
and property, plant and equipment	203,513,671	704,723,126
Unfunded pension benefits	109,177,767	122,376,264
Accrued interest expense	98,798,026	77,337,747
NOLCO	79,851,428	656,840,056
MCIT carryforward	59,107,325	33,112,332
Unrealized loss on financial assets at FVPL	43,066,411	1,163,530
Foreign subsidiaries	22,141,945	5,120,386
Allowance for inventory obsolescence	22,200,106	44,994,505
Unrealized foreign exchange loss	-	65,442,455
Others	10,972,325	12,162,695
	1,732,030,184	2,716,475,753

(Forward)



	2011	2010
Deferred tax liabilities on:		
Double depreciation	(₱566,416,958)	(₱194,506,665)
Unamortized capitalized interest	(528,633,025)	(1,841,191,115)
Unrealized foreign exchange gain	(506,818,185)	(2,553,673,703)
Excess of financial gross profit over taxable gross profit	(450,812,458)	(347,012,563)
ARO asset	(220,320,170)	(248,190,060)
Undistributed income of foreign subsidiaries	(202,060,961)	(173,950,361)
Accrued rent income	(105,349,086)	(119,379,817)
Borrowing cost	(71,832,394)	(71,832,394)
Gain arising from changes in fair value less estimated costs to sell of swine stocks	(61,224,081)	(99,717,131)
Foreign subsidiaries	(35,345,959)	(49,226,416)
Unamortized debt issuance costs	(28,065,344)	(269,870,172)
Market valuation gain on derivative instrument	(18,429,190)	(364,791,144)
Deferred subscriber acquisition costs	-	(440,895,000)
Others	(6,635,863)	(285,298,015)
	(2,801,943,674)	(7,059,534,556)
Net deferred tax liabilities	(₱1,069,913,490)	(₱4,343,058,803)

In 2011, the Group derecognized an amount of ₱3.4 billion deferred tax liabilities as part of the Group's disposal of its entire ownership interest in Digitel.

Certain subsidiaries did not recognize any deferred tax assets on the following temporary differences on account of the subsidiaries' respective ITH. In addition, management of these subsidiaries believes that they may not be able to generate sufficient taxable income that will be available to allow all or part of the deferred tax assets to be realized.

Details of unrecognized deferred tax assets follow:

	2011	2010
Allowance for impairment losses	₱1,040,745,690	₱1,075,249,892
NOLCO	572,758,972	812,858,504
Difference between cost and NRV of inventories	39,473,275	21,786,847
Accrued pension costs	20,926,760	18,850,002
MCIT	11,777,750	10,422,190
Depreciation of investment properties and repossessed chattels	4,887,627	2,324,282
Unrealized loss on net derivative liability	4,633,859	-
Unrealized foreign exchange losses	-	4,214,018
	₱1,695,203,933	₱1,945,705,735



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

	2011	2010 (As restated – Note 43)	2009 (As restated – Note 43)
Statutory income tax rate	30.00%	30.00%	30.00%
Tax effects of:			
Equity in net earnings of affiliates	(4.32)	(3.85)	(8.87)
Nontaxable income	(0.48)	(0.27)	(0.44)
Changes in unrecognized deferred tax assets	(0.74)	(0.29)	(0.59)
Income subjected to lower tax rates	(4.39)	(1.18)	(3.50)
Board of Investments (BOI) tax credits and others	(7.25)	(10.85)	(1.59)
Nondeductible interest expense	1.67	0.45	1.47
Others	(1.74)	(6.54)	(5.93)
Effective income tax rate	12.75%	7.47%	10.55%

38. 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

	2011	2010	2009
Income from continuing operations attributable to equity holders of the Parent Company	₱8,477,359,822	₱15,575,451,617	₱7,810,135,490
Less: Dividends on preferred shares	3,200,000	–	–
Income from continuing operations attributable to holders of common shares of the Parent Company	8,474,159,822	15,575,451,617	7,810,135,490
Income from discontinued operations attributable to equity holders of the Parent Company	13,035,501,339	746,148,184	735,506,110
Income attributable to holders of common shares of the Parent Company	₱21,509,661,161	₱16,321,599,801	₱8,545,641,600
Weighted average number of common shares	6,739,528,227	6,739,528,227	6,797,191,657
Basic/dilutive earnings per share	₱3.19	₱2.42	₱1.26



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

	2011	2010	2009
Income from continuing operations attributable to equity holders of the Parent Company	₱8,477,359,822	₱15,575,451,617	₱7,810,135,490
Less: Dividends on preferred shares	3,200,000	-	-
Income from continuing operations attributable to holders of common shares of the Parent Company	₱8,474,159,822	₱15,575,451,617	₱7,810,135,490
Weighted average number of common shares	6,739,528,227	6,739,528,227	6,797,191,657
Basic/dilutive earnings per share	₱1.26	₱2.31	₱1.15

There were no potential dilutive common shares in 2011, 2010 and 2009.

39. 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.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following were the significant related party transactions which were carried out based on terms agreed with related parties:

Related Party	Relationship	Financial Statement Account	Nature*	2011	2010
JGSCSC	Subsidiary	Due to related parties	Various	₱2,636,754,938	₱2,465,771,172
RBC	-do-	Cash and cash equivalents	Various	1,238,830,978	534,416,396
		Due from related parties		812,316	535,087
URC	-do-	Due from related parties	Various	873,635,247	836,779,941
EHI	-do-	Due from related parties	Various	648,965,446	650,578,113
JGSCMC	-do-	Due to related parties	Various	80,952,601	81,183,700
RLC	-do-	Due from related parties	Various	80,153,700	342,954,804
CAI	-do-	Due from related parties	Various	1,564,020	-
		Due to related parties	Various	-	623,923
JGSCL	-do-	Due from related parties	Various	34,666	9,703,751,100
DMPI	-do-	Due from related parties	Various	-	13,344,189,935
DTP1	-do-	Due from related parties	Various	-	9,333,704,850
		Unquoted debt security	Various	-	1,127,073,530
JGSPC	-do-	Due from related parties	Various	-	4,021,097,465
CPAHI	-do-	Due from related parties	Various	-	1,107,394,090
LMI	-do-	Due to related parties	Various	-	1,140,619,132
WIMC	-do-	Due from related parties	Various	-	138,227,946

(Forward)



Related Party	Relationship	Financial Statement Account	Nature*	2011	2010
URC Retirement Plan	Affiliate	Due to related parties	Various	1,588,329,983	1,536,795,008
Robinsons, Inc.	-do-	Due from related parties	Various	224,295,013	223,924,790
Robinsons Supermarket Corporation	-do-	Due from related parties	Various	94,296,047	85,531,438
Robinsons Holdings, Inc.	-do-	Due from related parties	Various	65,814,836	65,814,532
Shrine Galleria Corporation	-do-	Due from related parties	Various	52,545,489	52,545,489
Chic Center	-do-	Due from related parties	Various	52,084,980	51,971,537
Gokongwei Brothers Foundation, Inc.	-do-	Due from related parties	Various	18,593,240	13,780,513
OPMC	Associate	Due from related parties	Various	382,731	602,666
Others	Various	Due from related parties	Various	9,791,654	69,229,080
	Various	Due to related parties	Various	332,932,171	577,815,013

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. Being the centralized treasury department within the Group, the Parent Company usually receives advances from subsidiaries and in turn, makes advances to other subsidiaries. Certain advances are treated as loans and are charged with interest. The Group has entered into transactions with associates and other related parties principally consisting of sales, purchases, advances and reimbursement of expenses, regular banking transactions and management and administrative service agreements.

Interest earned by the Parent Company on transactions with related parties amounted to ₱3.7 million, ₱929.8 million and ₱648.3 million in 2011, 2010 and 2009, respectively, while interest income earned by the Parent Company from the bonds issued by Digitel amounted to ₱61.0 million, ₱72.0 million and ₱71.7 million in 2011, 2010 and 2009, respectively. Interest expense incurred amounted to ₱82.5 million in 2011, ₱214.9 million in 2010 and ₱299.0 million in 2009.

Most of the aforementioned intercompany transactions between the Parent Company and its subsidiaries are eliminated in the accompanying consolidated financial statements.

Related party transactions which are not eliminated follow:

	2011	2010
Due from related parties (Note 11)	₱1,356,382,048	₱2,226,813,907
Due to related parties		
Current (Note 21)	631,507,140	532,241,305
Noncurrent (Note 24)	994,856,747	920,294,635

The Group's significant transactions with related parties which are not eliminated follow:

- (a) Sales to related parties (which include affiliates Robinson's Supermarket, Robinsons Convenience Store, HURC and Robinsons Handyman) amounted to ₱0.9 billion, ₱1.4 billion and ₱0.8 billion in 2011, 2010 and 2009, respectively. Trade receivables from HURC amounted to ₱148.3 million and ₱25.3 million as of December 31, 2011 and 2010, respectively.



- (b) As of December 31, 2011 and 2010, URC's plan assets include amounts due to URC totaling ₱354.3 million and ₱306.7 million, respectively (Note 36). As of December 31, 2011 and 2010, the Group's plan assets also include amounts due from JGSHI totaling ₱1.6 billion (Note 36). Due from JGSHI included in URC's plan assets are short-term in nature and incurs interest ranging from 2.1% to 4.6% in 2011, 2.0% to 4.5% in 2010 and 3.5% to 7.3% in 2009. The term of the said receivables range from 7-31 days.
- (c) The 40.0% non-controlling interest in RBC represents the percentage ownership of Robinsons Holdings, Inc. (RHI), an affiliate of the Group (Note 45).

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. An impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

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:

	2011	2010	2009
Short-term employee benefits	₱925,213,965	₱1,044,246,522	₱999,120,546
Post-employment benefits	134,565,142	44,702,038	48,648,082
	₱1,059,779,107	₱1,088,948,560	₱1,047,768,628

40. 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.

41. Leases

URC

Operating Lease Commitments - Group as a Lessee

The URC Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to five years from dates of the contracts and are renewable under certain terms and conditions. The URC Group's rentals incurred on these leases (included under 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱62.4 million, ₱55.0 million and ₱54.3 million in 2011, 2010 and 2009, respectively.



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

	2011	2010	2009
Within one year	₱16,953,651	₱16,953,651	₱17,207,956
After one year but not more than five years	67,814,604	67,814,604	68,831,823
	₱84,768,255	₱84,768,255	₱86,039,779

Operating Lease Commitments - Group as a Lessor

The URC Group has entered into a one-year renewable, noncancellable lease 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 ₱52.8 million, ₱56.6 million and ₱56.8 million in 2011, 2010 and 2009, 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 ₱0.2 million in 2011, 2010 and 2009.

Future minimum lease receivables under noncancellable operating leases of the URC Group that are due within one year amounted to ₱65.8 million, ₱57.1 million and ₱57.4 million in 2011, 2010 and 2009, 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 ₱164.9 million, ₱158.4 million and ₱156.1 million in 2011, 2010 and 2009, respectively.

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

	2011	2010	2009
Within one year	₱51,773,432	₱47,147,298	₱48,004,527
After one year but not more than five years	236,150,146	213,176,325	202,539,847
Over five years	6,129,676,237	6,253,520,299	6,306,558,981
	₱6,417,599,815	₱6,513,843,922	₱6,557,103,355

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 the consolidated statements of comprehensive income) amounted to ₱6.1 billion, ₱5.6 billion and ₱5.1 billion in 2011, 2010 and 2009, respectively. Total percentage rent recognized as income amounted to ₱1.7 billion, ₱1.6 billion and ₱1.4 billion in 2011, 2010 and 2009, respectively.



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

	2011	2010	2009
Within one year	₱1,208,000,779	₱1,128,494,867	₱943,532,729
After one year but not more than five years	2,597,161,871	2,728,725,119	1,354,524,223
Over five years	463,430,460	587,588,901	71,111,376
	₱4,268,593,110	₱4,444,808,887	₱2,369,168,328

JGSPC

Operating Lease Commitments - Group as a Lessee

JGSPC has entered into contracts of lease for its Cybergate office and the shuttle bus that transports its employees from Balagtas to Batangas plant. Rental expense charged to operations (included under 'Cost of sales and services' and 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱11.2 million, ₱13.4 million and ₱10.5 million in 2011, 2010 and 2009, respectively.

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

	2011	2010	2009
Within one year	₱6,021,962	₱5,735,207	₱4,739,843
After one year but not more than five years	18,723,623	24,745,585	—
	₱24,745,585	₱30,480,792	₱4,739,843

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. The future minimum rentals under noncancelable operating lease of JGSPC amounted to ₱1.1 million and ₱1.2 million as of December 31, 2011 and 2010, respectively.

CAI

Operating Aircraft Lease Commitments - Group as a Lessee

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

Airbus A320 aircraft

The following table summarizes the specific lease agreements on the Group's Airbus A320 aircraft:

Date of Lease	Lessor	No. of Units	Lease Term
December 23, 2004	CIT Aerospace International (CITAI)	2	May 2005 - May 2012 June 2005 - June 2012
April 23, 2007	Celestial Aviation Trading 17 Limited (CAT 17)	1	October 2007 - October 2016
May 29, 2007	CITAI	4	March 2008 - March 2014 April 2008 - April 2014 May 2008 - May 2014 October 2008 - October 2014
March 14, 2008	Celestial Aviation Trading 19 Limited (CAT 19)	2	January 2009 - January 2017
March 14, 2008	Celestial Aviation Trading 23 Limited (CAT 23)	2	October 2011 - October 2019
July 13, 2011	RBS Aerospace Limited	2	March 2012 - February 2018



On March 14, 2008, CAI entered into an operating lease agreement with CAT 19 for the lease of two Airbus A320 aircraft, which were delivered in 2009. On the same date, CAI also entered into another lease agreement with CAT 23 for the lease of additional Airbus 320 aircraft to be received in 2012. In November 2010, CAI signed an amendment to the operating lease agreements with CAT 23, advancing the delivery of the two Airbus A320 aircraft from 2012 to 2011.

Lease agreements with CITAI, CAT 17 and CAT 19 were amended to effect the novation of lease rights by the original lessors to new lessors as allowed under the existing lease agreements.

On July 13, 2011, CAI entered into an operating lease agreement with RBS Aerospace Ltd. for the lease of two Airbus A320 aircraft, which were delivered in March 2012. This aircraft shall replace the two leased aircraft from Wilmington Trust SP Services (Dublin) Ltd. for which the related lease contracts will expire in May 2012 and June 2012.

Future minimum lease payments under the above-indicated operating aircraft leases of CAI follow:

	2011		2010		2009	
	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso Equivalent
Within one year	US\$46,796,685	₱2,051,566,670	US\$37,805,531	₱1,657,394,479	US\$33,749,946	₱1,559,247,505
After one year but not more than five years	303,869,815	13,321,652,690	113,948,252	4,995,491,368	118,485,725	5,474,040,495
Over five years	312,695,865	13,708,586,722	8,408,351	368,622,108	25,541,363	1,180,010,971
	US\$663,362,365	₱29,081,806,082	US\$160,162,134	₱7,021,507,955	US\$177,777,034	₱8,213,298,971

Lease expense relating to aircraft leases (included in 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱1.7 billion, ₱1.6 billion and ₱1.7 billion in 2011, 2010 and 2009, respectively (Note 30).

Boeing 757 aircraft

On August 22, 2001, CAI entered into aircraft operating lease agreements with PALS I, Inc. (PALS I) and Pegasus Aviation IV, Inc. (Pegasus) for the lease of one B757-236 aircraft from each company. The respective lease terms are for a period of seven years. The delivery dates of the aircrafts which were leased from Pegasus and PALS I were December 13, 2001 and February 18, 2002, respectively. The lease agreements expired on December 13, 2008 and February 18, 2009, and the two aircraft were returned to the lessors in June and October 2009.

Under the aforementioned aircraft lease agreements, CAI paid PALS I and Pegasus monthly maintenance expenses based on billing statements (included in the 'Accounts payable and accrued expenses' in the consolidated statements of financial position) throughout the lease term.

On March 18, 2006, CAI entered into a sub-lease agreement with Air Slovakia for the sub-lease of the two B757-236 aircraft which were leased from PALS I and Pegasus. The sub-lease agreements were for a period of two years, which expired on February 18, 2009 and December 13, 2008. Rent income earned (included in the consolidated statements of comprehensive income) under the aforementioned sub-lease agreement amounted to ₱131.7 million in 2009.

Airbus A330 aircraft

On December 6, 2011, the Group entered into an aircraft operating lease Memorandum of Understanding (MOU) with CIT Aerospace International for the lease of four Airbus A330-300 aircraft, which are scheduled to be delivered from June 2013 to 2014. These aircraft shall be used for the long-haul network expansion programs of the Group.



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:

	2011	2010	2009
Within one year	₱104,835,557	₱101,622,518	₱92,283,350
After one year but not more than five years	466,379,370	443,485,392	406,896,291
Over five years	394,888,300	124,367,033	230,752,642
	₱966,103,227	₱669,474,943	₱729,932,283

Lease expenses relating to non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱240.3 million, ₱231.2 million and ₱239.7 million in 2011, 2010 and 2009, respectively.

Digitel

Operating Lease Commitments - Group as a Lessee

Digitel leases certain premises for some of its telecommunications facilities and equipment and for most of its business centers and cell sites. The operating lease agreements are for periods ranging from 1 to 30 years from the date of the contracts and are renewable under certain terms and conditions. The agreements generally require certain amounts of deposit and advance rentals, which are shown as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated statements of financial position. Digitel's rentals incurred on these leases, included under discontinued operations in the consolidated statements of comprehensive income, amounted to ₱438.2 million, ₱1.5 billion and ₱1.3 billion in 2011, 2010 and 2009, respectively.

Future minimum lease payments under these noncancellable operating leases of Digitel follow:

	2010	2009
Within one year	₱1,043,756,189	₱893,270,149
After one year but not more than five years	5,464,040,282	4,857,427,267
Over five years	2,574,333,405	3,157,624,336
	₱9,082,129,876	₱8,908,321,752

RBC

Operating Lease Commitments - Group as a Lessee

RBC leases 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 (included under 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱81.1 million, ₱71.1 million and ₱61.0 million in 2011, 2010 and 2009, respectively.

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

	2011	2010	2009
Within one year	₱61,234,448	₱58,282,212	₱42,040,155
After one year but not more than five years	134,918,305	106,832,167	53,848,469
Over five years	23,004,308	26,977,792	4,731,106
	₱219,157,061	₱192,092,171	₱100,619,730



42. Other Commitments and Contingent Liabilities

RLC

Capital Commitments

RLC has contractual commitments and obligations for the construction and development of investment properties and property and equipment items aggregating ₱3.9 billion, ₱3.3 billion and ₱2.9 billion as of September 30, 2011, 2010 and 2009, respectively. Moreover, RLC has contractual obligations amounting to ₱1.6 billion, ₱1.6 billion and ₱1.5 billion as of September 30, 2011, 2010 and 2009, respectively, for the completion and delivery of real estate units that have been presold.

CAI

Capital Expenditure Commitments

CAI's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱68.8 billion as of December 31, 2011 which are payable over the following periods:

	US Dollar	Philippine Peso Equivalent
Within one year	US\$245,151,805	₱10,747,455,131
After one year but not more than five years	1,324,854,931	58,081,640,175
	US\$1,570,006,736	₱68,829,095,306

Aircraft and Spare Engine Purchase Commitments

As of December 31, 2009, CAI has existing commitments to purchase 15 additional new Airbus A320 aircraft, which are scheduled for delivery between 2010 and 2014, and one spare engine to be delivered in 2011. In 2010, CAI exercised its option to purchase five Airbus A320 aircraft and entered into a new commitment to purchase two Airbus A320 aircraft to be delivered between 2011 and 2014.

In May 2011, CAI turned into firm orders its existing options for the seven Airbus A320 aircraft which are scheduled to be delivered in 2015 to 2016.

As of December 31, 2011, CAI has existing commitments to purchase 26 new Airbus A320 aircraft, three of which were delivered on January 25, September 29 and December 8, 2011, respectively. The remaining 23 Airbus A320 aircraft are scheduled to be delivered between 2012 and 2016, one of which was already delivered in January 2012. The spare engine was delivered as scheduled in 2011.

In 2007, CAI has committed to purchase six ATR 72-500 turboprop aircraft and has exercised an option to purchase additional four ATR 72-500 turboprop aircraft. These turboprop aircraft will cater to destinations in the country's smaller airports. CAI has taken delivery of the initial six aircraft in 2008 and the remaining two were received during the first quarter of 2009. One ATR 72-500 turboprop aircraft was delivered in March 2011 to replace the aircraft disposed last November 2010. CAI terminated the purchase commitment for one ATR 72-500 turboprop aircraft.



In August 2011, CAI entered in a new commitment to purchase firm orders of 30 new A321 NEO Aircraft and ten additional option orders. These aircraft are scheduled to be delivered from 2017 to 2021. These aircraft shall be used for a longer range of network expansion programs.

The above-indicated commitments relate to CAI's re-fleeting and expansion programs.

Off-Balance Sheet Items

In the normal course of RBC'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's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2011	2010
Trust and investment group accounts	₱19,593,408,084	₱12,325,143,897
Spot exchange - foreign currency	1,054,980,000	-
Committed credit lines	642,507,471	-
Contingent - foreign currency swap	335,150,000	557,741,200
Domestic standby letters of credit	228,005,282	-
Late deposit/payment received	58,453,300	10,178,403
Inward bills for collection	51,026,725	-
Outward bills for collection	548,036	548,037
Items held for safekeeping	85,847	52,282
Other contingent accounts	644,771	82,570

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.

43. Discontinued Operations

On March 29, 2011, the Group publicly announced its decision to dispose of its entire Telecommunications Segment (Digitel). The segment was not a discontinued operation or classified as held for sale at December 31, 2010 and the comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this segment early in 2011 following a strategic decision to place greater focus on the Group's other business segments, specifically, food, air transportation, real estate and petrochemicals. The sale was completed on October 26, 2011.



In exchange for the Parent Company's and certain related parties' investments in Digitel which consists of (a) 3.3 billion common shares representing approximately 51.55% of the issued common stock of Digitel; (b) zero-coupon convertible bonds issued by Digitel and its subsidiary to the Parent Company and its subsidiary; and (c) intercompany advances of ₱34.1 billion made by the Parent Company and its subsidiary to Digitel and Subsidiaries, PLDT issued 27.6 million common shares with fair value of around ₱64.5 billion as of the closing date. Said shares are subject to a lock-up period of one year during which the Parent Company and other sellers may not transfer or encumber such PLDT shares without the consent of PLDT. PLDT granted consent to the sale by the Parent Company of 5.8 million and 4.6 million PLDT shares under separate option agreements that the Parent Company had entered into with Philippine associate of First Pacific Company Limited and NTT Docomo, Inc., respectively. Following the sale of those shares in November 2011, the Parent Company owned approximately 8.0% of PLDT's outstanding common shares.

The disposal of investments in Digitel and exercise of the option agreements are linked transactions and were accounted for as a single disposal of a subsidiary.

Results of Discontinued Operations

The results of the telecommunications segment for the period ended March 31, 2011 and periods ended December 31, 2010 and 2009 follows:

	2011	2010	2009
Revenues			
Sale of goods and services	₱4,524,649,269	₱16,543,916,906	₱14,020,021,311
Cost of Sales	496,535,978	2,074,712,276	1,656,424,753
Gross Income	4,028,113,291	14,469,204,630	12,363,596,558
Other Operating Expenses			
General and administrative expenses	3,625,943,506	13,017,906,040	11,037,702,389
Impairment losses and others	59,401,794	359,883,551	299,281,443
	3,685,345,300	13,377,789,591	11,336,983,832
Operating Income	342,767,991	1,091,415,039	1,026,612,726
Financing costs and other charges	(116,858,869)	(394,490,003)	(684,673,612)
Market valuation losses on derivative financial instruments	(43,945,006)	(68,234,326)	(102,048,885)
Foreign exchange gains (loss)	(33,963,568)	907,458,980	503,699,503
Finance income	1,398,694,829	32,872,466	36,263,261
Others	7,713,286	49,363,271	17,051,592
Income Before Tax from Discontinued Operations	1,554,408,663	1,618,385,427	796,904,585
Provision for (Benefit from) Income Tax	12,697,904	655,589,514	(68,891,662)
Income after Tax from Discontinued Operations	1,541,710,759	962,795,913	865,796,247
Gain from Sale of a Subsidiary, net of tax	11,570,087,639	-	-
Net Income from Discontinued Operations	₱13,111,798,398	₱962,795,913	₱865,796,247



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

	2011	2010	2009
Income from discontinued operations attributable to equity holders of the Parent Company	₱13,035,501,339	₱746,148,184	₱735,506,110
Weighted average number of common shares	6,739,528,227	6,739,528,227	6,797,191,657
Basic/dilutive earnings per share	₱1.93	₱0.11	₱0.11

Cash Flows of Discontinued Operations

The cash flows generated from (used in) discontinued operations of the telecommunications segment for the period ended March 31, 2011 and for the periods ended December 31, 2010 and 2009 follow:

	2011	2010	2009
Net cash flows provided by operating activities	₱1,694,725,821	₱6,969,658,000	₱6,357,021,000
Net cash flows used in investing activities	(1,610,371,076)	(9,503,772,000)	(11,659,396,000)
Net cash flows provided by (used in) financing activities	(501,724,385)	2,528,650,000	5,303,341,000
Net cash inflow (outflow)	(₱417,369,640)	(₱5,464,000)	₱966,000

Effect of Disposal on the Financial Position of the Group

The impact of the disposal of the telecommunications segment on the financial position of the Group as of December 31, 2011 is as follows:

ASSETS

Current Assets

Cash and cash equivalents	₱108,084,101
Derivative assets	526,962,185
Receivables - net	2,143,454,654
Inventories	318,844,220
Other current assets	3,458,145,535
Total Current Assets	6,555,490,695

Noncurrent Assets

Property, plant and equipment	81,433,722,471
Other noncurrent assets	1,873,542,154
Total Noncurrent Assets	83,307,264,625
	89,862,755,320

(Forward)



LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	₱4,398,498,443
Derivative liabilities	215,495,436
Short-term debt	345,040,126
Current portion of long-term debt	2,809,241,235
Other current liabilities	956,243,659
Total Current Liabilities	8,724,518,899

Noncurrent Liabilities

Long-term debt - net of current portion	11,140,503,565
Deferred tax liabilities	3,400,285,008
Other noncurrent liabilities	11,468,279,812
Total Noncurrent Liabilities	26,009,068,385

34,733,587,284

NON-CONTROLLING INTEREST

1,022,135,705

NET ASSETS DISPOSED OF

54,107,032,331

CONSIDERATION RECEIVED

Fair value of AFS investments (Note 10)	40,134,098,550
Cash consideration	21,202,521,420
Funds under escrow (Note 13)	4,340,500,000
	65,677,119,970

GAIN FROM SALE OF A SUBSIDIARY

₱11,570,087,639

NET CASH INFLOW FROM DISPOSAL

Cash consideration received	₱21,202,521,420
Cash and cash equivalents disposed of	108,084,101
	₱21,094,437,319

44. Disposal Group Held for Sale

In May 2008, URC executed an agreement with Tianjin Hope Shipbuilding Construction Co., Ltd. (Tianjin) and Xinyuda Ocean Engineering (Hong Kong) Co., Ltd. (Xinyuda) to sell all the shares of stock of Tianjin Pacific Foods Manufacturing Co., Ltd. (TPFMC), a 100%-owned subsidiary of URC, for a total consideration of RMB32.7 million (approximately ₱245.1 million).

In December 2009, the sale of TPFMC to Xinyuda was fully consummated, and URC recognized a net loss on the disposal of the investment in TPFMC amounting to ₱31.7 million (included under the 'Other expenses' in the consolidated statement of comprehensive income).

In September 2010, URC decided to sell its wholly owned subsidiaries Shantou SEZ Toyo and Guangdong Acesfood, both of which are registered in the People's Republic of China.

In July 2011, the sale of Shantou SEZ Toyo and Guangdong Acesfood was fully consummated. URC recognized a combined loss on disposal of subsidiaries of ₱177.8 million (included under 'Other expenses' in the consolidated statement of comprehensive income).



The breakdown of proceeds from the sale of subsidiaries in July 2011 is as follows:

	Shantou SEZ Toyo	Guangdong Acesfood
Proceeds from sale (in Philippine Peso equivalent)	RMB8.5 million ₱56.1 million	RMB7.9 million ₱51.8 million

The table below shows the summary of the financial information for each subsidiary as of disposal date:

	Shantou SEZ Toyo	Guangdong Acesfood
Receivables	₱183	₱19,760,033
Inventories	486,716	2,950,000
Property, plant and equipment	96,718,200	30,589,490
Other current assets	6,717,919	76,545,689
Accounts payable and other accrued liabilities	-	682,920

Included in the loss on disposal is derecognized goodwill of ₱28.2 million pertaining to the disposed subsidiaries (Note 19).

In 2011, URC recognized impairment loss on trademark of ₱84.0 million (included under 'Impairment losses and others' in the consolidated statements of comprehensive income) pertaining to the disposed subsidiaries (Note 18).

45. Business Combination

On February 24, 2010, RSBC, the banking arm of the Group, signed a Share Purchase Agreement with the Royal Bank of Scotland Group plc and The Royal Bank of Scotland N.V. for the sale of the latter's share in RBS.

On March 29, 2010, a Deed of Amendment on the Share Purchase Agreement was signed among JGSCSC, RHI, Royal Bank of Scotland Group plc and The Royal Bank of Scotland N.V. Inc. changing the acquirer from RSBC to JGSCSC and RHI.

On May 6, 2010, the Group acquired 60.0% of the voting interest and 52.7% of the non-voting preferred shares of RBS for a purchase price of ₱187.4 million and ₱1.2 billion, respectively.



The fair values of identifiable assets and liabilities of RBS as of acquisition date follows:

Cash and cash equivalents	₱3,015,021,701
Loans and receivables	360,024,228
Other assets	26,529,970
Total assets	3,401,575,899
Deposit liabilities	46,149,245
Bills payable	715,540,540
Other liabilities	329,891,770
Total liabilities	1,091,581,555
Net assets	2,309,994,344
Less share in net identifiable assets of non-voting preferred shares	2,221,394,357
Share in net identifiable assets of common stock	88,599,987
Less non-controlling interest (40.0%)	35,442,664
Total net assets acquired pertaining to 60.0% voting interest	53,157,323
Value of license acquired	134,276,211
Total assets acquired for cash	₱187,433,534
Net cash inflow arising from acquisition of a subsidiary	
Cash and cash equivalents acquired	₱3,015,021,701
Cash consideration	1,357,513,818
	₱1,657,507,883

On May 20, 2010, the BOD and the stockholders of RBS approved the change of name from Royal Bank of Scotland (Philippines) Inc. to Robinsons Bank Corporation.

46. Mergers

LMI (Surviving Entity) and ADMC, WIMC, CPMC, HSFC, Savannah and TIC (Absorbed Corporations)

On April 22, 2010, the SEC approved the Plan and Articles of Merger executed on July 2009 and December 22, 2009, respectively, by and among LMI and ADMC, WIMC, CPMC, HSFC, Savannah and TIC. The Plan and Articles of Merger were approved by the BOD on July 22, 2009.

Plan Merger of the Parent Company and Certain Subsidiaries

On May 7, 2010, the BOD of the Parent Company approved the merger of LMI, JGCC and PPCI (Absorbed Corporations) with and into the Parent Company. On June 28, 2010, the shareholders of the Parent Company approved the Plan of Merger.

The Plan of Merger indicates that no Parent Company shares will be issued in exchange for the net assets of the Absorbed Corporations considering that all of them are wholly owned subsidiaries of the Parent Company and any Parent Company shares will just be issued to the Parent Company itself and said shares will be considered as treasury shares.

On May 27, 2011, the SEC approved the merger of the Parent Company and the aforementioned subsidiaries.



Plan Merger of RSBC and RBC

On May 25, 2010, the BOD and the stockholders of RSBC approved the following:

- a. Merger of RSBC and RBC under the following salient terms:
 - The shares of the capital stock of RSBC outstanding on the effective date of merger shall be cancelled;
 - All shareholders of RSBC shall become the stockholders of RBC in which all outstanding shares of RSBC shall be cancelled in exchange for Series B Preferred Stock of RBC from the latter's increase in authorized capital stock at the exchange ratio of 4.192 RBC shares for every one share of RSBC;
 - The share of capital stock of RBC issued and outstanding at the effective date of merger shall, together with the Series B Preferred shares to be issued pursuant to above, continue to be the issued and outstanding shares of RBC;
 - The Series B Preferred Stock to be issued by RBC pursuant to the merger shall have a par value of ₱10.0 per share and shall be redeemable at the option of RBC, non-voting, convertible, non-cumulative and preferred as to dividends; and
 - RBC, having the commercial banking license, will be the surviving entity.
- b. Plan of Merger of RSBC and RBC
- c. Articles of Merger of RSBC and RBC
- d. Amendments of RBC's Articles of Incorporation as of the effective date of merger
- e. Amendments to the By-Laws of RBC as of the effective date of merger

On December 9, 2010, the BSP approved the merger of RSBC and RBC. On January 25, 2011, RSBC received the Certificate of Authority issued by the Centralized Application and Licensing Group of the BSP to be filed together with the Plan of Merger and the Articles of Merger of the two banks with the SEC. On May 25, 2011, the SEC approved the merger of RSBC and RBC, RBC, having a commercial banking license, as the surviving entity.

47. Subsequent Events

The following non-adjusting event happened subsequent to the reporting date:

- a. On January 13, 2012, the Parent Company acquired CAI's debt and equity securities classified as financial assets at FVPL and AFS financial assets for a consideration amounting to ₱3.5 billion. The market value of the financial assets at FVPL and AFS financial assets at the date of settlement amounted to ₱3.3 billion and ₱0.1 billion, respectively.

48. Supplemental Disclosures to Cash Flow Statements

The principal noncash activities of the Group are as follows:

- a. In 2011, the Group disposed the following assets in exchange for investments in PLDT shares with a fair value of ₱64.3 billion at the time of sale:
 - a. 3,151,310,882 common shares of DTPI with carrying value of ₱3.0 billion
 - b. Zero-coupon convertible bonds due 2013 and 2014 with carrying value of ₱19.1 billion
 - c. Intercompany advances with carrying value of ₱34.1 billion



Also, part of the proceeds of the exercise of put option by the Parent Company was deposited in an escrow account which was in accordance with the agreement with PLDT.

- b. Movements in the cumulative translation adjustment amounted to ₱136.1 million, ₱91.1 million and ₱95.4 million in 2011, 2010 and 2009, respectively.
- c. In 2011, 2010 and 2009, the Group capitalized depreciation as part of the cost of new born biological assets (suckling) amounting to ₱140.1 million, ₱139.1 million and ₱158.0 million, respectively.
- d. In 2011, 2010 and 2009, the Group foreclosed some assets, which are recorded under 'Investment properties' in the consolidated statement of financial position, amounting to ₱11.9 million, ₱16.0 million and ₱7.7 million, respectively.
- e. In 2011, the Group recognized additional ARO asset and ARO liability amounting to ₱279.9 million for the costs of restoration of two aircraft. In 2010, the additions in 'Passenger aircraft' include increase in ARO asset amounting to ₱705.7 million due to change in accounting estimates. In 2009, the additions in 'Passenger aircraft' include capitalized ARO asset related to new operating lease agreements amounting to ₱211.0 million. The above capitalized ARO asset has corresponding recognition of ARO liability with the same amount.
- f. As of December 31, 2010 and 2009, the Group had non-cash investing activities pertaining to additions to accrued project cost of ₱4.0 billion and ₱0.2 billion, respectively, and capitalized borrowing costs of ₱0.8 billion and ₱1.4 billion, respectively.
- g. On February 28, 2010, the Group sold an engine for ₱89.5 million with a book value of ₱72.2 million to a third party maintenance service provider (buyer). The transaction was settled through direct offset against the Group's US dollar-denominated liability to the buyer amounting to ₱88.3 million.
- h. On December 31, 2010, the Group recognized a liability based on the schedule of pre-delivery payments amounting to ₱286.0 million with a corresponding debit to 'Construction-in progress'. The liability was paid on January 3, 2011.
- i. In 2010, the Group acquired three passenger aircraft by assuming direct liabilities. This transaction is considered as a non-cash financing activity.
- j. The Group participated in the Global Bond Exchange offered by the Republic of the Philippines on September 20, 2010 and swapped its HTM investments amounting to ₱280.9 million. The remaining HTM investments of the Group amounting to ₱753.4 million was reclassified from HTM investments category to AFS investments.

49. 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 May 4, 2012.





SyCip Gorres Velayo & Co.

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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of JG Summit Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in this Form 17-A, and have issued our report thereon dated May 4, 2012. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Vicky B. Lee-Salas
Partner

CPA Certificate No. 86838

SEC Accreditation No. 0115-AR-2 (Group A)

February 11, 2010, valid until February 10, 2013

Tax Identification No. 129-434-735

BIR Accreditation No. 08-001998-53-2009

June 1, 2009, valid until May 31, 2012

PTR No. 3174802, January 2, 2012, Makati City

May 4, 2012



JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2011

Name of Issuing Entity and Description of Each Issue	Amount shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received and Accrued
Financial Assets at Fair Value Through Profit or Loss			
Various/Private Bonds	P7,452,781,453	P7,452,781,453	P512,747,246
Various/Government Bonds	1,273,482,420	1,273,482,420	88,038,202
Various Equity Quoted Securities	2,231,686,695	2,231,686,695	155,786,367
Various Equity Unquoted Securities ¹	4,516	-	-
	10,957,955,084	10,957,950,568	756,571,815
Available-for-Sale Investments			
Various/Private Bonds	3,542,803,072	3,542,803,072	254,549,893
Various/Government Bonds	7,613,169,977	7,613,169,977	536,727,522
Philippine Long Distance Telephone Company (PLDT)	43,475,735,940	43,475,735,940	-
Various Equity Quoted Securities (exc PLDT)	1,098,589,936	1,098,589,936	83,400,021
Various Equity Unquoted Securities ¹	17,065,871	-	-
	55,747,364,796	55,730,298,925	874,677,436
Other Receivables			
Unquoted Private debt securities ¹	602,641,169	-	102,832,503
TOTAL	P67,307,961,049	P66,688,249,493	P1,734,081,754

Notes:

1) *The unquoted securities are carried at cost. Since 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.*

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2011**

Deductions

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Current	Not Current	Balance at end of period
Batangas Agro-Industrial Development Corporation	Subsidiary	P -	P10,290,180	P -	P -	P10,290,180	P -	P10,290,180
CP Air Holdings, Inc. and Subsidiaries	Subsidiary	1,494,683,474	205,487,941	(1,698,607,396)	-	1,564,019	-	1,564,019
Express Holdings, Inc.	Subsidiary	650,578,113	28,194,675	(29,807,342)	-	648,965,446	-	648,965,446
JG Summit Holdings, Inc.	Parent	3,731,664,247	-	(952,292,705)	-	2,779,371,542	-	2,779,371,542
JG Summit Petrochemical Corporation	Subsidiary	8,107,121,151	-	(8,044,638,924)	-	62,482,227	-	62,482,227
Robinsons Bank Corporation	Subsidiary	535,087	277,229	-	-	812,316	-	812,316
Robinsons Land Corporation and Subsidiaries	Subsidiary	390,989,581	527,838,247	(790,378,528)	-	128,449,300	-	128,449,300
Summit Internet Investments, Inc. and Subsidiaries	Subsidiary	2,770,827	54,818	-	-	2,825,645	-	2,825,645
Universal Robina Corporation and Subsidiaries	Subsidiary	835,286,399	56,070,677	(17,719,844)	-	873,637,232	-	873,637,232
Hello Snack Foods Corporation	Subsidiary	13,640,345	-	(13,640,345)	-	-	-	-
Terai Industrial Corporation	Subsidiary	47,326,404	-	(47,326,404)	-	-	-	-
Digital Telecommunications Phils., Inc. & Subsidiaries	Subsidiary	34,391,784,514	-	(34,391,784,514)	-	-	-	-
		P49,666,380,142	P828,213,767	(P45,986,196,002)	P -	P4,508,397,907	P -	P4,508,397,907

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLES - OTHER ASSETS

DECEMBER 31, 2011

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Bank and branch licenses	P234,692,879	P900,000	P -	P -	P -	P235,592,879
Software costs	8,285,957	-	(3,561,734)	-	-	4,724,223
Trademarks	325,852,620	-	(1,614,455)	-	(84,014,765)	240,223,400
Product formulation	425,000,000	-	-	-	-	425,000,000
Technology licenses	-	-	-	-	-	-
	P993,831,456	P900,000	(P5,176,189)	P -	(P84,014,765)	P905,540,502

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT (NET OF DEBT ISSUANCE COST) DECEMBER 31, 2011

Name of Issuer and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-term	Remarks
Guaranteed Notes Due 2012	\$ 200,000,000	P8,197,807,089		
Guaranteed Notes Due 2013	\$ 300,000,000	(15,253,279)	11,225,021,028	
CAI - Export Credit Agency (ECA) Loan		2,087,802,101	16,505,173,256	
CAI - Commercial Loan from Foreign Banks		379,649,065	1,899,269,011	
Fixed Retail Bonds		(21,351,504)	8,954,500,971	SEE NOTE BELOW
Fixed Rate Corporate Notes		(8,842,008)	4,303,314,929	
Fixed Corporate Notes Due 2014		(5,756,723)	2,990,455,925	
Philippine Sugar Corporation		7,956,489	17,747,944	
Hongkong and Shanghai Banking Corp. Ltd.			2,000,000,000	
Hongkong and Shanghai Banking Corp. Ltd.		3,000,000,000		
Retail Bonds			5,000,000,000	
Retail Bonds			5,000,000,000	
		P13,622,011,230	P57,895,483,064	

Notes:

- 1) *The terms, interest rate, collaterals and other relevant information are shown in the Notes to Consolidated Financial Statements.*
- 2) *The negative amounts represent debt issuance costs to be amortized the following year.*

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

DECEMBER 31, 2011

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Option Warrants, Conversion and Other Rights	Number of Shares Held by		
				Affiliates	Directors, Officers and Employees	Others
Common Shares at P1 par value	12,850,800,000	6,797,191,657	-	342,340,145	1,608,574,983	4,846,276,529
Preferred Voting Shares at P0.01 par value	4,000,000,000	40,000,000	-	-	-	40,000,000
Preferred Non-voting Shares at P1 par value	2,000,000,000	-	-	-	-	-

JG SUMMIT HOLDINGS, INC.
43rd Floor, Robinsons-Equitable Tower
ADV Avenue corner Poveda Road, Pasig City

SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2011

Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	₱10,673,233,851
Add: Net income actually incurred during the year	
Net income during the period closed to retained earnings	4,957,700,684
Less: Non-actual/unrealized income, net of tax	
Unrealized foreign exchange gain - net	(2,117,436)
Net income actually earned during the period	15,628,817,099
Less: Dividends declared during the period	(546,975,333)
<u>Total retained earnings available for dividend declaration, end</u>	<u>₱15,081,841,766</u>



JG SUMMIT HOLDINGS, INC.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City

**LIST OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs) EFFECTIVE
AS OF DECEMBER 31, 2011**

PFRSs	Adopted/Not adopted/Not applicable
PFRS 1, <i>First-time Adoption of Philippine Financial Reporting Standards</i>	Not Applicable
PFRS 2, <i>Share-based Payment</i>	Not Applicable
PFRS 3, <i>Business Combinations</i>	Adopted
PFRS 4, <i>Insurance Contracts</i>	Adopted
PFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Adopted
PFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Not Applicable
PFRS 7, <i>Financial Instruments: Disclosures</i>	Adopted
PFRS 8, <i>Operating Segments</i>	Adopted
PAS 1, <i>Presentation of Financial Statements</i>	Adopted
PAS 2, <i>Inventories</i>	Adopted
PAS 7, <i>Statement of Cash Flows</i>	Adopted
PAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Adopted
PAS 10, <i>Events after the Reporting Period</i>	Adopted
PAS 11, <i>Construction Contracts</i>	Adopted
PAS 12, <i>Income Taxes</i>	Adopted
PAS 16, <i>Property, Plant and Equipment</i>	Adopted
PAS 17, <i>Leases</i>	Adopted
PAS 18, <i>Revenue</i>	Adopted
PAS 19, <i>Employee Benefits</i>	Adopted
PAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	Not Applicable
PAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i>	Adopted
PAS 23, <i>Borrowing Costs</i>	Adopted
PAS 24, <i>Related Party Disclosures</i>	Adopted
PAS 26, <i>Accounting and Reporting by Retirement Benefit Plans</i>	Not Applicable
PAS 27, <i>Consolidated and Separate Financial Statements</i>	Adopted
PAS 28, <i>Investments in Associates</i>	Adopted
PAS 29, <i>Financial Reporting in Hyperinflationary Economies</i>	Not Applicable
PAS 31, <i>Interests in Joint Ventures</i>	Adopted
PAS 32, <i>Financial Instruments: Presentation</i>	Adopted
PAS 33, <i>Earnings per Share</i>	Adopted
PAS 34, <i>Interim Financial Reporting</i>	Adopted
PAS 36, <i>Impairment of Assets</i>	Adopted
PAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Adopted



PFRSs	Adopted/Not adopted/Not applicable
PAS 38, <i>Intangible Assets</i>	Adopted
PAS 39, <i>Financial Instruments: Recognition and Measurement</i>	Adopted
PAS 40, <i>Investment Property</i>	Adopted
PAS 41, <i>Agriculture</i>	Adopted
Philippine Interpretation IFRIC-1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	Not Applicable
Philippine Interpretation IFRIC-2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Not Applicable
Philippine Interpretation IFRIC-4, <i>Determining whether an Arrangement contains a Lease</i>	Adopted
Philippine Interpretation IFRIC-5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Not Applicable
Philippine Interpretation IFRIC-6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	Not Applicable
Philippine Interpretation IFRIC-7, <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>	Not Applicable
Philippine Interpretation IFRIC-9, <i>Reassessment of Embedded Derivatives</i>	Adopted
Philippine Interpretation IFRIC-10, <i>Interim Financial Reporting and Impairment</i>	Adopted
Philippine Interpretation IFRIC-12, <i>Service Concession Arrangements</i>	Not Applicable
Philippine Interpretation IFRIC-13, <i>Customer Loyalty Programmes</i>	Not Applicable
Philippine Interpretation IFRIC-14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Adopted
Philippine Interpretation IFRIC-16, <i>Hedges of a Net Investment in a Foreign Operation</i>	Adopted
Philippine Interpretation IFRIC-17, <i>Distributions of Non-cash Assets to Owners</i>	Not Applicable
Philippine Interpretation IFRIC-18, <i>Transfers of Assets from Customers</i>	Not Applicable
Philippine Interpretation IFRIC-19, <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Not Applicable
Philippine Interpretation SIC-7, <i>Introduction of the Euro</i>	Not Applicable
Philippine Interpretation SIC-10, <i>Government Assistance - No Specific Relation to Operating Activities</i>	Not Applicable
Philippine Interpretation SIC-12, <i>Consolidation - Special Purpose Entities</i>	Adopted
Philippine Interpretation SIC-13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>	Not Applicable
Philippine Interpretation SIC-15, <i>Operating Leases - Incentives</i>	Not Applicable
Philippine Interpretation SIC-21, <i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i>	Not Applicable



PFRSs	Adopted/Not adopted/Not applicable
Philippine Interpretation SIC-25, <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>	Not Applicable
Philippine Interpretation SIC-27, <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	Not Applicable
Philippine Interpretation SIC-29, <i>Service Concession Arrangements: Disclosures</i>	Not Applicable
Philippine Interpretation SIC-31, <i>Revenue - Barter Transactions Involving Advertising Services</i>	Not Applicable
Philippine Interpretation SIC-32, <i>Intangible Assets - Web Site Costs</i>	Not Applicable

