102282017000505

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	PW00001177
Company Name	GLOBE TELECOM INC.
Industry Classification	Telecommunications
Company Type	Stock Corporation

Document Information

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Document Type	17-C (FORM 11-C:CURRENT DISCL/RPT)
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Period Covered	February 28, 2017
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Department	CFD
Remarks	

COVER SHEET

PW00001177

GLOBE TELECOM, INC.

(Company's Full Name)

27/F THE GLOBE TOWER
32ND STREET CORNER 7TH AVENUE
BONIFACIO GLOBAL CITY TAGUIG
(Business Address: No. Street City / Town / Province)

ROSEMARIE MANIEGO-EALA
Contact Person

797-2000
Company Telephone Number

12 31
Month Day
Fiscal Year

17C
FORM TYPE

04 08
Month Day
Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings
Domestic
Foreign

Total No. Of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATIONS CODE (SRC) AND SRC RULE 17(a)-1(b)(3) THEREUNDER

1. **28 February 2017**
Date of Report (Date of earliest event reported)

2. **1177**
SEC Identification Number

3. **000-768-480-000**
BIR Tax Identification Number

4. **GLOBE TELECOM, INC.**
Exact Name of registrant as specified in its charter

5. **PHILIPPINES**
Province, country or other jurisdiction of incorporation

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

7. **27/F, The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig**
Address of principal office

1634
Postal code

8. **(02) 797-2000**
Registrant's telephone number, including area code

9. **N/A**
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of December 31, 2016)
COMMON SHARES	132,758,588
TOTAL DEBT (in Millions of Pesos)	105,726

Indicate the item numbers reported herein : **Please refer to attached**

Re: Globe Telecom, Inc. and Subsidiaries FY 2016 Consolidated Financial Statements

Pursuant to the requirements of the Securities Regulations Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GLOBE TELECOM, INC.
Registrant

ROSEMARIE MANIEGO-EALA
Chief Finance Officer

Date : **28 February 2017**

Globe

Globe Telecom, Inc.
The Globe Tower
32nd Street corner 7th Avenue,
Bonifacio Global City,
Taguig, Philippines 1634

+632.7972000

www.globe.com.ph

28 February 2017

Securities and Exchange Commission
Attn.: Director Justina F. Callangan
Corporation Finance Department
S.E.C. Building, EDSA
Mandaluyong City

Philippine Stock Exchange
Attn.: Ms. Janet A. Encarnacion
Head – Disclosure Department
3/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Philippine Dealing and Exchange Corporation
Attn.: Ms. Vina Vanessa S. Salonga
Head - Issuer Compliance and Disclosure Department (ICDD)
37/F Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City

Ladies and Gentlemen:

Attached is the audited consolidated financial statements of Globe Telecom, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended December 31, 2016, 2015, and 2014, and a summary of significant accounting policies and other explanatory information.

Thank you.

Very truly yours,

ROSEMARIE MANIEGO-EALA
Chief Finance Officer

Globe

Globe Telecom, Inc.
The Globe Tower
32nd Street corner 7th Avenue,
Bonifacio Global City,
Taguig, Philippines 1634

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Globe Telecom, Inc. and Subsidiaries ("Globe Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2016, and 2015 and for each of the three years in the period ended December 31, 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Globe Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Navarro Amper & Co., the independent auditor appointed by the stockholders for the years ended December 31, 2016 and 2015; and SyCip Gorres Velayo & Co, the independent auditor appointed by the stockholders for the year ended December 31, 2014, have audited the consolidated financial statements of the Globe Group in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

JAIME AUGUSTO ZOBEL DE AYALA
Chairman of the Board

ERNEST L. CU
President and Chief Executive Officer

ROSEMARIE MANIEGO-EALA
Chief Finance Officer and Treasurer

Signed this 7th day of February 2017

SUBSCRIBED AND SWORN to before me this FEB 13 2017 at TAGUIG City, affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	Passport or ID No.	Date of Issue	Expiry Date
Jaime Augusto Zobel De Ayala	EC4856934	August 4, 2015	August 3, 2020
Ernest L. Cu	EB8165201	May 21, 2013	May 20, 2018
Rosemarie Maniego-Eala	EC5073884	Aug. 26, 2015	Aug. 25, 2020

Doc. No. ; 145
Page No. ; 37
Book No.; I
Series of 2017.

MA. ALELI R. DOMINGO-BERNARDINO
Notary Public for Taguig
28th Floor, The Globe Tower
32nd Street corner 7 Avenue
Bonifacio Global City, Taguig 1634
Appointment No. 42 (2016-2017)
Until December 31, 2017
PTR No. A-2803971/-01-11-2016/Taguig City
IBP O.R. No. 1019838/01-6-2016/Cavite
MCLE Compliance No. V-0015539
Roll of Attorneys No. 40744

Globe Telecom, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2016 and 2015
and
Years Ended December 31, 2016, 2015 and 2014

and

Independent Auditor's Report

NavarroAmper&Co.

Navarro Amper & Co.
19th Floor Net Lima Plaza
5th Avenue corner 26th Street
Bonifacio Global City, Taguig 1634
Philippines

Tel: +63 (2) 581 9000
Fax: +63 (2) 869 3676
www.deloitte.com/ph

BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-4

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Globe Telecom, Inc.
The Globe Tower, 32nd Street corner 7th Avenue
Bonifacio Gobal City, Taguig City

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Globe Telecom, Inc. and Subsidiaries (the "Group") which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

We identified the following key audit matters:

Key Audit Matters	**Our audit performed and responses thereon**
Revenue recognition There is an inherent risk on revenue recognition primarily due to the significant volume of transactions, the dependence on technology given the complexity of the operation of billing systems used and the judgment required to determine the accounting of new products and tariffs introduced during the year. The Group provides mobile and wireline voice, data communication and broadband internet services which are provided both under postpaid and prepaid arrangements. Revenue is recognized when the delivery of the products or services has occurred and collectability is reasonably assured. Revenue is accrued to customers, taking into consideration the bill cycle (for postpaid subscribers), the amount charged against preloaded airtime value (for prepaid subscribers), switch-monitored traffic (for carriers and content providers) and excludes value-added tax and overseas communication tax. Service revenue amounted to ₱119,989.55 million during the year and is highly dependent on the accuracy of the flow of data among the systems employed by the Group. The Group's disclosures regarding accounting policies related to revenue recognition are discussed in Note 2.6.1 to the consolidated financial statements.	Our audit approach included both controls testing and substantive procedures as follows: • We obtained understanding and evaluated design and operating effectiveness of the General Information Technology Controls, as well as the relevant IT systems, over the capture and recording of revenue transactions. In doing so, we involved our IT specialists to assist in the audit of automated controls, including interface controls between different IT applications. • We evaluated the business process control in place over the initiation and authorization of rate changes, the introduction of new plans and input of this information into the billing systems. • We tested samples of customer bills for accuracy for existing products as well as for new products and tariffs introduced in the year. • As part of the substantive tests, we tested key reconciliation used by management to assess the completeness and accuracy of revenue, including testing the period in which it is reported. • We challenged the judgments made by management in the determination of the accounting of new products introduced during the year. • We profiled the manual journal entries posted to revenue accounts and tested supporting evidence to identify any unusual items. We have not noted any significant deficiency in the relevant IT systems and business process controls of the relevant revenue streams. No exceptions were noted in the samples tested and manual journal entries which may result in significant misstatements in revenue recorded in the year.

Key Audit Matters	Our audit performed and responses thereon
Acquisition of Bayan Telecommunications, Inc. (BTI) and Joint acquisition of Vega Telecom, Inc. (VTI), Bow Arken Holding Company, Inc. (BAHC) and Brightshare Holdings Corporation (BHC)	
On July 2, 2015, the Group completed the acquisition of the controlling interest in BTI for a total consideration amounting to ₱1,829.84 million. The Group finalized the purchase price allocation in 2016 and made necessary adjustments which resulted to adjusted goodwill amounting to ₱1,140.25 million as of December 31, 2016. On May 30, 2016, the Group completed the acquisition of interest in VTI, BACH and BHC, accounted for as an Investment in Joint Venture, for a total consideration amounting to ₱26,423.91 million. The fair values of the identifiable assets and liabilities of VTI, BAHC, and BHC have been provisionally determined pending the finalization of necessary market valuations and determined based on management's best estimate of the likely values. Accounting for these acquisitions involve management's judgment and estimations for the identification and valuation of intangible assets and assignment of their useful lives and the allocation of goodwill recognized to the Group's cash generating unit. The Group's disclosures of the business combination accounting applied to these acquisitions are set out in Notes 9 and 10 to the consolidated financial statements.	For each of the acquisitions, we performed a detailed review of the substance of the transactions by obtaining a thorough understanding of the provisions and requirements of the related contracts and other relevant contributory factors information; and for each acquisition, we challenged the appropriateness of the accounting treatment applied. We have discussed with management on the purchase price allocation and engaged our valuation specialists to assist in the audit of the purchase price allocation, including the identification and valuation of the intangible assets. We tested the reasonableness of the key assumptions used in valuing the intangible assets, which includes among others, the weighted average cost of capital (WACC) analysis, internal rate of return analysis, and long term growth rate. For intangibles with finite life, we challenged the appropriateness of the useful lives assigned to the identified intangible assets by benchmarking them against the market practices within the region. Based on our procedures, the accounting treatment of the acquisition and the identification of the intangible assets are appropriate and within expectations for the industry. We also noted that the management's key assumptions applied in the valuation of the intangible assets are within the reasonable range of our audit expectations. Relating to the acquisition of BTI, we have reviewed the subsequent adjustments during the measurement period and based on our procedures performed, we are satisfied with the adjustments to the provisional values as at December 31, 2015.

Key Audit Matters	**Our audit performed and responses thereon**
Goodwill impairment review Under PFRS, the Group is required to annually test the goodwill for impairment. This annual impairment test was significant to our audit because the balance of ₱1,268.10 million as of December 31, 2016 is material to the consolidated financial statements. Further, the assessment process is complex and highly judgmental as such test is based on assumptions that are affected by expected market or economic conditions, including growth rates and discount rates. Management performed the assessment on the recoverability of the goodwill using cash flow projections from the latest financial budgets covering a 5-year period. The key assumptions to the assessment and the sensitivity in these assumptions to the risk of impairment are set out in Note 8 to the consolidated financial statements.	Our audit procedures focused on evaluating the appropriateness of the methodology used as well as challenging the key assumptions used by management in conduct of the impairment test as follows: • We independently developed expectations for the discount rates used for the impairment review and compared the independent expectations to those used by management. • We challenged the cash flow forecasts used, with comparison to recent performance and market expectations. • We assessed the reliability of management's forecast by comparing their actual results against their prior years' forecasts. Based on our procedures, we noted that management's key assumptions are within reasonable range of our expectations.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

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

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

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

Other Matter

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on February 4, 2015.

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Gregorio S. Navarro.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
TIN 005299331

By:

Gregorio S. Navarro
Partner
CPA License No. 0033571
SEC A.N. 0820-AR-2, issued on May 21, 2015; effective until May 20, 2018, Group A
TIN 109228435
BIR A.N. 08-002552-33-2014, issued on September 15, 2014; effective until September 15, 2017
PTR No. A-3264648, issued on January 5, 2017, Taguig City

Taguig City, Philippines
February 7, 2017

GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Notes	**2016**	2015
		(In Thousand Pesos)	
ASSETS			
Current Assets			
Cash and cash equivalents	16.5, 28.10, 30	**₱8,632,852**	₱11,814,379
Receivables – net	4, 16.5, 28.2.2	**26,944,645**	21,935,775
Inventories and supplies – net	5	**4,579,954**	4,489,182
Derivative assets	28.10	**68,311**	600,939
Prepayments and other current assets	6	**12,796,892**	8,232,428
		53,022,654	47,072,703
Noncurrent Assets			
Property and equipment – net	4, 7, 16	**142,251,981**	129,039,522
Intangible assets and goodwill – net	8	**14,833,220**	13,056,925
Investments	10	**34,181,452**	1,498,565
Deferred income tax assets – net	24	**2,622,703**	1,324,081
Derivative assets	28.10	**755,137**	481,342
Other noncurrent assets	11, 28.10	**2,195,963**	3,206,613
		196,840,456	148,607,048
Total Assets		**₱249,863,110**	₱195,679,751
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	12, 16, 28.10	**₱59,137,686**	₱49,827,302
Notes payable	14	**4,500,000**	-
Current portion of long-term debt	14, 28.10	**5,830,319**	7,973,594
Unearned revenues	4	**5,090,421**	4,938,233
Income tax payable	24	**1,105,931**	1,519,639
Provisions	13	**6,631,612**	1,160,118
Derivative liabilities	28.10	**105,928**	111,278
		82,401,897	65,530,164
Noncurrent Liabilities			
Long-term debt – net of current portion	14, 28.10	**95,398,272**	64,255,264
Deferred income tax – net	24	**1,916,923**	2,211
Other long-term liabilities	15, 18.2, 28.10	**6,669,716**	6,494,330
		103,984,911	70,751,805
Total Liabilities		**186,386,808**	136,281,969
Equity			
Paid-up capital	17	**44,505,703**	44,486,976
Cost of share-based payments	18.1	**584,586**	338,008
Other reserves	17.6	**(1,072,925)**	(1,211,513)
Retained earnings	17.5	**19,422,402**	15,778,557
Equity attributable to equity holders of the Parent		**63,439,766**	59,392,028
Non-controlling interest		**36,536**	5,754
Total Equity		**63,476,302**	59,397,782
Total Liabilities and Equity		**₱249,863,110**	₱195,679,751

See accompanying Notes to Consolidated Financial Statements.

GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended December 31		
	Notes	**2016**	2015	2014
		(In Thousand Pesos, Except Per Share Figures)		
REVENUES				
Service revenues	16, 29	**₱119,989,546**	₱113,679,226	₱99,024,604
Nonservice revenues	29	**6,193,657**	6,289,968	4,211,109
		126,183,203	119,969,194	103,235,713
INCOME				
Interest income	19, 29	**151,589**	518,537	682,998
Gain on disposal of property and equipment – net	29	**101,232**	57,642	101,159
Other income – net	20, 29	**983,186**	2,130,853	470,647
		1,236,007	2,707,032	1,254,804
COSTS AND EXPENSES				
General, selling and administrative expenses	21	**51,872,596**	48,766,962	41,382,877
Depreciation and amortization	7, 8, 29	**23,848,646**	21,132,698	18,123,524
Cost of sales	5, 29	**11,914,114**	13,665,203	10,661,344
Interconnect costs	29	**9,623,127**	9,007,919	8,429,934
Financing costs	14, 22, 25, 29	**4,096,826**	3,372,924	2,565,706
Impairment losses and others	23, 29	**3,271,301**	3,109,520	3,720,169
Equity in net losses of associates and joint ventures	10, 29	**855,198**	153,512	224,257
		105,481,808	99,208,738	85,107,811
INCOME BEFORE INCOME TAX		**21,937,402**	23,467,488	19,382,706
PROVISIONS FOR INCOME TAX				
Current	24	**5,556,965**	6,203,825	5,879,878
Deferred	24	**491,938**	779,213	130,636
		6,048,903	6,983,038	6,010,514
NET INCOME		**15,888,499**	16,484,450	13,372,192
OTHER COMPREHENSIVE INCOME (LOSS)	17			
Item that will not be reclassified into profit or loss in subsequent periods:				
Remeasurement gains (losses) on defined benefit plan – net		**197,508**	(266,172)	(278,551)
Items that will be reclassified into profit or loss in subsequent periods:				
Transactions on cash flow hedges – net		**(95,565)**	923	5,407
Changes in fair value of available-for-sale investment in equity securities		**13,440**	24,267	20,392
Exchange differences arising from translations of foreign investments		**23,205**	7,322	14,474
Other Comprehensive Income (Loss), net of tax		**138,588**	(233,660)	(238,278)
TOTAL COMPREHENSIVE INCOME		**₱16,027,087**	₱16,250,790	₱13,133,914

(Forward)

	Notes	**2016**	2015	2014
		For the Years Ended December 31		
		(In Thousand Pesos, Except Per Share Figures)		
Total net income attributable to:				
Equity holders of the Parent		**₱15,878,415**	₱16,496,644	₱13,376,381
Non-controlling interest		**10,084**	(12,194)	(4,189)
		15,888,499	16,484,450	13,372,192
Total comprehensive income attributable to:				
Equity holders of the Parent		**16,017,003**	16,262,984	13,138,103
Non-controlling interest		**10,084**	(12,194)	(4,189)
		₱16,027,087	₱16,250,790	₱13,133,914
Earnings Per Share				
Basic	27	**₱115.45**	₱120.11	₱98.64
Diluted	27	**₱115.27**	₱119.92	₱98.41
Cash dividends declared per common share	17	**₱88.00**	₱83.00	₱75.00

See accompanying Notes to Consolidated Financial Statements.

GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		For the Year Ended December 31, 2016							
		Attributable to Equity Holders of the Parent							
	Notes	Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note17)	Retained Earnings	Subtotal	Non-controlling Interest	Total
					(In Thousand Pesos)				
As of January 1, 2016		**₱8,429,713**	**₱36,057,263**	**₱338,008**	**(₱1,211,513)**	**₱15,778,557**	**₱59,392,028**	**₱5,754**	**₱59,397,782**
Total comprehensive income for the year		**-**	**-**	**-**	**138,588**	**15,878,415**	**16,017,003**	**10,084**	**16,027,087**
Dividends on:	**17.3**								
Common Stock		**-**	**-**	**-**	**-**	**(11,682,483)**	**(11,682,483)**	**-**	**(11,682,483)**
Preferred Stock - voting		**-**	**-**	**-**	**-**	**(32,027)**	**(32,027)**	**-**	**(32,027)**
Preferred Stock - non-voting		**-**	**-**	**-**	**-**	**(520,060)**	**(520,060)**	**-**	**(520,060)**
Cost of share-based payments	**18.1**	**-**	**-**	**260,269**	**-**	**-**	**260,269**	**-**	**260,269**
Exercise of stock options	**17.2**	**791**	**17,936**	**(13,691)**	**-**	**-**	**5,036**	**-**	**5,036**
Non-controlling interest arising from business combination		**-**	**-**	**-**	**-**	**-**	**-**	**20,698**	**20,698**
As of December 31, 2016		**₱8,430,504**	**₱36,075,199**	**₱584,586**	**(₱1,072,925)**	**₱19,422,402**	**₱63,439,766**	**₱36,536**	**₱63,476,302**

(Forward)

		For the Year Ended December 31, 2015							
		Attributable to Equity Holders of the Parent							
	Notes	Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note17)	Retained Earnings	Subtotal	Non-controlling Interest	Total
					(In Thousand Pesos)				
As of January 1, 2015		₱8,429,229	₱36,049,013	₱189,433	(₱977,853)	₱10,852,478	₱54,542,300	(₱4,634)	₱54,537,666
Total comprehensive income for the year		-	-	-	(233,660)	16,496,644	16,262,984	(12,194)	16,250,790
Dividends on:	17.3								
Common Stock		-	-	-	-	(11,017,355)	(11,017,355)	-	(11,017,355)
Preferred Stock – voting		-	-	-	-	(33,150)	(33,150)	-	(33,150)
Preferred Stock – non-voting		-	-	-	-	(520,060)	(520,060)	-	(520,060)
Cost of share-based payments	18.1	-	-	153,994	-	-	153,994	-	153,994
Exercise of stock options	17.2	484	8,196	(5,419)	-	-	3,261	-	3,261
Equity transaction costs on non-voting preferred stock		-	54	-	-	-	54	-	54
Non-controlling interest arising from subscription		-	-	-	-	-	-	10	10
Non-controlling interest arising from business combination		-	-	-	-	-	-	22,572	22,572
As of December 31, 2015		₱8,429,713	₱36,057,263	₱338,008	(₱1,211,513)	₱15,778,557	₱59,392,028	₱5,754	₱59,397,782

		For the Year Ended December 31, 2014							
		Attributable to Equity Holders of the Parent							
	Notes	Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note 17)	Retained Earnings	Subtotal	Non-controlling Interest	Total
					(In Thousand Pesos)				
As of January 1, 2014		₱7,422,360	₱26,980,036	₱261,144	(₱739,575)	₱7,715,286	₱41,639,251	₱-	₱41,639,251
Total comprehensive income for the year		-	-	-	(238,278)	13,376,381	13,138,103	(4,189)	13,133,914
Dividends on:	17.3								
Common stock		-	-	-	-	(9,952,702)	(9,952,702)	-	(9,952,702)
Preferred stock – voting		-	-	-	-	(26,457)	(26,457)	-	(26,457)
Preferred stock – non-voting		-	-	-	-	(260,030)	(260,030)	-	(260,030)
Cost of share-based payments	18.1	-	-	31,841	-	-	31,841	-	31,841
Issuance of non-voting preferred stock		1,000,000	9,000,000	-	-	-	10,000,000	-	10,000,000
Equity transaction costs on non-voting preferred stock		-	(61,429)	-	-	-	(61,429)	-	(61,429)
Non-controlling interest arising from a business combination		-	-	-	-	-	-	(445)	(445)
Exercise of stock options	17.2	6,869	130,406	(103,552)	-	-	33,723	-	33,723
As of December 31, 2014		₱8,429,229	₱36,049,013	₱189,433	(₱977,853)	₱10,852,478	₱54,542,300	(₱4,634)	₱54,537,666

See accompanying Notes to Consolidated Financial Statements.

GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the Years Ended December 31		
	Notes	**2016**	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		*(In Thousand Pesos)*		
Income before income tax		**₱21,937,402**	₱23,467,488	₱19,382,706
Adjustments for:				
Depreciation and amortization	7, 8	**23,848,646**	21,132,698	18,123,524
Interest expense – net	22	**3,408,899**	2,774,078	2,326,171
Provisions and impairment losses	23	**2,934,310**	2,693,569	3,035,235
Equity in net losses of associates and joint ventures	10	**855,198**	153,512	224,257
Foreign exchange losses (gains) – net	22	**525,024**	457,295	(884)
Pension expense	18.2	**594,557**	543,248	417,653
Provisions for inventory obsolescence	23	**341,759**	384,143	437,511
Cost of share-based payments	18.1	**260,269**	153,994	31,841
Loss (gain) on derivative instruments	20, 22	**116,960**	(31,008)	(103,560)
Provisions for (reversals of) claims and assessments	23	**79,937**	(40,943)	137,185
Loss (gain) on previously held equity interest	9.2	**30,186**	(431,115)	-
Loss on disposal of associate/AFS investments		**16,054**	-	-
Interest income	19	**(151,589)**	(518,537)	(682,998)
Gain on disposal of property and equipment		**(101,232)**	(57,642)	(101,159)
Losses (recoveries) on impairment of property and equipment and intangible assets	23	**(84,705)**	72,751	110,238
Gain on disposal of controlling interest in subsidiary	20	**-**	(449,148)	-
Gain on fair value of retained interest	20	**-**	(745,831)	-
Operating income before working capital changes		**54,611,675**	49,558,552	43,337,720
Changes in operating assets and liabilities:				
Decrease (Increase) in:				
Receivables		**(8,210,048)**	(5,714,476)	(6,275,244)
Inventories and supplies		**(410,495)**	(1,532,769)	(79,039)
Prepayments and other current assets		**(4,786,592)**	1,371,743	201,119
Other noncurrent assets		**754,355**	(825,851)	(275,508)
Increase (Decrease) in:				
Accounts payable and accrued expenses		**478,914**	(716,472)	4,047,846
Other long-term liabilities		**449,880**	(172,643)	215,490
Unearned revenues		**152,189**	40,085	356,504
Cash generated from operations		**43,039,878**	42,008,169	41,528,888
Income tax paid		**(5,577,281)**	(6,055,966)	(5,073,730)
Net cash flows from operating activities		**37,462,597**	35,952,203	36,455,158
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	7	**(36,609,815)**	(31,955,788)	(21,120,217)
Investment in joint ventures	10	**(21,562,555)**	(332,500)	(548,000)
Intangible assets	8	**(135,273)**	(174,698)	(114,913)
Proceeds from loans receivable		**180,000**	-	532,027
Proceeds from sale of property and equipment		**170,116**	141,759	197,773
Interest received		**155,672**	134,340	786,531
Dividends received		**115,257**	22,000	-
Proceeds from disposal of an investment in associate		**16,120**		
Net cash inflow (outflow) from acquisition of subsidiaries, net cash acquired	9	**13,671**	(1,318,689)	(12,251)
Net cash inflow (outflow) from sale of controlling interest in subsidiary	10.2	**(4,780)**	923,491	-
Proceeds from return of investments	10	**-**	-	62,944
Net cash flows used in investing activities		**(57,661,587)**	(32,560,085)	(20,216,106)

(Forward)

GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the Years Ended December 31		
	Notes	**2016**	2015	2014
		(In Thousand Pesos)		
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings:	14			
Long-term		**₱36,500,000**	₱12,110,050	₱7,000,000
Short-term		**21,600,000**	-	1,700,112
Repayments of borrowings:	14			
Long-term		**(7,993,304)**	(6,181,143)	(6,025,143)
Short-term		**(17,100,000)**	-	(6,917,068)
Payments of dividends to stockholders:	17.3			
Common		**(11,682,483)**	(11,017,356)	(9,952,702)
Preferred		**(552,087)**	(553,210)	(26,457)
Issuance of non-voting preferred stock	17.1	**-**	-	9,938,571
Exercise of stock options		**5,036**	3,261	33,723
Interest paid		**(3,812,532)**	(2,767,879)	(2,693,173)
Net cash provided by (used in) financing activities		**16,964,630**	(8,406,277)	(6,942,137)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(3,234,360)**	(5,014,159)	9,296,915
NET FOREIGN EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALENTS		**52,833**	71,630	39,258
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**11,814,379**	16,756,908	7,420,735
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	16, 28.10, 30	**₱8,632,852**	₱11,814,379	₱16,756,908

See accompanying Notes to Consolidated Financial Statements.

1 Corporate Information

Globe Telecom, Inc. (hereafter referred to as “Globe Telecom”) is a stock corporation organized under the laws of the Philippines on January 16, 1935, and enfranchised under Republic Act (RA) No. 7229 and its related laws to render any and all types of domestic and international telecommunications services. Globe Telecom is one of the leading providers of digital wireless communications services in the Philippines under the Globe Postpaid and Prepaid, and Touch Mobile (TM) using a fully digital network. It also offers domestic and international long distance communication services or carrier services. Globe Telecom’s head office is located at The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig, Metropolitan Manila, Philippines. Globe Telecom is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since September 17, 2001. Major stockholders of Globe Telecom include Ayala Corporation (AC), Singapore Telecom International Pte Ltd. (Singtel) and Asiacom Philippines, Inc. None of these companies exercise control over Globe Telecom.

Innove Communications, Inc. (Innove)

Globe Telecom owns 100% of Innove, a stock corporation organized under the laws of the Philippines and enfranchised under RA No. 7372 and its related laws to render any and all types of domestic and international telecommunications services. Innove holds a license to provide digital wireless communication services in the Philippines. Innove also offers a broad range of broadband internet and wireline voice and data communication services, as well as domestic and international long distance communication services or carrier services. Innove also has a license to establish, install, operate and maintain a nationwide local exchange carrier (LEC) service, particularly integrated local telephone service with public payphone facilities and public calling stations, and to render and provide international and domestic carrier and leased line services. On November 2, 2015, Innove and Techzone Philippines incorporated TechGlobal Data Center, Inc. (TechGlobal), a joint venture company formed for the purpose of operating and managing all kinds of data centers, and providing information technology-enabled, knowledge-based and computer-enabled support services. Innove and Techzone hold ownership interest of 49% and 51%, respectively. As of December 31, 2016, TechGlobal has not started commercial operations.

G-Xchange, Inc. (GXI)

Globe Telecom owns 100% of GXI, a stock corporation organized under the laws of the Philippines and formed for the purpose of developing, designing, administering, managing and operating software applications and systems, including systems designed for the operations of bill payment and money remittance, payment facilities through various telecommunications systems operated by telecommunications carriers in the Philippines and throughout the world and to supply software and hardware facilities for such purposes. GXI is registered with the Bangko Sentral ng Pilipinas (BSP) as a remittance agent and electronic money issuer. GXI handles the mobile payment and remittance service using Globe Telecom’s network as transport channel under the GCash brand. The service, which is integrated into the cellular services of Globe Telecom, enables easy and convenient person-to-person fund transfers via short messaging services (SMS) and allows Globe Telecom subscribers to easily and conveniently put cash into and get cash out of the GCash system.

GTI Business Holdings, Inc. (GTI)

Globe Telecom owns 100% of GTI. GTI was incorporated and registered under the laws of the Philippines, on November 25, 2008, as a holding company. In July 2009, GTI incorporated its wholly owned subsidiary, GTI Corporation (GTIC), a company organized under the General Corporation Law of the United States of America, State of Delaware, for the purpose of engaging in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law. GTIC started commercial operations on April 1, 2011. In December 2011, GTI incorporated another wholly owned subsidiary, Globe Telecom HK Limited (GTHK), a limited company organized under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). GTHK started commercial operations on August 1, 2012. On May 10, 2013, GTI incorporated its wholly owned subsidiary, Globetel European Limited (GTEU) and the latter's wholly owned subsidiary, UK Globetel Limited (UKGT). GTEU was incorporated to act as holding company for the operating companies of Globe Telecom, which proposed to establish operations in Europe, marketing and selling mobile telecommunications services, to Filipino individuals and businesses located in the United Kingdom, Spain and Italy. These entities are private limited companies under the Companies Act of 2006, wherein the registered addresses are in England and Wales. GTEU started commercial operations on the same date of incorporation while UKGT's commercial operations commenced on July 22, 2013.

On July 22, 2013 and October 4, 2013, respectively, GTEU incorporated additional two European wholly owned subsidiaries which are Globe Mobilé Italy S.r.l. (GMI), a limited liability company, with registered address in Milan, Italy and Globetel Internacional European España, S.L. (GIEE), with registered address in Barcelona, Spain. GMI and GIEE commenced commercial operations on November 24, 2013 and August 7, 2014, respectively. GMI and GIEE were organized to operate similar to UKGT. On June 2, 2016, the Board of Directors of GTEU has decided to cease the operations of UKGT, GMI and GIEE effective July 31, 2016. As of reporting date, completion of regulatory requirements is still in process.

On November 12, 2014, GTI incorporated Globetel Singapore Pte. Ltd. (GTSG), a wholly owned subsidiary, to provide international cable services that will help strengthen connectivity between Singapore and the Philippines, and for the purpose of offering full range of international data services in Singapore.

Kickstart Ventures, Inc. (Kickstart or KVI)

On March 28, 2012, Globe Telecom incorporated Kickstart, a stock corporation organized under the laws of the Philippines and formed for the purpose of investing in individual, corporate, or start-up businesses, and to do research, technology development and commercializing of new business ventures. Kickstart started commercial operations on March 29, 2012. In February 2014, Kickstart acquired 40% equity interest in Flipside Publishing Services, Inc. (FPSI) which was accounted for as a subsidiary and consolidated based on Kickstart's assessment of relevant facts and circumstances starting February 2014. In January 2015, FPSI is engaged primarily to acquire publishing rights, produce, publish, market, and sell printed and electronic books (e-books) and other electronic documents and content for international and domestic sales. In July 2016, FPSI has ceased operations. As of reporting date, completion of regulatory requirements is still in process.

Asticom Technology, Inc. (Asticom)

On June 3, 2014, Globe Telecom signed an agreement with Azalea Technology, Inc. and SCS Computer Systems, Pte. Ltd. acquiring 100% ownership stake in Asticom. Asticom is engaged in trading, marketing, installing and servicing of computer equipment, peripherals, manpower, software and other data processing devices. It was consolidated starting June 2014.

Yondu, Inc. (Yondu)

Globe Telecom previously owned 100% of Yondu, Inc. Yondu is engaged in the development and creation of wireless products and services accessible through mobile devices or other forms of communication devices. It also provides internet and mobile value added services, information technology and technical services including software development and related services. Yondu is registered with the Department of Transportation and Communication (DOTC) as a content provider. On September 15, 2015, Globe Telecom sold its controlling interest in Yondu for a total consideration of ₱670 million and has ceased to consolidate the latter's net assets and liabilities as of that date in its consolidated financial statements. Following this transaction and Yondu's issuance of additional shares to a third party, Globe Telecom's ownership in Yondu was reduced from 100% to 49% and Globe Telecom started to account for such investment using the equity method on September 15, 2015, as disclosed in Note 10.1.

Globe Capital Venture Holdings Inc. (GCVHI)

Globe Telecom owns 100% of GCVHI. GCVHI was incorporated on June 29, 2015. On July 8 and October 13, 2015, GCVHI incorporated its wholly owned subsidiaries, Globe Fintech Innovations, Inc. (GFI) and Adspark Holdings, Inc. (AHI), respectively (collectively referred here as "GCVHI Group"). GCVHI, GFI and AHI were incorporated to act as holding companies for Globe Telecom's non-core businesses. GCVHI was consolidated starting July 2015. On December 28, 2015, AHI incorporated its wholly-owned subsidiary, Adspark Inc. (AI), to operate as an advertising company. On January 29, 2016, AI. acquired 70% of the shares of Socialytics Inc. (Socialytics), a social media marketing firm founded in 2013. On August 5, 2016, GFI incorporated its wholly-owned subsidiary, Fuse Lending, Inc. (Fuse), to operate as a lending company.

On September 1, 2015, Yondu and GCVHI entered into a Deed of Assignment to assign the former's 50% interest in Global Telehealth, Inc. ("GTHI") to GCVHI for a total consideration of ₱15 million (Note 10.1).

Bayan Telecommunication Inc. (BTI)

On July 2, 2015, the National Telecommunications Commission (NTC) approved the conversion of BTI Tranche A convertible portion of the debt to equity, and resulted to Globe Telecom's gaining a controlling interest in BTI with increased ownership from 38% to at least 54% of BTI's outstanding shares. On July 20, 2015, Globe Telecom acquired additional voting shares of BTI, which increased its controlling interest to approximately 99% in exchange for cash amounting to ₱1,829.84 million, as disclosed in Note 9.3. BTI was a subsidiary of Bayan Telecommunications Holdings Corporation (BTHC), a holding company also incorporated in the Philippines. BTHC was 52.48% owned by Lopez Holdings Corporation (Lopez Holdings) and 29.52% owned by Lopez Inc. BTI is a facilities-based provider of data services and fixed-line telecommunications. BTI was consolidated starting July 2015.

BTI's subsidiaries are: Radio Communications of the Philippines, Inc. (RCPI), Telecoms Infrastructure Corp. of the Philippines (Telicphil), Sky Internet, Incorporated (Sky Internet), GlobeTel Japan (formerly BTI Global Communications Japan, Inc.), BTI Global Communications Ltd. (BTI - UK), and NDTN Land, Inc. (NLI), (herein collectively referred to as "BTI Group"). On April 8, 2016, RCPI sold its 100% interest in Alarmnet to a third party amounting to ₱0.5 million. A Deed of Assignment was executed on March 31, 2016, assigning the receivables of RCPI from Alarmnet to the buyer amounting to ₱42.31 million. In July 2016, BTI - UK has ceased operations. As of reporting date, completion of regulatory requirements is still in process.

TaoDharma Inc. (Tao)

In March 2013, Globe Telecom entered into a Shareholders' Agreement with four other entities to incorporate Tao. Globe Telecom subscribed to 25% preferred shares of Tao amounting to ₱55.00 million which has been fully paid up as of August 2013. Tao was established to operate and maintain retail stores in strategic locations within the Philippines that will sell telecommunications or internet-related services, and devices, gadgets and accessories. On November 4, 2016, the Board of Directors (BOD) of Globe Telecom approved the increase in stake in Tao from 25% to 67% resulting to Globe Telecom's gaining a controlling interest in Tao in exchange for a total consideration of ₱207.34 million. The transaction was accounted for as an acquisition of a subsidiary.

2 Summary of Significant Accounting Policies

2.1 Basis of Preparation

The accompanying consolidated financial statements of Globe Telecom, Inc. and its subsidiaries, collectively referred to as the "Globe Group", have been prepared under the historical cost convention method, except for derivative financial instruments and available-for-sale (AFS) investments that are measured at fair value, certain financial instruments carried at amortized cost, inventories which are carried at net realizable value, and accrued pension, which is measured as the excess of the present value of the defined benefit obligation over the fair value of the plan assets.

The consolidated financial statements of the Globe Group are presented in Philippine Peso (₱), which is Globe Telecom's functional currency, and rounded to the nearest thousands, except when otherwise indicated.

On February 7, 2017, the BOD approved and authorized the release of the consolidated financial statements of Globe Telecom, Inc. and its subsidiaries as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, 2015 and 2014.

2.2 Statement of Compliance

The consolidated financial statements of the Globe Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and the Board of Accountancy, and adopted by the Securities and Exchange Commission (SEC).

2.3 Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Globe Telecom and the following subsidiaries:

			Percentage of Ownership	
Name of Subsidiary	Place of Incorporation	Principal Activity	**2016**	2015
Innove	Philippines	Wireline voice and data communication services	**100%**	100%
GXI	Philippines	Mobile payment, money remittance services and electronic money issuer	**100%**	100%
GTI	Philippines	Investment and holding company	**100%**	100%
GTIC	United States	Wireless and data communication services	**100%**	100%
GTHK	Hong Kong	Marketing and selling of products and services under distributorship agreement	**100%**	100%
GTSG	Singapore	Wireless and data communication services	**100%**	100%
GTEU	United Kingdom	Investment and holding company	**100%**	100%
UKGT**	United Kingdom	Wireless and data communication services	**100%**	100%
GMI**	Italy	Wireless and data communication services	**100%**	100%
GIEE**	Spain	Wireless and data communication services	**100%**	100%
KVI	Philippines	Investment, research, technology development and commercializing for business ventures	**100%**	100%
FPSI**	Philippines	E-book solutions	**40%**	40%
Asticom	Philippines	Support and shared services provider	**100%**	100%
GCVHI	Philippines	Investment and Holding Company	**100%**	100%
GFI	Philippines	Holding Company	**100%**	100%
Fuse	Philippines	Lending Company	**100%**	-
AHI	Philippines	Holding Company	**100%**	100%
AI	Philippines	Advertising Company	**100%**	100%
Socialytics	Philippines	Social media marketing firm	**70%**	-
BTI	Philippines	Telecommunication services	**99%**	99%
RCPI	Philippines	Telecommunication services	**91%**	91%
Alarmnet*	Philippines	Sale, maintenance and installation of intruder and other alarm equipment	**-**	100%
Telicphil	Philippines	Design, planning, technical administration, and maintenance	**58%**	58%
Sky Internet	Philippines	Communication and information networking services.	**100%**	100%
GlobeTel Japan	Japan	Call center and telemarketing services, international private leased circuits and internet services	**100%**	100%
BTI – UK**	United Kingdom	Prepaid international phone services	**100%**	100%
NLI	Philippines	Acquire and lease land for the use and benefit of NLI's shareholders	**65%**	65%
Tao***	Philippines	Premium dealership	**67%**	25%

**Deconsolidated in 2016.*
***Ceased operations in 2016.*
**** Accounted for as Investment in Associate in 2015 (refer to Note 9.2)*

The assets, liabilities, income and expense of subsidiaries are consolidated from the date on which control is transferred to the Parent Company and ceases to be consolidated from the date on which control is transferred out of Parent Company.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) the Parent Company's voting rights and potential voting rights.

The Globe Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Globe Group. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the equity attributable to the Parent.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Globe Group and to the non-controlling interests, even if this results in the non-controlling interests having deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The carrying amounts of the Globe Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent.

If the Globe Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same reporting year as Globe Telecom as well as accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Globe Group's accounting policies. On February 2, 2015, SEC approved the change in accounting period of Asticom from fiscal year, April 1 - March 31, to calendar year, January 1 - December 31, and approved by BIR on January 15, 2016. All significant intercompany balances and transactions, including intercompany profits and losses, were eliminated in full during consolidation in accordance with the accounting policy on consolidation.

2.4 Adoption of New Standards, Amendments to Standards and Interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Globe Group's consolidated financial statements as of and for the year ended December 31, 2015, except for the adoption of following new standards and amendment to standards and interpretations effective on January 1, 2016.

The nature and impact of each new standard and amendment is described below:

- **Amendments to PAS 16: Property, Plant and Equipment**

These amendments clarify that a depreciation method that is based on revenue generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. The amendments did not have an impact on the Globe Group's consolidated financial statements as the Globe Group depreciation methods are not based on revenue.

- **Amendments to PAS 38: Intangible Assets**

These amendments introduce a rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reasons as in PAS 16. However, the International Accounting Standards Board (IASB) states that there are limited circumstances when the presumption can be overcome:

- the intangible asset is expressed as a measure of revenue (the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold); and
- it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset).

The amendments have no impact on the Globe Group's consolidated financial statements.

- **Annual Improvements to PFRSs (2012-2014 cycle)**

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and do not have a material impact to Globe Group. The annual improvements address the following issues:

- *Amendments to PFRS 7: Financial Instruments: Disclosures*

  The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and clarification on the applicability of the amendments to PFRS 7 on offsetting disclosures to consolidated financial statements.

- *Amendment to PAS 19: Employee Benefits*

  The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

- *Amendment to PAS 34: Interim Financial Reporting*

  The amendment clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

- **Amendments to PAS 1: Presentation of Financial Statements**

The amendments clarify that (i) information should not be obscured by aggregating or by providing immaterial information, (ii) materiality considerations apply to the all parts of the financial statements, and (iii) even when a standard requires a specific disclosure, materiality considerations do apply.

The amendments also introduced a clarification that the list of line items to be presented in the Statement of Financial Position can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements, and that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of PAS 1. The amendment also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The amendments have no impact on the Globe Group’s consolidated financial statements.

- **PIC Q&A No. 2016-02 - Accounting treatment of club shares**

This interpretation provides guidance on the accounting of club shares held by an entity that does not give its holders control, joint control or significant influence over the club.

This interpretation does not have any significant impact to the Globe Group.

Several other new standards and amendments apply for the first time in 2016. However, they do not significantly impact the consolidated financial statements of the Globe Group.

2.5 Future Adoption of New Standards and Amendments to Standards

The Globe Group will adopt the following new standards and amendment to standards enumerated below when these become effective. Except as otherwise indicated, the Globe Group does not expect the adoption of these new standards and amendment to standards to have significant impact on the consolidated financial statements.

- **PFRS 9, Financial Instruments (2014)**

This standard consists of the following three phases:

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement under this standard, all recognized financial assets that are currently within the scope of PAS 39 will be subsequently measured at either amortized cost or fair value. Specifically:

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write done for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- A debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.
- All other debt instruments must be measured at FVTPL.

- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

This standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from PAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk for the liability. Under this standard, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under PAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

The impairment model under this standard reflects expected credit losses, as opposed to incurred credit losses under PAS 39. Under the impairment approach of this standard, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements for this standard retain the three types of hedge accounting mechanism in PAS 39. However, greater flexibility has been introduce to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of economic relationships. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

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

- **PFRS 16 - Leases**

This standard specifies how a PFRS reporter will recognize, measure, present and disclose leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17.

The standard is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is not permitted, until IFRS 15, *Revenue from Contracts with Customers*, is adopted.

The management is still evaluating the impact of PFRS 16 on the Globe Group's consolidated financial liabilities as of the reporting period.

- **Amendment to PAS 7 - Disclosure Initiative**

The amendment clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment is effective for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted.

The management is still evaluating the impact of PAS 7 on the Globe Group's consolidated financial liabilities as of the reporting period.

- **Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses**

The amendments clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted.

The management is still evaluating the impact of PAS 12 on the Globe Group's consolidated financial assets and liabilities as of the reporting period.

New Accounting Standards Effective After the Reporting Period Ended December 31, 2016 - Adopted by FRSC but pending publication in the Official Gazette by the Board of Accountancy.

The Globe Group will adopt the following once became effective.

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

The amendments to PFRS 2 include:

a. Accounting for cash-settled share-based payment transactions that contain a performance condition. The amendment added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

b. Classification of share-based payment transactions with net settlement features. The amendment has introduced an exception into PFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

c. Accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendment has introduced the following clarifications:

  - On modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.
  - Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The management is still evaluating the impact of PFRS 2 on the Globe Group's consolidated financial assets and liabilities as of the reporting period.

- **Amendments to PFRS 4 - Applying PFRS 9 'Financial Instruments' with PFRS 4 'Insurance Contracts'**

The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; and
- an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the deferral approach for annual periods beginning on or after January 1, 2018.

The management is still evaluating the impact of PFRS 4 on the Globe Group's consolidated financial statements as of the reporting period.

- **Annual Improvements to PFRSs 2014-2016 Cycle**

The annual improvements address the following issues:

  - *Amendments to PFRS 1 - First-time Adoption of International Financial Reporting Standards*

  The amendments include the deletion of short-term exemptions stated in the appendix of PFRS 1, because they have now served their intended purpose. The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

  The amendments have no impact on the Globe Group's consolidated financial statements.

- *Amendments to PFRS 12 - Disclosure of Interests in Other Entities*

  The amendments clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those disclosures needed in the summarized financial for subsidiaries, joint ventures and associates, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

  The amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted.

  The management is still evaluating the impact of PFRS 12 on the Globe Group's consolidated financial statements as of the reporting period.

- *Amendments to PAS 28 - Investments in Associates and Joint Ventures*

  The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

  The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

  The management is still evaluating the impact of PAS 28 on the Globe Group's consolidated financial statements as of the reporting period.

- **Amendments to PAS 40 Investment Property - Transfers of Investment Property**

The amendments in Transfers of Investment Property (Amendments to IAS 40) are:

- Stating that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of evidence in paragraph 57(a) - (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list

The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The management is still evaluating the impact of PAS 40 on the Globe Group's consolidated financial statements as of the reporting period.

- **Philippine Interpretations IFRIC 22 Foreign Currency Transactions and Advance Consideration**

The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at the fair value of the consideration received or payed at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability.

The Interpretation is effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The management is still evaluating the impact of IFRIC 22 on the Globe Group's consolidated financial statements as of the reporting period.

- **PFRS 15 - Revenue from Contracts with Customers**

The standard combines, enhances, and replaces specific guidance on recognizing revenue with a single standards. An entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

It defines a new five-step model to recognize revenue from customer contracts.

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The management is still evaluating the impact of PFRS 15 on the Globe Group's current revenue recognition.

- **PIC Q&A No. 2016-04 - *Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-completion Contracts***

This interpretation applies to the accounting for revenue from the sale of a residential property unit under pre-completion stage (i.e., construction is on-going or has not yet commenced) by a real estate developer that enters into a Contract to Sell (CTS) with a buyer, and the developer has determined that the contract is within the scope of PFRS 15 by satisfying all the criteria in paragraph 9 of PFRS 15.

This interpretation does not deal with the accounting for other aspects of real estate sales such as variable considerations, financing components, commissions and other contract costs, timing of sales of completed properties, etc.

The management is still evaluating the impact of the new accounting standard on the Globe Group's current revenue recognition.

2.6 Significant Accounting Policies

2.6.1 *Revenue Recognition*

The Globe Group provides mobile and wireline voice, data communication and broadband internet services which are provided both under postpaid and prepaid arrangements.

The Globe Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent (see Note 3.1.4).

Revenue is recognized when the delivery of the products or services has occurred and collectability is reasonably assured.

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

2.6.1.1 *Service Revenue*

2.6.1.1.1 Subscribers

Revenues from subscribers principally consist of: (1) fixed monthly service fees for postpaid wireless, wireline voice, broadband internet, data subscribers and wireless prepaid and postpaid subscription fees for promotional offers; (2) subscription to promotional offers, usage of airtime and toll fees for local, domestic and international long distance calls in excess of consumable fixed monthly service fees and subscription fees for the promotional offer over the validity period and, less (a) bonus airtime and free short messaging services (SMS) on Subscribers' Identification Module (SIM), and (b) prepaid reload discounts, (3) revenues from value-added services (VAS) such as SMS in excess of consumable fixed monthly service fees (for postpaid) and free SMS allocations (for prepaid), multimedia messaging services (MMS), content and infotext services, net of payout to content providers; (4) mobile data services, (5) inbound revenues from other carriers which terminate their calls to the Globe Group's network less discounts; (6) revenues from international roaming services for Voice, SMS and Data on top of the subscription promo offers, net of payout to roaming partners; (7) usage of broadband and internet services in excess of fixed monthly service fees; and (8) one-time service connection fees (for wireline voice and data subscribers).

Postpaid service arrangements include fixed monthly service fees, which are recognized over the subscription period on a pro-rata basis. Monthly service fees billed in advance are initially deferred and recognized as revenues during the period when earned. Telecommunications services provided to postpaid subscribers are billed throughout the month according to the bill cycles of subscribers. As a result of bill cycle cut-off, monthly service revenues earned but not yet billed at the end of the month are accrued.

Proceeds from over-the-air reloading channels and the sale of prepaid cards are deferred and shown as "Unearned revenues" in the consolidated statements of financial position. Revenue is recognized upon actual usage of airtime value net of free prepaid cards proportionately allocated across all services. Revenue on subscription based services are recorded over the validity period. Unused load value is recognized as revenue upon expiration based on the load denomination. The Globe Group offers loyalty programs which allow its subscribers to accumulate points when they purchase services from the Globe Group. The points can then be redeemed for free services, discounts, subject to a minimum number of points being obtained. The consideration received or receivable is allocated between the sale of services and award credits. The portion of the consideration allocated to the award credits is accounted for as unearned revenues. This will be recognized as revenue upon the award redemption or upon expiration.

2.6.1.1.2 Traffic

Inbound revenues refer to traffic originating from other telecommunications providers terminating to the Globe Group's network, while outbound charges represent traffic sent out or using agreed termination rates and/or revenue sharing with other foreign and local carriers. Adjustments are made to the accrued amount for discrepancies between the traffic volume per Globe Group's records and per records of the other carriers as these are determined and/or mutually agreed upon by the parties. Outstanding inbound revenues are shown as traffic settlements receivable under the "Receivables" account, while unpaid outbound charges are shown as traffic settlements payable under the "Accounts payable and accrued expenses" account in the consolidated statements of financial position unless a legal right of offset exists in which case the net amount is shown either under "Receivables" or "Accounts payable and accrued expenses" account.

2.6.1.1.3 GCash

Service revenues of GXI consist of SMS revenue arising from GCash transactions passing through the telecom networks of Globe Telecom. Service revenue also includes transaction fees and discounts earned from arrangements with partners and from remittances made through GCash partners using the Globe Group's facilities. The Globe Group earns service revenue from one-time connection fee received from new partners. Depending on the arrangement with partners and when the fee is nonconsumable, outright service revenue is recognized upon cash receipt.

2.6.1.1.4 Fuse Revenue

Service revenues of Fuse Lending, Inc., consist of effective interest income from loans. Interest income per borrower is calculated by multiplying the outstanding loan amount by the number of days it is outstanding by the end of the month and by the daily interest rate of their loan. Service revenue also includes penalties and processing fee income.

2.6.1.2 *Nonservice Revenues*

Proceeds from sale of handsets, nomadic broadband sticks, modems, other mobile devices & accessories, SIM packs, call cards and others are recognized as revenue upon delivery of the items and the related cost or net realizable value are presented as "Cost of sales" in the consolidated statements of comprehensive income.

2.6.1.3 *Others*

Interest income other than from lendings is recognized as it accrues using the effective interest rate method.

Lease income from operating lease is recognized on a straight-line basis over the lease term.

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

2.6.2 *Subscriber Acquisition and Retention Costs*

The related costs incurred in connection with the acquisition of wireless and wireline voice subscribers are charged against current operations, while the related acquisition costs of data communication and broadband internet subscribers are capitalized. Subscriber acquisition costs primarily include commissions, handset, phonekit, modems, mobile internet kit subsidies, device subsidies and selling expenses. Subsidies represent the difference between the cost of handsets, nomadic broadband sticks, modems, other mobile devices and accessories, SIM packs, call cards and others (included in the "Cost of sales" and "Impairment losses and others" account), and the price offered to the subscribers (included in the "Nonservice revenues" account). The data communication and broadband internet costs represent the acquisition cost of modems (included in the "Property and Equipment" account) which are depreciated over a period of two years or contract term whichever is shorter (included in the "depreciation and amortization" account). Retention costs for existing postpaid subscribers are in the form of free handsets, devices and bill credits. Retention costs are charged against current operations and included under the "General, selling and administrative expenses" account in the consolidated statement of comprehensive income upon delivery or when there is a contractual obligation to deliver. Bill credits are deducted from service revenues upon application against qualifying subscriber bills.

2.6.3 *Cash and Cash Equivalents*

Cash includes 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 date of placement and that are subject to an insignificant risk of change in value.

2.6.4 *Financial Instruments*

2.6.4.1 *General*

2.6.4.1.1 Initial Recognition and Measurement

Financial instruments are recognized in the Globe Group's consolidated statements of financial position when the Globe 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 (regular way trades) on the trade date, i.e., the date that the Globe Group commits to purchase or sell the asset.

Financial instruments are recognized initially at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes directly attributable transaction costs.

The Globe Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The Globe 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 every reporting date.

2.6.4.1.2 Financial Assets or Financial Liabilities at FVPL

This category consists of financial assets or financial liabilities that are held for trading or designated by management as FVPL on initial recognition. Financial assets or financial liabilities are classified as held for sale if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments as defined by PAS 39.

Financial assets or financial liabilities at FVPL are recorded in the consolidated statements of financial position at fair value, with changes in fair value being recorded in the consolidated profit or loss. Interest earned or incurred on the financial asset or liability is recorded as "Interest income or expense", respectively, while dividend income is recorded when the right to receive payment has been established. Both are recorded in the consolidated profit or loss.

Financial assets or financial liabilities are classified in this category as designated by management on initial recognition 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 a different basis; or
- 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; and information about the grouping is provided internally on that basis; 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.

The Globe Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Globe Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Globe Group may elect to reclassify these financial assets. The reclassification to loans and receivables, AFS or HTM depends on the nature of the asset. This evaluation does not affect any financial assets designated at FVPL using the fair value option at designation because these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2.6.4.1.3 HTM Investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Globe Group's management has the positive intention and ability to hold to maturity. Where the Globe Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. After initial measurement, HTM investments are subsequently measured at amortized cost using the effective interest rate method, less any impairment losses. 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. Gains and losses are recognized in the consolidated profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process. The amortization is included in "Interest income" in the consolidated statement of comprehensive income. The effects of restatement of foreign currency-denominated HTM investments are recognized in the consolidated statements of comprehensive income.

There are no outstanding HTM investments as of December 31, 2016 and 2015.

2.6.4.1.4 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments 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 as financial assets held for trading, designated as AFS investments or designated at FVPL.

This accounting policy relates to the consolidated statement of financial position caption "Receivables", which arise primarily from subscriber and traffic revenues and other types of receivables, which arise primarily from unquoted debt securities, and other nontrade receivables included under "Prepayments and other current assets" and loans receivables included under "Other noncurrent assets".

Receivables are recognized initially at fair value. After initial measurement, receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Penalties, termination fees and surcharges on past due accounts of postpaid subscribers are recognized as revenues upon collection. The losses arising from impairment of receivables are recognized in the "Impairment losses and others" account in the consolidated statement of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectability of accounts (see accounting policy on 2.6.4.2 Impairment of Financial Assets).

Other nontrade receivables and loans receivable are recognized initially at fair value, which normally pertains to the consideration paid. Similar to receivables, subsequent to initial recognition, other nontrade receivables and loans receivables are measured at amortized cost using the effective interest rate method, less any allowance for impairment losses.

2.6.4.1.5 AFS Investments

AFS investments are those investments which are designated as such or do not qualify to be classified or designated as 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. They include equity investments.

After initial measurement, AFS investments are subsequently measured at fair value. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. The unrealized gains and losses arising from the fair value changes of AFS investments are included in other comprehensive income and are reported as "Other reserves" (net of tax where applicable) in the equity section of the consolidated statement of financial position. When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the consolidated profit or loss.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses. Dividends earned on holding AFS investments are recognized in the consolidated profit or loss when the right to receive payment has been established.

The losses arising from impairment of such investments are recognized as "Impairment losses and others" in the consolidated statements of comprehensive income.

2.6.4.1.6 Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Globe Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the 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 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 rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated profit or loss.

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

2.6.4.1.7 Derivative Instruments

2.6.4.1.7.1 *General*

The Globe Group enters into short-term deliverable and nondeliverable currency forward contracts to manage its currency exchange exposure related to short-term foreign currency-denominated monetary assets and liabilities and foreign currency linked revenues.

The Globe Group also enters into long-term currency and interest rate swap contracts to manage its foreign currency and interest rate exposures arising from its long-term loan. Such swap contracts are sometimes entered into in combination with options.

2.6.4.1.7.2 *Recognition and Measurement*

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment. The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated profit or loss. To qualify for hedge accounting, the hedging relationship must comply with strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment (both prospective and retrospective bases) and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

Upon inception of the hedge, the Globe Group documents the relationship between the hedging instrument and the hedged item, its risk management objective and strategy for undertaking various hedge transactions, and the details of the hedging instrument and the hedged item. The Globe Group also documents its hedge effectiveness assessment methodology, both at the hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge effectiveness is likewise measured, with any ineffectiveness being reported immediately in the consolidated profit or loss.

2.6.4.1.7.3 *Types of Hedges*

The Globe Group designates derivatives which qualify as accounting hedges as either: (a) a hedge of the fair value of a recognized fixed rate asset, liability or unrecognized firm commitment (fair value hedge); or (b) a hedge of the cash flow variability of recognized floating rate asset and liability or forecasted sales transaction (cash flow hedge).

Fair Value Hedges

Fair value hedges are hedges of the exposure to variability in the fair value of recognized assets, liabilities or unrecognized firm commitments. The gain or loss on a derivative instrument designated and qualifying as a fair value hedge, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in the consolidated profit or loss in the same accounting period. Hedge effectiveness is determined based on the hedge ratio of the fair value changes of the hedging instrument and the underlying hedged item. When the hedge ceases to be highly effective, hedge accounting is discontinued.

As of December 31, 2016 and 2015, there were no derivatives designated and accounted for as fair value hedges.

Cash Flow Hedges

The Globe Group designates as cash flow hedges the following derivatives:

(a) cross currency swaps as cash flow hedge of foreign exchange and interest rate risk of United States Dollar (USD) loans (b) principal only swaps as cash flow hedge of foreign exchange risk of USD loans (c) interest rate swaps as cash flow hedge of the interest rate risk of a floating rate obligation, and (d) certain foreign exchange forward contracts as cash flow hedge of expected USD revenues.

A cash flow hedge is a hedge of the exposure to variability in future cash flows related to a recognized asset, liability or a forecasted sales transaction. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in "Other reserves," which is a component of equity. Any hedge ineffectiveness is immediately recognized in the consolidated profit or loss.

If the hedged cash flow results in the recognition of a nonfinancial asset or liability, gains and losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash flow hedges, gains and losses initially recognized in equity are transferred from equity to consolidated profit or loss in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affect earnings.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been recognized in OCI is retained in "Other reserves" until the hedged transaction impacts consolidated profit or loss. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously recognized in "Other reserves" is immediately recycled in the consolidated profit or loss.

For cash flow hedges of USD revenues, the effective portion of the hedge transaction coming from the fair value changes of the currency forwards are subsequently recycled from equity to consolidated profit or loss and is presented as part of the US dollar-based revenues upon consummation of the transaction or when the hedge become ineffective.

2.6.4.1.7.4 *Other Derivative Instruments Not Accounted for as Accounting Hedges*

Certain freestanding derivative instruments that provide economic hedges under the Globe Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately in the consolidated profit or loss. For bifurcated embedded derivatives in financial and nonfinancial contracts that are not designated or do not qualify as hedges, changes in the fair values of such transactions are recognized in the consolidated profit or loss.

2.6.4.1.7.5 *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements 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. This is not generally the case with master netting agreements; thus, the related assets and liabilities are presented gross in the consolidated statements of financial position.

2.6.4.2 *Impairment of Financial Assets*

The Globe Group assesses at end of the reporting date whether a financial asset or group of financial assets is impaired.

2.6.4.2.1 Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) 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 effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is to be recognized in the consolidated profit or loss.

The Globe Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, 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.

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 the consolidated profit or loss to the extent that the carrying value of the asset does not exceed what should have been its amortized cost at the reversal date.

With respect to receivables, the Globe Group performs a regular review of the risk profile of accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Globe Group.

2.6.4.2.1.1 Subscribers

Management regularly reviews its portfolio and assesses if there are accounts requiring specific provisioning based on objective evidence of high default probability. Observable data indicating high impairment probability could be deterioration in payment status, declaration of bankruptcy or national/local economic indicators that might affect payment capacity of accounts.

Full allowance for impairment losses, net of average recoveries, is provided for receivables from permanently disconnected wireless, wireline and broadband subscribers. Permanent disconnections are made after a series of collection steps following nonpayment by postpaid subscribers. Such permanent disconnections generally occur within a predetermined period from due date.

Impairment losses are applied to active wireless, wireline and broadband accounts specifically identified to be doubtful of collection where there is information on financial incapacity after considering the other contractual obligations between Globe Group and the subscriber. Allowance is applied regardless of age bucket of identified accounts.

Application of impairment losses to receivables, net of receivables with applied specific loss, is also determined based on the results of net flow to permanent disconnection methodology.

For wireless, net flow tables are derived from account-level monitoring of subscriber accounts between different age brackets depending on the defined permanent disconnection timeline, from current to 210 days past due and up. The net flow to permanent disconnection methodology relies on the historical data of net flow tables to establish a percentage ("net flow rate") of subscriber receivables that are current or in any state of delinquency as of reporting date that will eventually result to permanent disconnection. The allowance for impairment losses is then computed based on the outstanding balances of the receivables at the end of reporting date and the net flow rates determined for the current and each delinquency bucket. Full allowance net of recoveries is provided for receivables from permanently disconnected accounts.

For wireline voice and broadband subscribers, the allowance for impairment loss is also determined based on the results of net flow rate to permanent disconnection computed from account-level monitoring of accounts from current to 180 days past due and up age bucket. Except for permanently disconnected and specific active accounts that are assessed to be fully provided, net of recoveries, the allowance for impairment loss is then computed based on the outstanding balances of the receivables at the end of the reporting date and the corresponding impairment rates computed.

2.6.4.2.1.2 Traffic

As per PAS 39, impairment provision is recognized in the light of actual losses incurred by the Globe Group as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of assets that can be reliably estimated.

For traffic receivables, impairment losses are provided on specific or per carrier basis observing objective evidence of impairment. Objective evidence of impairment includes the following: a) financial difficulty of interconnect carriers; b) default or delinquency; c) high probability of bankruptcy or financial re-organization; and d) historical pattern of collections that amounts due will not be collected. For receivable balances that appear doubtful of collection, allowance is provided after review of the status of settlement with each carrier and roaming partner, taking into consideration normal payment cycles, recovery experience and credit history of the counterparties.

2.6.4.2.1.3 Other receivables

Other receivables from dealers, credit card companies and other parties are provided with allowance for impairment losses if specifically identified to be doubtful of collection regardless of the age of the account.

2.6.4.2.2 AFS Investments Carried at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument, 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 current market rate of return for a similar financial asset. The carrying amount of the asset is reduced through the use of an allowance account.

2.6.4.2.3 AFS Investments Carried at Fair Value

If an AFS investment carried at fair value is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS are not recognized in the consolidated profit or loss. Reversals of impairment losses on debt instruments are made through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated profit or loss.

2.6.4.3 *Derecognition of Financial Instruments*

2.6.4.3.1 Financial Asset

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

- the rights to receive cash flows from the asset have expired;
- the Globe 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 Globe 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 or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Globe Group has transferred its rights to receive cash flows from an asset 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 Globe Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, which is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Globe Group could be required to pay.

2.6.4.3.2 Financial Liability

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 the consolidated profit or loss.

2.6.5 *Fair Value Measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Globe Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.6.6 *Inventories and Supplies*

Inventories and supplies are initially measured at cost and subsequently, stated at the lower of cost and net realizable value (NRV). NRV for handsets, modems, devices and accessories is the selling price in the ordinary course of business less direct costs to sell, while NRV for SIM packs, call cards, spare parts and supplies consists of the related replacement costs. In determining the NRV, the Company considers any adjustment necessary for obsolescence, which is generally provided at 80% for non-moving items after a certain period. Cost is determined using the moving average method.

When inventories and supplies are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

2.6.7 *Prepayments*

Prepayments, included under "Other current assets" account in the consolidated statement of financial position, are expenses paid in advance and recorded as asset before they are utilized.

This account comprises of advance payment to suppliers and contractors, prepaid rentals and insurance premiums and other prepaid items and creditable withholding taxes. Prepaid rentals and insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.

Prepayments that are expected to be realized for no more than 12 months after the balance sheet date are classified as current assets; otherwise, these are classified as other noncurrent assets.

2.6.8 *Value Added Tax (VAT)*

Input VAT is recognized when the Globe Group purchases goods or services from a VAT registered supplier or vendor. This account is offset against any output VAT previously recognized. Input VAT on capital goods exceeding ₱1 million and input VAT from purchases of goods and services which remain unpaid at each reporting date are recognized as "Deferred input VAT" presented under Prepayments and Other Current Assets (Note 6).

2.6.9 *Property and Equipment*

Property and equipment, except land, are carried at cost less accumulated depreciation, amortization and impairment losses. Land is stated at cost.

The initial cost of an item of property and equipment includes its purchase price and any cost attributable to bringing the property and equipment to its intended location and working condition. Cost also includes: (a) interest and other financing charges on borrowed funds specifically used to finance the acquisition of property and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligations (ARO) specifically on property and equipment installed/constructed on leased properties.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Globe Group and the cost of the item can be measured reliably.

Assets under construction (AUC) are carried at cost and transferred to the related property and equipment account when the construction or installation and the related activities necessary to prepare the property and equipment for their intended use are complete, and the property and equipment are ready for service.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and computed using the straight-line method over the estimated useful lives (EUL) of the property and equipment.

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

The EUL of property and equipment are reviewed annually based on expected asset utilization of expected future technological developments and market behavior.

When property and equipment is retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and impairment losses are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

2.6.10 *ARO*

The Globe Group is contractually required under various contracts to restore leased property to its original condition and to bear the cost of dismantling and deinstallation at the end of the contract period. The Globe Group recognizes the present value of these obligations and capitalizes these costs as part of the carrying value of the related property and equipment accounts, and are depreciated on a straight-line basis over the useful life of the related property and equipment or the contract period, whichever is shorter.

The amount of ARO is recognized at present value and the related accretion is recognized as interest expense.

2.6.11 *Intangible Assets*

Intangible assets consist of: (1) telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment; (2) exclusive dealership right in Tao; (3) intangible assets identified to exist during the acquisition of BTI for its customer contracts, franchise, spectrum and goodwill; (4) goodwill arising from acquisition of Socialytics and (5) goodwill arising from acquisition of Tao. Costs directly associated with the development of identifiable software that generate expected future benefits to the Globe Group are recognized as intangible assets. All other costs of developing and maintaining software programs are recognized as expense when incurred.

Intangible assets are initially measured at cost. Subsequently, intangible assets are measured at cost less accumulated amortization and any impairment losses. The EUL 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 periods and method of amortization for intangible assets with finite useful lives are reviewed annually or more frequently when an indicator of impairment exists.

Intangible assets are derecognized on disposal, or when no future economic benefits are expected from use or disposal. 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 asset and is recognized in the consolidated statements of comprehensive income when the asset is derecognized.

2.6.12 *Business Combinations and Goodwill*

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Globe Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses in the consolidated profit or loss.

When the Globe Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of PAS 39, it is measured in accordance with the appropriate PFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Globe Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU 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 CGU retained.

The Globe Group and acquiree may have a relationship that existed before they contemplated the business combination, referred to here as a 'pre-existing relationship'. A pre-existing relationship between the acquirer and acquiree may be contractual or non-contractual.

If the business combination in effect settles a pre-existing relationship, the acquirer recognizes a gain or loss, measured as follows:

(a) for a pre-existing non-contractual relationship (such as a lawsuit), fair value.

(b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

> (i) the amount by which the contract is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items. (An unfavourable contract is a contract that is unfavourable in terms of current market terms. It is not necessarily an onerous contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.)
>
> (ii) the amount of any stated settlement provisions in the contract available to the counterparty to whom the contract is unfavourable.
>
> If (ii) is less than (i), the difference is included as part of the business combination accounting. The amount of gain or loss recognized may depend in part on whether the acquirer had previously recognized a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

2.6.13 *Investments in Associate and Joint Venture*

An associate is an entity over which the Globe Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture (JV) is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associate or JV are measured initially at cost. Subsequent to initial recognition, Globe Group’s investments in its associate and JV are accounted for using the equity method. Under the equity method, the investments in an associate and JV are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Globe Group’s share in net assets of the associate and JV, less any allowance for impairment losses. The profit or loss includes Globe Group’s share in the results of operations of its associate or JV. Any change in OCI of those investees is presented as part of the Globe Group’s OCI. In addition, where there has been a change recognized directly in the equity of the associate or JV, the Globe Group recognizes its share of any changes and discloses this, when applicable, in OCI.

When the share of losses recognized under the equity method has reduced the investment to zero, the Globe Group shall discontinue recognizing its share of further losses and apply it to other interests that, in substance, form part of Globe Group’s net investment in the associate or JV. If the associate or JV subsequently reports profits, the Globe Group will resume recognizing its share of those profits only after its share of the profits equal the share in losses not recognized.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Globe Group.

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

2.6.14 *Related Party Transactions*

A related party transaction is a transfer of resources, services or obligations between the Parent Company and a related party, regardless of whether a price is charged. Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Globe Group and the key management personnel of the Globe Group are also considered to be related parties.

2.6.15 *Impairment of Nonfinancial Assets*

For nonfinancial assets, excluding goodwill, an assessment is made at the end of the reporting date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exist or may have decreased. If any such indication exists and when the carrying value of an asset exceeds its estimated recoverable amount, the asset or CGU to which the asset belongs is written down to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs. For impairment loss on specific assets or investments, the recoverable amount represents the fair value less cost to sell.

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.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against operations in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for property and equipment and intangible assets) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

After application of the equity method, the Globe Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Globe Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Globe Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as “Equity in net losses of associates and joint ventures” account in the consolidated profit or loss.

For assessing impairment of goodwill, a test for impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.6.16 *Unearned Revenues*

Unearned revenues are recognized when proceeds are collected from wireless subscribers under prepaid arrangements. These also represent advance payments for leased lines, installation fees and monthly service fees and points expected to be redeemed under its Loyalty programmes.

2.6.17 *Income Tax*

2.6.17.1 *Current Income 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 tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting date.

2.6.17.2 *Deferred Income Tax*

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

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, with certain exceptions, and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and 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 MCIT and NOLCO can be used.

Deferred income tax is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income or loss.

Deferred income tax relating to items recognized directly in equity or OCI is included in the related equity or OCI account and not in profit or loss.

The carrying amounts of deferred income tax assets are reviewed every end of reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realized or the liabilities are settled based on tax rates (and tax laws) that have been enacted or substantively enacted as at the end of the reporting date.

Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

2.6.18 *Provisions*

Provisions are recognized when: (a) the Globe 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 every end of the reporting period 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 assessment 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 interest expense under "financing costs" in consolidated statement of comprehensive income.

2.6.19 *Share-based Payment Transactions*

Certain employees (including directors) of the Globe Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions") (see Note 18.1.1).

The cost of equity-settled transactions with employees and directors is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, vesting conditions, including performance conditions, other than market conditions (conditions linked to share prices), shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account in estimating the number of equity instruments that will vest.

The cost of equity-settled transactions is recognized in the consolidated profit or loss, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the management of the Globe Group at that date, based on the best available estimate of the number of equity instruments, will ultimately vest. Costs of exercised awards plus the corresponding strike amount are reclassified to the capital accounts.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (EPS) (see Note 27).

2.6.20 *Capital Stock*

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as part of that transaction and are deducted from additional paid-in capital, net of related income tax benefits.

2.6.21 *Additional Paid-in Capital*

Additional paid-in capital includes any premium received in excess of par value on the issuance of capital stock.

2.6.22 *Treasury Stock*

Treasury stock is recorded at cost and is presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

2.6.23 *Other Comprehensive Income*

OCI are items of income and expense that are not recognized in the consolidated profit or loss for the year in accordance with PFRS.

2.6.24 *Retained Earnings*

Retained earnings represent accumulated profit attributable to equity holders of the Parent Company after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

2.6.25 *Pension Cost*

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Globe Group, nor can they be paid directly to the Globe Group. Fair value of plan assets is based on market price information. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

2.6.26 *Borrowing Costs*

Borrowing costs are capitalized if these are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities for the asset's intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. These costs are amortized using the straight-line method over the EUL of the related property and equipment. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other related financing charges incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs. Premiums on long-term debt are included under the "Long-term debt" account in the consolidated statement of financial position and are amortized using the effective interest rate method.

Other borrowing costs are recognized as expense in the period in which these are incurred.

2.6.27 *Leases*

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement 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:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;
- there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- 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 any of the scenarios above, and at the date of renewal or extension period for the second scenario.

2.6.27.1 *Globe Group as Lessee*

Finance leases, which transfer to the Globe Group substantially all the risks and rewards 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 included in the "Property and equipment" account with the corresponding liability to the lessor included in the "Other long-term liabilities" account in the consolidated statements of financial position. 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 as "Interest expense" in the consolidated statements of comprehensive income.

Capitalized leased assets are depreciated over the shorter of the EUL of the assets and the respective lease terms.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated profit or loss on a straight-line basis over the lease term.

2.6.27.2 *Globe Group as Lessor*

Leases where the Globe Group does not transfer substantially all the risk and rewards 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.

2.6.28 *General, Selling and Administrative Expenses*

General, selling and administrative expenses, except for rent, are charged against current operations as incurred.

2.6.29 *Foreign Currency Transactions*

The functional and presentation currency of the Globe Group is the Philippine Peso, except for GTIC US and GTHK whose functional currency is the USD; GMI and GIEE whose functional currency is Euro; GTSG whose functional currency is the Singapore Dollar (SGD); BTI - UK, GTEU and UKGT whose functional currency is GBP; and BTI - Japan whose functional currency is JPY. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the end of reporting period.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to the consolidated profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other OCI.

As at the reporting date, the assets and liabilities of GTIC US and GTHK, GTEU, UKGT, GMI, GIEE, GTSG, BTI - UK, and BTI - Japan are translated into the presentation currency of the Globe Group at the rate of exchange prevailing at the end of reporting period and its profit or loss is translated at the monthly weighted average exchange rates during the year. The exchange differences arising on the translation are taken directly to a separate component of equity under "Other reserves" account. Upon disposal of GTIC, GTHK, GTEU, UKGT, GMI, GIEE, GTSG, BTI - UK, and BTI - Japan the cumulative translation adjustments shall be recognized in the consolidated profit or loss.

2.6.30 *Fair Value of Financial Instruments*

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.6.31 *EPS*

Basic EPS is computed by dividing net income attributable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted, would decrease the basic EPS, then such convertible preferred shares would be deemed dilutive. Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

2.6.32 *Operating Segment*

The Globe Group's major operating business units are the basis upon which the Globe Group reports its primary segment information. The Globe Group's business segments consist of: (1) mobile communication services; and (2) wireline communication services. The Globe Group generally accounts for intersegment revenues and expenses at agreed transfer prices.

2.6.33 *Contingencies*

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed 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 when an inflow of economic benefits is probable.

2.6.34 *Events after the Reporting Period*

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

3 Management's Significant Accounting Judgments and Use of Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such judgments, estimates and assumptions.

Judgments, estimates and assumptions 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.

3.1 Judgments

3.1.1 *Leases*

3.1.1.1 *Operating Lease Commitments as Lessor*

The Globe Group has entered into lease agreements as a lessor. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. The Globe Group has determined that it retains all the significant risks and rewards of ownership of the properties and so accounts for the agreements as an operating lease (see Note 25.1.1).

3.1.1.2 *Operating Lease Commitments as Lessee*

The Globe Group has entered into various lease agreements as a lessee where it has determined that the lessors retain all the significant risks and rewards of ownership of the properties and, as such, accounts for the agreements as operating lease (see Note 25.1.1).

3.1.1.3 *Finance Lease*

The Globe Group has entered into finance lease agreements related to hardware infrastructure and information technology equipment. Management has determined based on the evaluation of the terms and conditions of the arrangements, that the Globe Group bear substantially all the risks and rewards incidental to ownership of the said machineries and equipment and so account for the contracts as finance leases (see Note 25.1.2).

3.1.2 *Financial Assets not Quoted in an Active Market*

The Globe 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.

3.1.3 *Allocation of Goodwill to Cash-Generating Units*

The Globe Group allocated the carrying amount of goodwill to cash-generating unit (CGU) of mobile communications services or wireless segment. The Globe Group believes that CGUs represent the lowest level within the Globe Group at which the goodwill is monitored for internal management reporting purposes; and not larger than an operating segment determined in accordance with PFRS 8.

When a business combination occurs, the fair values of the identifiable assets and liabilities assumed, including intangible assets, are recognized.

The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management's judgment and estimates. If the purchase consideration exceeds the fair value of the net assets acquired then the difference is recognized as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then a gain is recognized in the income statement.

The fair values of the net assets of BTI and net liabilities of Vega Telecom Inc. (VTI) , Bow Arken Holdings Company Inc. (BAHC), and Brightshare Holdings Corporation (BHC) at the time of acquisition amounted to ₱1,145.89 million (see Note 9.3) and ₱9,616.29 million (see Note 10.7), respectively and was estimated using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar assets for which market observable prices exist and other relevant valuation models.

3.1.4 *Determination of Whether the Globe Group is Acting as a Principal or an Agent*

The Globe Group assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Globe Group has primary responsibility for providing the goods and services;
- whether the Globe Group has inventory risk;
- whether the Globe Group has discretion in establishing prices; and
- whether the Globe Group bears the credit risk.

If the Globe Group has determined it is acting as a principal, the Globe Group recognizes revenue on a gross basis, with the amount remitted to the other party being accounted for as part of costs and expenses.

If the Globe Group has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Globe Group assessed its revenue arrangements and concluded that it is acting as a principal in some arrangements and as an agent in other arrangements.

3.1.5 *Provisions and Contingencies*

Globe Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and external counsel handling Globe Group's defense in these matters and is based upon an analysis of potential results. Globe Group currently does not believe that these proceedings will have a material adverse effect on the consolidated statements of financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Notes 13 and 26).

Globe Group is involved in discussions with creditor suppliers of VTI, BAHC and BHC in relation to the liabilities of the said entities discussed in Note 10.7. Management has assessed that such action has created a valid expectation from these creditor suppliers that Globe Group will settle the liabilities or provide funds for the settlement of these liabilities considering that these entities do not have sufficient funds to date to settle these liabilities on their own. As such, Globe concluded that it incurred a constructive obligation and met the requirements for recognizing a provision/liability (see Note 10.7).

3.1.6 *Assessment of Investment in Automated Fare Payments Inc. (AFPI) [formerly Automated Fare Collection Services (AFCS))]*

On January 10, 2014, the Department of Transportation and Communication awarded to AFPI composed of BPI Card Finance Corporation, AC Infrastructure Holdings Corp., Smart Communications, Inc., Meralco Financial Services Corporation, Metro Pacific Investments Corporation and Globe Telecom the rights to design, build and operate the ₱1.72 billion automated fare collection system (see Note 10.2).

Critical judgment was exercised to assess the facts and circumstances indicating the elements of control or level of influence of Globe Telecom over AFPI. Globe Telecom has determined that it has significant influence, and no control, over the financial and operating policy decisions of AFPI. The total capital contribution of ₱590.00 million equivalent to 20% ownership is recognized as investment in an associate and is accounted for using the equity method.

3.1.7 *Assessment of Investment in Yondu*

As discussed in Note 10.1, the Globe Group holds a 49% ownership interest in Yondu and is accounted as an associate.

Critical judgment was exercised to assess the facts and circumstances indicating the elements of control or level of influence of Globe Telecom over Yondu. Globe Telecom has determined that it has significant influence, but no control, over the financial and operating policy decisions of Yondu.

3.1.8 *Assessment of Investment in GTHI*

The Globe Group holds ownership interest of 50% in GTHI, as disclosed in Note 10.5. There is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the net assets of the joint arrangement. Accordingly, based on the assessment made by the Management, Globe Group has classified its joint arrangement as joint venture because of its rights over the net assets of GTHI.

3.1.9 *Assessment of Investment in TechGlobal*

The Globe Group holds ownership interest of 49% in TechGlobal, as disclosed in Note 10.6. There is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the net assets of the joint arrangement. Accordingly, based on the assessment made by the Management, Globe Group has classified its joint arrangement as joint venture because of its rights over the net assets of TechGlobal.

3.1.10 *Assessment of Investment in VTI, BAHC and BHC*

The Globe Group holds ownership interest of 50% in VTI, BAHC and BHC, as disclosed in Note 10.7. The Globe Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, Globe Telecom classified its joint arrangements in VTI, BAHC and BHC as a joint venture.

3.2 Estimates

3.2.1 *Revenue Recognition*

The Globe Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and receivables.

The Globe Group estimates the fair value of points awarded under its Loyalty programmes, which are within the scope of Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, by applying estimation procedures using historical data and trends. The points expected to be redeemed is estimated based on the remaining points, the run-rate redemption by the subscribers and the points to peso conversion. As of December 31, 2016 and 2015, the estimated liability for unredeemed points included in "Unearned revenues" in the consolidated statements of financial position amounted to ₱217.31 million and ₱133.92 million, respectively.

3.2.2 *Allowance for Impairment Losses on Receivables*

The Globe Group maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The Globe 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 losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Globe Group. The amount and timing of recorded expenses for any period would differ if the Globe Group made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

Impairment losses on receivables for the years ended December 31, 2016, 2015 and 2014 amounted to ₱2,934.31 million, ₱2,693.57 million and ₱3,035.24 million, respectively (see Note 23). Receivables, net of allowance for impairment losses, amounted to ₱26,944.65 million and ₱21,935.78 million as of December 31, 2016 and 2015, respectively (see Note 4).

The carrying value of loans receivable presented under "Prepayments and other current assets" and "Other noncurrent assets" as of December 31, 2016 and 2015 amounted to ₱946.62 million and ₱1,126.62 million, respectively (see Notes 6 and 11).

3.2.3 *Obsolescence and Market Decline*

The Globe Group, in determining the NRV, considers any adjustment necessary for obsolescence which is generally provided at 80% for nonmoving items after a certain period. The Globe Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect market decline in the value of the recorded inventories. The Globe 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. Provisions are generally made based on expected recoveries, which is 80% of the cost.

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 allowance for obsolescence and market decline would increase recorded cost of sales and impairment losses, and decrease current assets.

Inventory obsolescence and market decline in 2016, 2015 and 2014 amounted to ₱341.76 million, ₱384.14 million and ₱437.51 million, respectively (see Note 23).

Inventories and supplies, net of allowances, amounted to ₱4,579.95 million and ₱4,489.18 million as of December 31, 2016 and 2015, respectively (see Note 5). Allowance for inventory losses amounted ₱676.43 million and ₱802.64 million as of December 31, 2016 and 2015, respectively.

3.2.4 *ARO*

The Globe Group is legally required under various contracts to restore leased property 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 in-house estimate, which incorporates estimates of asset retirement costs and interest rates. The Globe Group recognizes the present value of these obligations and capitalizes the present value of these costs as part of the balance of the related property and equipment accounts, which are being depreciated and amortized on a straight-line basis over the EUL of the related asset or the lease term, whichever is shorter.

The present value of dismantling costs is computed based on an average credit-adjusted risk-free rate of 6.69% and 6.97% for the years ended December 31, 2016 and 2015, respectively. Assumptions used to compute ARO are reviewed and updated annually.

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 ARO would increase recorded operating expenses and increase noncurrent liabilities.

As of December 31, 2016 and 2015, ARO amounted to ₱2,239.11 million and ₱2,054.97 million, respectively (see Note 15).

3.2.5 *EUL of Property and Equipment, Investment Properties and Intangible Assets*

The useful life of each of the Globe Group's property and equipment, investment properties and intangible assets with finite useful lives is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets and expected asset utilization based on future technological developments and market behavior. 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.

A reduction in the EUL of property and equipment and intangible assets would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

The EUL of property and equipment are as follows:

	Years
Telecommunications equipment:	
Tower	20
Switch	7-10
Outside plant, cellsite structures and improvements	10-20
Distribution dropwires and other wireline assets	2-10
Cellular equipment and others	3-10
Buildings	20
Investments in cable systems	5-20
Office equipment	3-7
Transportation equipment	3-5
Leasehold improvements	5 years or lease term, whichever is shorter

Intangible assets consisting of licenses and application software are amortized over the EUL of the related hardware or equipment ranging from three (3) to ten (10) years or life of the telecommunications and office equipment where it is assigned while exclusive dealership rights are amortized over the life of the dealership agreement (Note 8).

3.2.6 *Asset Impairment*

3.2.6.1 *Impairment of Nonfinancial Assets Other Than Goodwill*

The Globe Group assesses impairment of assets (property and equipment, intangible assets and investments in associates and joint ventures) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Globe 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 the overall business; and,
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset or investment exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs.

For impairment loss on specific assets or investments, the recoverable amount represents the fair value less cost to sell.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets or holding of an investment, the Globe Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The aggregate carrying value of property and equipment, intangible assets (excluding goodwill) and investments amounted to ₱189,998.56 million and ₱142,440.98 million as of December 31, 2016 and 2015, respectively (see Notes 7, 8 and 10).

3.2.6.2 *Impairment of Goodwill*

The Globe Group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the business plan for the next five years and do not include restructuring activities that the Globe Group is not yet committed to or significant future investments that will enhance the asset base of the CGU 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. As of December 31, 2016 and 2015, the carrying value of goodwill amounted to ₱1,268.10 million and ₱1,154.03 million, respectively (see Note 8).

The recoverable amount of the CGU, which exceeds the carrying amount of the related goodwill by ₱141,649.38 million and ₱5,656.02 million in 2016 and 2015, respectively, has been determined based on value in use calculations using cash flow projections from business plans covering a five-year period. The pre-tax discount rate applied to cash flow projections was 9.24% in 2016 and 14% in 2015 and cash flows beyond the five-year period are extrapolated using a 2% long-term growth rate in 2016 and 2015.

3.2.7 *Deferred Income Tax Assets*

The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized (see Note 24).

As of December 31, 2016 the combined net deferred tax assets of Innove, GXI, BTI and Asticom amounted to ₱2,622.70 million. As of December 31, 2015, the combined net deferred tax assets of Globe Telecom, Innove, GXI, BTI and Asticom amounted to ₱1,324.08 million (Note 24).

As of December 31, 2016, the combined net deferred income tax liabilities of Globe Telecom, KVI, and GTI amounted to ₱1,916.92 million. As of December 31, 2015, the combined net deferred income tax liabilities of KVI, and GTI amounted to ₱2.21 million. (Note 24).

3.2.8 *Financial Assets and Financial Liabilities*

The Globe 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), the amount of changes in fair value would differ if the Globe Group utilized different valuation methodologies. Any changes in fair value of these financial assets and liabilities would affect the consolidated statement of comprehensive income and consolidated statement of changes in equity.

Financial assets comprising AFS investments and derivative assets carried at fair values as of December 31, 2016 and 2015 amounted to ₱1,617.54 million and ₱1,659.86 million, respectively, and financial liabilities comprising derivative liabilities carried at fair values as of December 31, 2016 and 2015 amounted to ₱105.93 million and ₱111.28 million (see Note 28.12).

3.2.9 *Pension and Other Employee Benefits*

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rates for males and females and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

The net pension liability as of December 31, 2016 and 2015 amounted to ₱3,101.55 million and ₱3,217.78 million, respectively. Further details are provided in Note 18.2.

The Globe Group also determines the cost of equity-settled transactions using assumptions on the appropriate pricing model. Significant assumptions for the cost of share-based payments include, among others, share price, exercise price, option life, expected dividend and expected volatility rate.

Cost of share-based payments in 2016, 2015 and 2014 amounted to ₱260.27 million, ₱153.99 million and ₱31.84 million, respectively (see Notes 16.6 and 18.1).

The Globe Group also estimates other employee benefit obligations and expenses, including cost of paid leaves based on historical leave availments of employees, subject to the Globe Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

The accrued balance of other employee benefits (included in the "Accounts payable and accrued expenses" account and in the "Other long-term liabilities" account in the consolidated statements of financial position) as of December 31, 2016 and 2015 amounted ₱775.80 million and ₱651.57 million, respectively (see Notes 12 and 15).

While the Globe Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

3.2.10 *Provision for Restructuring Costs*

Prior to consolidation, BTI recognized provisions for restructuring costs for the expected termination benefits, related to the restructuring of BTI's business. Globe Telecom and BTI regularly reviews these provisions against the latest restructuring plans. In determining the value of the provisions, assumptions and estimates are made in relation to the expected timing of those costs. Provisions recognized on the consolidated profit and loss from the date of acquisition amounted to ₱59.00 million in 2015 (Note 13).

4 **Receivables -** net

This account consists of receivables from:

	Notes	2016	2015
		(In Thousand Pesos)	
Subscribers	16, 28.2.2	**₱31,042,802**	₱27,059,482
Traffic settlements - net	12, 16, 28.2.2	**1,931,550**	1,727,324
Dealers	28.2.2	**1,023,515**	1,617,289
Others	28.2.2	**1,112, 380**	493,937
		35,110,247	30,898,032
Less allowance for impairment losses:			
Subscribers	28.2.2	**7,598,120**	8,332,540
Traffic settlements and others	28.2.2	**567,482**	629,717
		8,165,602	8,962,257
		₱26,944,645	₱21,935,775

Receivables are noninterest-bearing and are generally collectible in the short-term.

Subscriber receivables arise from wireless and wireline voice, data communications and broadband internet services provided under postpaid arrangements. As of December 31,2015, the account includes acquired receivables and the related allowance for impairment from BTI related to subscribers amounting to ₱2,056.07 million and ₱1,826.81 million, respectively.

Traffic settlement receivables are presented net of traffic settlement payables from the same carrier amounting to ₱1,479.58 million and ₱1,817.48 million as of December 31, 2016 and 2015, respectively.

Amounts collected from wireless subscribers under prepaid arrangements are reported under “Unearned revenues” in the consolidated statements of financial position and recognized as revenues upon actual usage of airtime value, consumption of prepaid subscription fees or upon expiration of the unused load value prepaid credit. The unearned revenues from these subscribers amounted to ₱2,445.02 million and ₱2,615.75 million as of December 31, 2016 and 2015, respectively.

Advance monthly service fees and deferred revenue rewards which are also reported under “Unearned revenue” account in the consolidated statements of financial position amounted to ₱2,428.09 million and ₱217.31 million as of December 31, 2016 and ₱2,188.56 million and ₱133.92 million as of December 31, 2015, respectively.

5 Inventories and Supplies - net

This account consists of:

	2016	2015
	(In Thousand Pesos)	
At cost:		
Spare parts and supplies	**₱7,162**	₱3,161
SIM cards and SIM packs	**6,275**	6,784
Call cards and others	**5,363**	12,206
Handsets, devices and accessories	**-**	563
Modem and accessories	**-**	415
	18,800	23,129
At NRV:		
Handsets, devices and accessories	**2,755,093**	3,535,249
Modem and accessories	**896,816**	179,870
Nomadic broadband device	**362,037**	274,259
Spare parts and supplies	**277,387**	307,144
SIM cards and SIM packs	**264,456**	152,020
Call cards and others	**5,365**	17,511
	4,561,154	4,466,053
	₱4,579,954	₱4,489,182

Inventories recognized as expense during the year amounting to ₱12,255.87 million, ₱14,049.35 million and ₱11,098.86 million in 2016, 2015 and 2014, respectively, are included as part of "Cost of sales" and "Impairment losses and others" accounts (see Note 23) in the consolidated statements of comprehensive income. An insignificant amount is included under "General, selling and administrative expenses" as part of "Utilities, supplies and other administrative expenses" account (see Note 21). Inventories written off in 2016 and 2015 amounted to ₱138.92 million and ₱48.74 million, respectively.

Cost of sales incurred consists of:

	2016	2015	2014
		(In Thousand Pesos)	
Inventories:			
Handsets, devices and accessories	**₱9,542,528**	₱10,800,718	₱7,734,702
Nomadic broadband device	**1,603,905**	2,186,284	2,370,154
SIM cards and SIM packs	**632,870**	566,100	498,986
Call cards and others	**116,892**	104,640	48,318
Modems and accessories	**14,362**	364	414
Spare parts and supplies	**3,557**	7,001	8,386
Services	**-**	96	384
	₱11,914,114	₱13,665,203	₱10,661,344

There are no unusual purchase commitments and accrued net losses as of December 31, 2016.

6 Prepayments and Other Current Assets

This account consists of:

	Notes	2016	2015
		(In Thousand Pesos)	
Advance payments to suppliers and contractors	25.3	**₱8,215,535**	₱4,522,775
Prepayments	25.1	**1,510,837**	1,107,577
Creditable withholding tax		**797,925**	804,519
Current portion of loan receivable from:			
Globe Group Retirement Plan (GGRP)	16.3	**788,000**	-
Bethlehem Holdings, Inc. (BHI)	16.3	**158,620**	-
Input VAT - net		**450,730**	65,623
Miscellaneous receivable - net		**195,441**	345,107
Deferred input VAT	11	**142,684**	630,573
Dividend receivable	16.4	**68,743**	244,485
Other current assets	25.1.1	**468,377**	511,769
		₱12,796,892	₱8,232,428

The "Prepayments" account includes prepaid insurance, rent, maintenance, and licenses fee among others.

As of December 31, 2016, Innove, GTI and GCVH reported net input VAT amounting to ₱450.73 million, net of output VAT of ₱1,074.23 million. As of December 31, 2015, Globe Telecom, BTI, Innove, GTI, KVI, GCVH and Asticom reported net input VAT amounting to ₱65.62 million, net of output VAT of ₱1,044.27 million.

Deferred input VAT pertains to various purchases of goods and services which cannot be claimed yet as credits against output VAT liabilities, pursuant to the existing VAT rules and regulations. Deferred input VAT can be applied on future output VAT liabilities. Deferred input VAT due for credits beyond 12 months amounted to ₱260.72 million and ₱464.43 million as of December 31, 2016 and 2015, respectively (see Note 11).

Other current assets include advances to employees amounting to ₱216.34 million and ₱66.54 million as of December 31, 2016 and 2015, respectively.

7 Property and Equipment - net

The rollforward analysis of this account follows:

2016

	Telecommunication Equipment	Buildings and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Land	Assets Under Construction	Total
			(In Thousand Pesos)					
Cost								
At January 1	**₱239,521,081**	**₱42,809,270**	**₱22,677,742**	**₱13,660,352**	**₱2,698,476**	**₱3,145,123**	**₱13,631,840**	**₱338,143,884**
Additions	**605,839**	**37,636**	**133,354**	**355,789**	**386,345**	**-**	**37,436,955**	**38,955,918**
Acquired from acquisition of a subsidiary	**-**	**9,124**	**-**	**104,566**	**1,058**	**-**	**-**	**114,748**
Retirements/disposals	**(35,888,129)**	**(62,642)**	**(1,131)**	**(748,791)**	**(317,780)**	**(156,822)**	**(125)**	**(37,175,420)**
Reclassifications/adjustments	**19,331,805**	**3,620,668**	**116,604**	**1,086,218**	**(672)**	**60,353**	**(29,627,422)**	**(5,412,446)**
At December 31	**223,570,596**	**46,414,056**	**22,926,569**	**14,458,134**	**2,767,427**	**3,048,654**	**21,441,248**	**334,626,684**
Accumulated Depreciation and Amortization								
At January 1	**161,671,467**	**20,616,530**	**12,666,242**	**10,415,931**	**1,863,952**	**-**	**-**	**207,234,122**
Depreciation and amortization	**15,213,437**	**1,937,047**	**1,332,832**	**1,474,311**	**307,368**	**-**	**-**	**20,264,995**
Acquired from acquisition of a subsidiary	**-**	**2,817**	**-**	**60,625**	**-**	**-**	**-**	**63,442**
Retirements/disposals	**(35,885,464)**	**(60,392)**	**(1,131)**	**(736,287)**	**(311,906)**	**-**	**-**	**(36,995,180)**
Reclassifications/adjustments	**(38,649)**	**42,530**	**6,612**	**13,841**	**(2,546)**	**-**	**-**	**21,788**
At December 31	**140,960,791**	**22,538,532**	**14,004,555**	**11,228,421**	**1,856,868**	**-**	**-**	**190,589,167**
Impairment Losses								
At January 1	**1,318,884**	**23,252**	**-**	**-**	**9,860**	**-**	**518,244**	**1,870,240**
Additions (Note 23)	**6,850**	**-**	**-**	**-**	**-**	**-**	**2,566**	**9,416**
Write-off/adjustments	**(94,120)**	**-**	**-**	**-**	**-**	**-**	**-**	**(94,120)**
At December 31	**1,231,614**	**23,252**	**-**	**-**	**9,860**	**-**	**520,810**	**1,785,536**
Carrying amount at December 31	**₱81,378,191**	**₱23,852,272**	**₱8,922,014**	**₱3,229,713**	**₱900,699**	**₱3,048,654**	**₱20,920,438**	**₱142,251,981**

2015

	Telecommunication Equipment	Buildings and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Land	Assets Under Construction	Total
			(In Thousand Pesos)					
Cost								
At January 1	₱213,848,704	₱38,910,997	₱19,782,452	₱10,649,751	₱2,433,137	₱1,610,062	₱15,921,265	₱303,156,368
Additions	11,347,186	214,584	243,504	111,872	281,936	-	18,021,938	30,221,020
Acquired from acquisition of a subsidiary	28,756,144	1,418,051	-	1,424,897	137,999	1,535,061	346,891	33,619,043
Retirements/disposals	(20,635,610)	(61,468)	(106,799)	(404,814)	(247,163)	-	(7)	(21,455,861)
Reclassifications/adjustments	6,204,657	2,327,106	2,758,585	1,878,646	92,567	-	(20,658,247)	(7,396,686)
At December 31	239,521,081	42,809,270	22,677,742	13,660,352	2,698,476	3,145,123	13,631,840	338,143,884
Accumulated Depreciation and Amortization								
At January 1	147,360,362	17,849,452	9,887,715	8,507,997	1,714,754	-	-	185,320,280
Depreciation and amortization	13,805,338	2,022,558	1,255,444	1,384,710	282,782	-	-	18,750,832
Acquired from acquisition of a subsidiary	21,748,508	1,239,572	-	1,361,339	144,291	-	-	24,493,710
Retirements/disposals	(20,552,078)	(40,832)	(73,379)	(382,682)	(234,281)	-	-	(21,283,252)
Reclassifications/adjustments	(690,663)	(454,220)	1,596,462	(455,433)	(43,594)	-	-	(47,448)
At December 31	161,671,467	20,616,530	12,666,242	10,415,931	1,863,952	-	-	207,234,122
Impairment Losses								
At January 1	151,577	-	-	-	9,860	-	445,493	606,930
Additions(Note 23)	-	-	-	-	-	-	72,751	72,751
Acquired on acquisition of a subsidiary	1,554,612	23,252	-	-	-	-	-	1,577,864
Write-off/adjustments	(387,305)	-	-	-	-	-	-	(387,305)
At December 31	1,318,884	23,252	-	-	9,860	-	518,244	1,870,240
Carrying amount at December 31	₱76,530,730	₱22,169,488	₱10,011,500	₱3,244,421	₱824,664	₱3,145,123	₱13,113,596	₱129,039,522

Assets under construction include intangible components of a network system which are reclassified to depreciable intangible assets only when assets become available for use (see Note 8).

Investments in cable systems include the cost of the Globe Group's ownership share in the capacity of certain cable systems under a joint venture or a consortium or private cable set-up and indefeasible rights of use (IRUs) of circuits in various cable systems. It also includes the cost of cable landing station and transmission facilities where the Globe Group is the landing party.

The costs of fully depreciated property and equipment that are still being used as of December 31, 2016 and 2015 amounted to ₱64,890.79 million and ₱115,118.04 million, respectively.

The Globe Group uses its borrowed funds to finance the acquisition of property and equipment and bring it to its intended location and working condition. Borrowing costs incurred relating to these acquisitions were included in the cost of property and equipment using 1.45% , 0.46% and 3.05% capitalization rates in 2016, 2015 and 2014, respectively. The Globe Group's total capitalized borrowing costs amounted to ₱532.24 million, ₱147.51 million and ₱647.98 million in 2016, 2015 and 2014, respectively.

The carrying value of the hardware infrastructure and information equipment held under finance lease included under "Office Equipment" and "Asset under Construction" amounted to ₱432.17 million and nil, respectively, as of December 31, 2016 and ₱584.23 million and ₱18.70 million, respectively, as of December 31, 2015 (see Note 25.1.2).

As of July 2, 2015, the carrying value of the property and equipment arising from the acquisition of controlling interest in BTI amounted to ₱6,602.45 million. These include: Indefeasible Right of Use (IRU) agreements on its network capacity which are accounted for as a finance lease as the significant risks and rewards of ownership are transferred to the buyer; and capitalized Asset Retirement Obligation (ARO) to include in the cost of the assets its future dismantling costs. From the date of acquisition, BTI did not derecognize any assets related to IRU transactions and utilized ₱25.8 million of its ARO for sites and equipment that are mostly part of BTS sites declared unusable in 2014 but were actually dismantled in 2015.

Pursuant to the Amended Rehabilitation Plan (ARP) and Master Restructuring Agreement (MRA), the remaining outstanding restructured debt of BTI to creditors other than Globe Telecom amounting to USD4.47 million will be secured by a real estate mortgage on identified real property assets (see Note 14.1). The processing of the real properties to be mortgaged is still ongoing as of December 31, 2016.

8 Intangible Assets and Goodwill - net

The rollforward analysis of this account follows:

2016

	Licenses and Application Software	Customer Contracts	Exclusive Dealership Right	Other Intangible Assets and Goodwill	Total Intangible Assets and Goodwill
Cost					
At January 1	₱22,924,678	₱571,760	₱141,019	₱1,644,864	₱25,282,321
Additions	135,273	-	-	-	135,273
Acquired from acquisition of a subsidiary	-	-	-	125,457	125,457
Retirements/disposals	(68,334)	-	-	-	(68,334)
Reclassifications/ adjustments (Note 7)	5,079,043	-	9,305	(11,390)	5,076,958
At December 31	28,070,660	571,760	150,324	1,758,931	30,551,675
Accumulated Amortization					
At January 1	12,082,383	71,470	47,001	24,542	12,225,396
Amortization	3,290,936	142,940	96,336	49,083	3,579,295
Retirements/disposals	(13)	-	-	-	(13)
Reclassifications/adjustments	(127,844)	-	6,987	34,634	(86,223)
At December 31	15,245,462	214,410	150,324	108,259	15,718,455
Carrying Amount at December 31	₱12,825,198	₱357,350	₱ -	₱1,650,672	₱14,833,220

2015

	Licenses and Application Software	Customer Contracts	Exclusive Dealership Right	Other Intangible Assets and Goodwill	Total Intangible Assets and Goodwill
Cost					
At January 1	₱17,170,998	₱28,381	₱139,960	₱327,125	₱17,666,464
Additions	174,698	-	-	-	174,698
Acquired from acquisition of a subsidiary	721,731	571,760	-	1,644,864	2,938,355
Retirements/disposals*	(2,519,474)	(28,381)	-	(327,125)	(2,874,980)
Reclassifications/adjustments (Note 7)	7,376,725	-	1,059	-	7,377,784
At December 31	22,924,678	571,760	141,019	1,644,864	25,282,321
Accumulated Amortization					
At January 1	11,940,399	28,381	26,040	-	11,994,820
Amortization	2,264,893	71,470	20,961	24,542	2,381,866
Retirements/disposals	(2,516,549)	(28,381)	-	-	(2,544,930)
Reclassifications/adjustments	393,640	-	-	-	393,640
At December 31	12,082,383	71,470	47,001	24,542	12,225,396
Carrying Amount at December 31	₱10,842,295	₱500,290	₱94,018	₱1,620,322	₱13,056,925

**Goodwill solely related to Yondu acquisition.*

Intangible assets pertain to (1) telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment; (2) exclusive dealership right in Tao as of December 31, 2016; (3) intangible assets identified to exist during the acquisition of BTI for its customer contracts, franchise, spectrum and goodwill (see Note 9.3); (4) goodwill arising from acquisition of Socialytics (see Note 9.1); and (5) goodwill arising from acquisition of Tao (see Note 9.2).

Licenses and Application Software with carrying amount of ₱12,825.20 million and ₱10,842.30 million as of December 31, 2016 and 2015, respectively, has average remaining amortization period of 3.24 years and 3.89 years in 2016 and 2015, respectively.

Customer contracts with carrying amount of ₱357.35 million and ₱500.29 million as of million as of December 31, 2016 and 2015, respectively, has average remaining amortization period of 2.50 years and 3.50 years in 2016 and 2015, respectively.

Franchise and spectrum with carrying amount of ₱613.47 million and ₱417.21 million as of December 31, 2016 and 2015, have average remaining amortization period of 8.50 years and 9 years, respectively.

The EUL of identifiable intangible assets related to BTI acquisition are: (a) four years for customer contracts; and (b) ten years for both franchise and spectrum. As a result of Globe Telecom's sale of its controlling stake in Yondu, the related intangible assets with carrying amount of ₱2.92 million were derecognized starting September 15, 2015 (see Note 10.1).

The Globe Group conducts its annual impairment test of goodwill as of the end of the third fiscal quarter of each year. The Globe Group considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment.

As of December 31, 2016 and 2015, the carrying value of goodwill amounted to ₱1,268.10 million and ₱1,154.03 million, respectively (see Note 3.2.6.2). For impairment testing purposes, the Globe Group allocated the carrying amount of goodwill to cash-generating unit (CGU) of mobile communications services or wireless segment. The recoverable amount of said CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a five-year period, and a pre-tax discount rate of 9.2% and 14% per annum in 2016 and 2015, respectively. Cash flows beyond the five-year period are extrapolated using a steady growth rate of 2%.

The Globe Group has determined that the recoverable amount calculations are most sensitive to changes in assumptions on gross margins, discount rates, market share, and growth rates.

No impairment loss on intangible assets was recognized in 2016 and 2015. The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

9 Business Combinations

9.1 Investment in Socialytics

On January 29, 2016, AI acquired 70% of the outstanding shares of Socialytics Inc. for a total amount of ₱3.01 million. Socialytics is a social media marketing firm founded in 2013. The transaction was accounted for as an acquisition of a subsidiary.

Globe Group's acquisition of Socialytics is in line with its strategy to expand its business operations in the advertising industry.

The initial accounting for the acquisition of Socialytics has only been provisionally determined pending the finalization of necessary market valuations and determined based on management's best estimate of the likely values. As allowed under the relevant standard, the Globe Group will recognize any adjustment to those provisional values as an adjustment to goodwill upon determining the final fair values of identifiable assets and liabilities within 12 months from the acquisition date.

	Amount recognized on acquisition
	(In Thousand Pesos)
ASSETS	
Current assets	₱4,904
Other noncurrent assets	60
	4,964
LIABILITIES	
Current Liabilities	1,760
Other long term liabilities	2,325
	4,085
Net assets acquired and liabilities assumed	₱879
Purchase consideration transferred	₱3,006
Net assets acquired and liabilities assumed	(879)
Non-controlling interest measured at fair value	264
Goodwill arising on acquisition	₱2,391

Net cash outflow from the acquisition is as follows (in thousand pesos):

Total cash paid on acquisition	₱3,006
Cash and cash equivalents acquired from Socialytics	(175)
Net cash outflow on acquisition	₱2,831

From the date of acquisition, Socialytics has contributed ₱11.7 million of revenue and loss before income tax of ₱6.7 million in 2016. If the combination had taken place at the beginning of the year, revenue from Socialytics would have been ₱12.3 million and income before tax would have been ₱6.6 million in 2016.

9.2 Investment in Tao

In March 2013, Globe Telecom entered into a Shareholders Agreement with four other entities to incorporate Tao.

Globe Telecom subscribed to 25% preferred shares of Tao amounting to ₱55.00 million which has been fully paid up as of August 2013. Tao shall carry on the business of establishing, operating and maintaining retail stores in strategic locations within the Philippines that will sell telecommunications or internet-related services, and devices, gadgets, accessories or embellishments in connection and in accordance with the terms and conditions of the exclusive dealership agreement executed among all of the entities.

On November 4, 2016, the BOD of Globe Telecom approved the increase in stake in Tao from 25% to 67% resulting in Globe Telecom's gaining controlling interest in Tao by converting certain advances to equity and purchasing incremental shares or advances from Tao for a total consideration of ₱207.34 million. The transaction was accounted for as an acquisition of a subsidiary. Globe Telecom's acquisition of Tao is intended to augment its existing stores retail network.

The Globe Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's net assets acquired and liabilities assumed.

The initial accounting for the acquisition of Tao has only been provisionally determined pending the finalization of necessary market valuations and determined based on management's best estimate of the likely values. As allowed under the relevant standard, the Globe Group will recognize any adjustment to those provisional values as an adjustment to goodwill upon determining the final fair values of identifiable assets and liabilities within 12 months from the acquisition date.

The fair values of the identifiable assets and liabilities of Tao as at the date of acquisition were:

	Amount recognized on acquisition
	(In Thousand Pesos)
ASSETS	
Current assets	₱164,135
Property and equipment	51,306
Other noncurrent assets	6,634
	222,075
LIABILITIES	
Current Liabilities	140,402
Other long term liabilities	17,579
	157,981
Total net assets at fair value	64,094
Net assets acquired and liabilities assumed	₱64,094
Purchase consideration transferred	₱207,345
Net assets acquired and liabilities assumed	(64,094)
Non-controlling interest measured at fair value	21,182
Share in previously held equity interest	(38,976)
Goodwill arising on acquisition	₱125,457

The goodwill comprises the fair value of expected synergies arising from the acquisition and presented under Goodwill and other intangible assets in the statements of the financial position, as disclosed in Note 8. None of the goodwill recognized is expected to be deductible for income tax purposes.

9.3 Investment in BTI

On July 2, 2015, the National Telecommunications Commission (NTC) approved the conversion of BTI's Tranche A convertible portion of the debt to equity, and resulted in Globe Telecom's gaining a controlling interest in BTI with increased ownership from 38% to at least 54% of BTI's outstanding shares.

On July 20, 2015, Globe Telecom acquired additional voting shares of BTI, which increased its controlling interest to approximately 99% in exchange for cash amounting to ₱1,829.84 million. The transaction was accounted for as an acquisition of a subsidiary. Globe Telecom's acquisition of BTI is intended to augment its current wireline data and voice businesses using BTI's existing platform and its wireless business.

The Globe Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree’s net assets acquired and liabilities assumed.The fair value of the identifiable assets and liabilities of BTI as at the date of acquisition were:

		Amount recognized on acquisition *(In Thousand Pesos)*
ASSETS		
Current assets		₱2,638,360
Property and equipment		6,602,451
Other noncurrent assets		894,418
		10,135,229
LIABILITIES		
Current Liabilities		5,709,226
Long-term debt		4,738,264
Other long term liabilities		452,392
		10,899,882
Total net liabilities at fair value		(764,653)
Intangible assets arising on acquisition		
Customer contracts	₱571,759	
Franchise	721,731	
Frequency	490,834	1,784,324
Property and equipment appraisal increase		945,018
Deferred tax liabilities		(818,803)
Net assets acquired and liabilities assumed		₱1,145,886
Purchase consideration transferred		₱1,829,843
Net assets acquired and liabilities assumed		(1,145,886)
Non-controlling interest measured at fair value		16,386
Share in previously held equity interest		439,906
Goodwill arising on acquisition		₱1,140,249

The net assets recognized in the December 31, 2015 consolidated financial statements were based on a provisional assessment of their fair values. In June 2016, the assessment was completed. The management performed a review on BTI Group’s accrual balances and has identified certain items for reversal amounting to ₱22.90 million which were found to be not existing at acquisition date. As a result, there was an increase in the gain on previously held equity interest of ₱8.79 million and an increase in the non-controlling interest of ₱0.33 million. There was also a corresponding reduction in goodwill of ₱13.78 million, resulting in ₱1,140.25 million of total goodwill arising on the acquisition.

The goodwill comprises the fair value of expected synergies arising from the acquisition and presented under Goodwill and other intangible assets in the statements of the financial position, as disclosed in Note 8. None of the goodwill recognized is expected to be deductible for income tax purposes.

For the valuation of identifiable intangible assets, the "multi-period-excess-earnings method" was used. The respective future excess cash flows were identified and adjusted in order to eliminate all elements not associated with these assets. Future cash flows were measured on the basis of the expected sales by deducting variable and sales-related imputed costs for the use of the contributory assets. Subsequently, the outcome was discounted using the appropriate discount rate and adding a tax amortization benefit.

The fair value of the properties is based on valuations performed by an independent appraiser using acceptable valuation techniques within the industry. However, these techniques make use of inputs which are not based on observable market data. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates.

Net cash outflow from the acquisition is as follows (in thousand pesos):

Total purchase consideration	₱1,829,843
Cash and cash equivalents acquired from BTI	(511,154)
Net cash outflow on acquisition	₱1,318,689

Acquisition related costs of ₱26.50 million were expensed and are included within "general, selling and administrative" line item in the consolidated statements of comprehensive income in 2015.

From the date of acquisition, BTI has contributed ₱3,059.28 million in revenues and income before tax of ₱31.04 million in 2015. If the combination had taken place at the beginning of the year, BTI's contribution to revenue would have been ₱6,056.71 million and income before tax would have been ₱144.30 million in 2015.

10 Investments

This account consists of the following as of December 31:

	2016	2015
	(In Thousand Pesos)	
Investments at equity	**₱34,181,452**	₱1,498,565

Details of the Globe Group's investments in joint ventures and associate and the related percentages of ownership are shown below:

	Country of Incorporation	Principal Activities	**2016**	2015
Associates				
Yondu	Philippines	Mobile content and application development services	49%	49%
AFPI	Philippines	Construction and establishment of systems, infrastructure	20%	20%
Joint Ventures				
VTI	Philippines	Telecommunications	50%	-
BAHC	Philippines	Holding Company	50%	-
BHC	Philippines	Holding Company	50%	-
GTHI	Philippines	Health hotline facility	50%	50%
TechGlobal	Philippines	Installation and management of data centers	49%	49%
Bridge Mobile Pte. Ltd. (BMPL)	Singapore	Mobile technology infrastructure and common service	10%	10%
BPI Globe BanKO Inc., A Savings Bank (BPI Globe BanKO)	Philippines	Micro-finance enterprises banking services	-	40%

The movement in investments in joint ventures and associates are as follows:

	2016	2015
	(In Thousand Pesos)	
Acquisition Costs		
At January 1	**₱1,989,455**	₱648,676
Acquisition during the year	**33,559,783**	332,500
Disposal during the year	**(24,011)**	-
Advances reclassed to investment	**-**	143,573
Fair value adjustment arising from sale of controlling interest in Yondu	**-**	864,706
At December 31	**35,525,227**	1,989,455
Accumulated Equity in Net Losses		
At January 1	**(511,950)**	(358,438)
Equity in net losses	**(855,198)**	(153,512)
At December 31	**(1,367,148)**	(511,950)
Other Comprehensive Income		
At January 1	**21,060**	16,912
Net foreign exchange difference	**3,914**	2,034
Others	**(1,601)**	2,114
At December 31	**23,373**	21,060
Carrying Value at December 31	**₱34,181,452**	₱1,498,565

Investment in Associates

10.1 Investment in Yondu

Globe Telecom previously owned 100% interest in Yondu and consolidated its net assets in the consolidated statement of financial position as of December 31, 2014. On September 1, 2015, Yondu and GCVHI entered into a Deed of Assignment to assign the former's interest in GTHI to GCVHI for a total consideration of ₱15 million.

On September 15, 2015, Globe Telecom sold its controlling interest in Yondu for a total consideration of P670 million. On the same date, Yondu issued additional 5,000 common shares from its unissued authorized capital stock to a third party which further diluted Globe Telecom's ownership interest to 49%. Gain on disposal of controlling interest in subsidiary and gain on fair value of retained interest was recognized in the consolidated statements of comprehensive income amounting to ₱449.15 million and ₱745.83 million, respectively, for the year ended December 31, 2015.

The fair value of retained interest in Yondu is based on the most recent market transaction.

Total assets and liabilities of Yondu as of the date of disposal of controlling interest amounted to ₱740.70 million and ₱728.10 million, respectively, including cash and cash equivalents of ₱75.51 million. The fair value of the Yondu shares held by Globe Telecom amounted to ₱864.71 million as of September 15, 2015.

As of December 31, 2016 and 2015, the carrying value of the investment in Yondu amounted to ₱928.39 million and ₱886.99 million, respectively.

The following table presents the summarized unaudited financial information of Yondu as of December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015.

	2016	2015
Statements of Financial Position:		
Current assets, including cash and cash equivalents	**₱568,563**	₱851,259
Noncurrent assets	**39,323**	59,716
Current liabilities	**283,739**	627,757
Equity	**372,729**	283,218
Statements of Comprehensive Income:		
Revenue	**744,398**	925,719
Cost of sales and services	**(613,219)**	(626,879)
Gross income	**131,179**	298,840
Other expense	**(8,227)**	(1,093)
Income before tax	**122,952**	297,747
Provision for income tax	**(38,461)**	(96,227)
Total comprehensive income/Net income for the period	**₱84,491**	₱201,520
Globe Group's share in net income for the period	**₱41,401**	₱22,280

The Globe Group has no share of any contingent liabilities of any associates as of December 31, 2016.

10.2 Investment in AFPI (formerly AFCS)

On January 30, 2014, following a competitive bidding process, the Department of Transportation and Communication awarded to AF Consortium, composed of AC Infrastructure Holdings Corp., BPI Card Finance Corp., Globe Telecom, Inc., Meralco Financial Services, Inc., Metro Pacific Investments Corp., and Smart Communications, Inc. the rights to design, build and operate the ₱1.72 billion automated fare collection system. This is a public-private partnership project intended to upgrade and consolidate the fare collection systems of the three urban rail transit systems which presently serve Metro Manila.

On February 10, 2014, AF Consortium incorporated AFCS, a special purpose company, which will assume the rights and obligations of the concessionaire. These rights and obligations include the construction and establishment of systems, infrastructure including implementation, test, acceptance and maintenance plans, and operate the urban transit system for a period of 10 years.

Globe Telecom made an additional capital contribution of ₱160.00 million in February 2015 and ₱130.00 million in February 2016.

On March 11, 2015, AFCS changed its name from Automated Fare Collection Services, Inc. to AF Payments Inc.

As of December 31, 2016 and 2015, Globe Telecom has invested a total of ₱590.00 million, and ₱460.00 million, respectively, in the consortium with 20% equivalent equity interest. This is accounted for as investment in associate with carrying value as of December 31, 2016 and 2015, amounting to ₱370.77 million and ₱371.19 million, respectively.

The following table presents the summarized unaudited financial information of the AFPI as of December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015.

	2016	2015
	(In Thousand Pesos)	
Statements of Financial Position:		
Current assets, including cash and cash equivalents	**₱786,008**	₱618,119
Noncurrent assets	**1,803,749**	1,974,411
Current liabilities	**367,511**	439,410
Equity	**1,853,871**	1,835,062
Statements of Comprehensive Loss:		
Revenue	**44,510**	23,262
Cost and expenses	**(688,446)**	(409,171)
Loss before tax	**(643,936)**	(385,909)
Net loss for the year	**(643,936)**	(385,909)
Other comprehensive loss	**(111)**	(1,575)
Total comprehensive loss	**(₱644,047)**	(₱387,484)
Globe Group's share in net loss for the year	**(₱128,809)**	(₱77,497)
Share in stock issuance costs	**(₱1.61)**	-

Investment in Joint Ventures

10.3 Investment in BPI Globe BanKO

On July 17, 2009, Globe Telecom acquired a 40% stake in BPI Globe BanKO for ₱141.33 million, pursuant to a Shareholder Agreement with Bank of the Philippine Islands (BPI), Ayala Corporation and PS Bank, and a Deed of Absolute Sale with BPI. BPI Globe BanKO provides financial services to micro-finance institutions and retail clients through mobile and related technology.

On May 10, 2011, the BOD of Globe Telecom approved the additional investment of ₱100.00 million as share for BPI Globe BanKO's increase in capitalization to cover its expansion plan for the next three years. Globe Telecom made the initial capital infusion of ₱79.01 million in 2011 and ₱20.99 million in 2012. Thereafter, Globe infused additional capital recorded under "Investments and advances" account amounting to ₱248.00 million and ₱59.00 million in 2014 and 2013, respectively.

On August 27, 2015, Globe Telecom, AC and BPI Globe BanKO entered into an agreement to turn over full ownership of BPI Globe BanKO to BPI, one of the majority owners of the joint venture. On September 20, 2016, Globe Telecom disposed of its 40% interest in Globe BanKO for a total consideration of ₱16.12 million. The carrying value of investment amounted to ₱24.01 million as of September 20, 2016, resulting to a loss on disposal of ₱7.89 million.

As of December 31, 2015, the carrying value of the investment and advances amounted to ₱53.16 million representing 40% interest.

The following table presents the summarized unaudited financial information of the BPI Globe BanKO as of and for the year ended December 31, 2015.

	2015
	(In Thousand Pesos)
Statement of Financial Position:	
Current assets, including cash and cash equivalents	₱402,079
Noncurrent assets	267,985
Current liabilities	537,155
Equity	132,909
Statement of Comprehensive Loss:	
Revenue	97,997
Cost and expenses	(333,728)
Loss before tax	(235,731)
Income tax benefit	11,284
Total comprehensive loss /Net loss for the year	(₱224,447)
Globe Group's share in net loss for the year	(₱89,779)

10.4 Investment in BMPL

Globe Telecom and other leading Asia Pacific mobile operators (JV partners) signed an Agreement in 2004 (JV Agreement) to form a regional mobile alliance, which will operate through a Singapore-incorporated company, BMPL. The JV company is a commercial vehicle for the JV partners to build and establish a regional mobile infrastructure and common service platform and deliver different regional mobile services to their subscribers.

Globe Group has a ten percent (10%) stake in BMPL. The other joint venture partners each with equal stake in the alliance include SK Telecom, Co. Ltd., Advanced Info Service Public Company Limited, Bharti Airtel Limited, Maxis Communications Berhad, Optus Mobile Pty. Limited, Singapore Telecom Mobile Pte, Ltd., Taiwan Mobile Co. Ltd., PT Telekomunikasi Selular and CSL Ltd. Under the JV Agreement, each partner shall contribute USD4 million based on an agreed schedule of contribution. Globe Telecom may be called upon to contribute on dates to be determined by the JV partners. On November 25, 2014, Globe Telecom received a return of capital amounting to USD1.40 million.

As of December 31, 2016 and 2015, the carrying value of the investment in BMPL amounted to ₱39.13 million and ₱29.80 million, respectively.

The following table presents the summarized unaudited financial information of the BMPL as of December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015.

	2016	2015
	(In Thousand Pesos)	
Statement of Financial Position:		
Current assets, including cash and cash equivalents	**₱481,340**	₱357,616
Noncurrent assets	**33,430**	28,403
Current liabilities	**127,015**	91,630
Equity	**387,755**	294,389
Statement of Comprehensive Income:		
Revenue	**231,510**	223,156
Cost and expenses	**175,262**	155,768
Total comprehensive income/ Net income for the year	**₱56,248**	₱67,388
Globe Group's share in net income for the year	**₱5,422**	₱6,550
Cumulative translation difference	**₱3,914**	₱4,163

10.5 Investment in GTHI

On October 23, 2014, Yondu and Salud Interactiva (SI) signed a shareholder's agreement for the purpose of entering into a joint venture through a Philippine corporation. The Joint Venture (JV) Company was registered with the Securities and Exchange Commission on June 3, 2015 under the name GTHI as a stock corporation with 50% foreign equity formed to establish, operate, manage and provide a health hotline facility, including ancillary Information Technology services with intent to operate as a domestic market enterprise. GTHI started commercial operations in July 2015.

On September 1, 2015, Yondu assigned its interest to GCVHI. This is accounted for using the equity method.

As of December 31, 2016 and 2015 total carrying value of investment in GTHI amounted to ₱21.47 million and ₱34.93 million, respectively.

The following table presents the summarized unaudited financial information of the GTHI as of December 31, 2016 and 2015 and for the year ended December 31, 2016 and 2015.

	2016	2015
	(In Thousand Pesos)	
Statement of Financial Position:		
Current assets, including cash and cash equivalents	**₱60,660**	₱80,415
Noncurrent assets	**4,286**	6,123
Current liabilities	**22,000**	16,671
Equity	**42,945**	69,867
Statement of Comprehensive Loss:		
Revenue	**26,502**	318
Cost and expenses	**53,424**	30,451
Total comprehensive loss/ Net loss for the year	**(₱26,922)**	(₱30,133)
Globe Group's share in net loss for the year	**(₱13,461)**	(₱15,067)

10.6 Investment in TechGlobal

On November 2, 2015, Innove and Techzone Philippines incorporated TechGlobal, a Joint Venture Company, formed to install, own, operate, maintain and manage all kinds of data centers and to provide information technology-enabled services and computer-enabled support services. Innove and Techzone hold ownership interest of 49% and 51%, respectively. As of December 31, 2016, TechGlobal has not started commercial operations.

The carrying value of the investment amounted to ₱115.32 million and ₱122.50 million as of December 31, 2016 and 2015, respectively.

The Globe Group has no share of any contingent liabilities of the joint ventures as of December 31, 2016.

The following table presents the summarized unaudited financial information of the TechGlobal as of December 31, 2016 and for the period ended December 31, 2016.

	2016
	(In Thousand Pesos)
Statement of Financial Position:	
Current assets, including cash and cash equivalents	**₱19,487**
Noncurrent assets	**256,261**
Current liabilities	**40,389**
Equity	**235,359**
Statement of Comprehensive Loss:	
Cost and expenses	**14,641**
Total comprehensive loss/ Net loss for the year	**14,641**
Globe Group's share in net loss for the year	**₱7,174**

10.7 Investment in VTI, BAHC and BHC

On May 30, 2016, Globe Telecom's Board of Directors, through its Executive Committee, approved the signing of a Sale and Purchase Agreement (SPA) and other related definitive agreements for acquisition of 50% equity interest in the telecommunications business of San Miguel Corporation (SMC), Schutzengel Telecom, Inc. and Grace Patricia W. Vilchez-Custodio (the "Sellers"; SMC being the major seller) through their respective subsidiaries namely, VTI, BAHC and BHC, respectively (the Acquirees). The preceeding sentence is hereinafter referred to as "the Transaction".

VTI owns an equity stake in Liberty Telecom Holdings, Inc. (LIB), a publicly listed company in the Philippine Stock Exchange. It also owns, directly and indirectly, equity stakes in various enfranchised companies, including Bell Telecommunication Philippines, Inc. (Bell Tel), Eastern Telecom Philippines, Inc. (Eastern Telecom), Express Telecom, Inc., and Tori Spectrum Telecom, Inc., among others. The remaining 50% equity stake in VTI, BAHC and BHC was acquired by Philippine Long Distance Telephone Company (PLDT) under similar definitive agreements.

Total consideration for the Transaction amounts to ₱52,847.82 million for the purchase of the equity interest and advances of the Acquirees, which translated to an agreed consideration of ₱26,423.91 million for Globe Telecom's 50% equity stakes in the Acquirees. The SPA also provided for the assumption of total liabilities of ₱17,151.18 million by Globe and PLDT from May 30, 2016 and a price adjustment mechanism based on the variance in the amount of assumed liabilities from April 30, 2016 to be agreed upon by Globe, PLDT and the Sellers at the end of the confirmatory due diligence period. As of December 31, 2016 the negotiated amount was ₱10,782.50 which was already finalized with the network suppliers. Globe Telecom's share in the negotiated assumed liabilities amounting to ₱5,391.25 million and acquisition-related cost amounting to ₱298.53 million was carried as part of the investment cost. The confirmatory due diligence is still ongoing as of December 31, 2016. The assumption of liabilities of VTI, BAHC and BHC by Globe Telecom and PLDT may give rise to claims that may not have been contemplated and agreed upon during the period set for confirmatory due diligence. The SPA provides for various indemnity claims expiring between 2 to 5 years from the end of the confirmatory due diligence period.

The consideration for the equity interest and advances was settled on a deferred basis based on the following schedule: 50% was paid on May 30, 2016, 25% was paid on December 1, 2016 and 25% shall be payable on May 30, 2017. As security for the final payment, an irrevocable standby letter of credit was delivered to the Sellers.

The acquisition provided Globe Telecom an access to certain frequencies assigned to Bell Tel in the 700 Mhz, 900 Mhz, 1800 Mhz, 2300 Mhz and 2500 Mhz bands through a co-use arrangement approved by the NTC on May 27, 2016. NTC's approval is subject to the fulfillment of certain conditions including roll out of telecom infrastructure covering at least 90% of the cities and municipalities in three years to address the growing demand for broadband infrastructure and internet access.

The memorandum of agreement between Globe and PLDT provides for both parties to pool resources and share in the profits and losses of the companies on a 50%-50% basis with a view to being financially self-sufficient and able to operate or borrow funds without recourse to the parties. Globe has extended advances to Vega group amounting to ₱1,316.08 million for the period June 1, 2016 to December 31, 2016 which was carried as part of investment cost.

Of the various companies within the group, only Eastern Telecom and its subsidiary have commercial operations generating ₱2,093.60 million, ₱955.70 million and ₱670.50 million in revenues, EBITDA and net income for the year ended December 31, 2016, respectively. Globe Telecom has adjusted its share in the net assets of the Acquirees to reflect losses on fair value of assets and onerous contracts.

On June 21, 2016, Globe Telecom exercised its rights as holder of 50% equity interest of VTI to cause VTI to propose the conduct of a tender offer on the common shares of LIB held by minority shareholders as well as the voluntary delisting of LIB. At the completion of the tender offer and delisting of LIB, VTI's ownership on LIB is at 99.1%.

As at the date of the Transaction, the fair value of the identifiable assets and liabilities of VTI, BAHC and BHC which has been provisionally determined pending the finalization of necessary market valuations and determined based on management's best estimate of the likely values are as follows:

		2016
Assets		**₱8,857,921**
Liabilities		**(18,474,206)**
Total net liabilities at fair value		**(9,616,285)**
Intangible assets arising from the acquisition:		
Spectrum	**₱37,769,443**	
Trademark	**419,401**	
Customer contracts	**660,400**	**38,849,244**
Property and equipment appraisal increase		**1,049,964**
Deferred tax liabilities		**(11,969,762)**
Non-controlling interest measured at fair value		**(1,197,681)**
		₱17,115,480
Purchase consideration transferred		**₱26,562,192**
Share in identifiable assets and intangible assets (50%)		**(8,557,740)**
Goodwill arising on the acquisition		**₱18,004,452**

The Globe Group will recognize any adjustment to those provisional values as an adjustment to goodwill upon determining the final fair values of identifiable assets and liabilities within 12 months from the acquisition date, as allowed by PFRS 3.

The provisional fair value amount of spectrum, trademark, customer contracts and property and equipment was determined by an independent appraiser using acceptable valuation techniques for the industry. However, these techniques make use of inputs which are not based on observable data. The application of different sets of assumptions or technique could have a significant effect on the resulting fair value estimates. The fair values of intangible assets reflect the market participants' expectations at the acquisition date about the probability that the expected future economic benefits embodied in the assets will flow to the entity. The major market participants for the industry are Globe and PLDT.

Spectrum was valued using the greenfield approach where the Globe Group is deemed to have started with nothing but the spectrum and licenses, paid for all other assets and incurred the startup costs and losses during the ramp up period. The relief of royalty approach was applied for the valuation of trademark using a royalty charge derived from comparable transactions and applied against projected revenues. Customer contracts were valued using the multi-period excess earnings method (MEEM) which is the difference between after-tax operating cash flows attributable to the customer contracts following a certain percentage of attrition and the required cost of invested capital on contributory assets.

The goodwill comprises the fair value of the expected synergies arising from the acquisition. For goodwill impairment assessment, the cash generating unit is the mobile communications segment of Globe Group.

Management has estimated the useful life of the spectrum to be 50 years, after considering the market forces and technological trends which will determine the economic life of the asset, over which period the Globe Group can continue generating optimum level of future cash flows.

The following table presents the summarized unaudited financial information of VTI, BAHC and BHC as at and for the year ended December 31, 2016.

	2016
Statement of Financial Position:	
Current assets, including cash and cash equivalents	**₱3,334,344**
Noncurrent assets	**4,418,434**
Current liabilities	**17,083,846**
Deficit	**(10,543,361)**
Statement of Comprehensive Income:	
Revenue	**2,007,149**
Cost of sales and services	**991,501**
Gross income	**1,015,648**
Other expense	**51,400,797**
Loss before tax	**50,385,149**
Provision for income tax	**333,712**
Total comprehensive loss/Net loss	**50,718,861**
Globe Group’s share in net loss from June 1, 2016 to December 31, 2016 and net of tax amortization of intangibles assets	**₱723,423**

As of December 31, 2016, the carrying value of the investment amounted to ₱32,706.36 million.

The Transaction has been the subject of review notice filed by the Philippine Competition Commission (PCC) against Globe Telecom, PLDT, SMC and VTI on June 7, 2016 where PCC claimed that the notice was deficient in form and substance and concluded that the acquisition cannot be claimed to be deemed approved. Globe Telecom has clarified that that supposed deficiency in form and substance is not a ground to prevent the transaction from being deemed approved. The petitions of both parties with the Court of Appeals have been subsequently consolidated and the parties were required to submit their respective memoranda after which the case shall be deemed submitted for resolution (see Note 26).

11 Other Noncurrent Assets

This account consists of:

	Notes	2016	2015
		(In Thousand Pesos)	
Miscellaneous deposits - net		**₱1,043,479**	₱934,656
AFS investment in equity securities	28.12	**794,087**	577,580
Deferred input VAT	6	**260,720**	464,426
Loan receivables from:			
GGRP	16.3, 18.2	**-**	968,000
BHI	16.3	**-**	158,620
Others	9.2	**97,677**	103,331
		₱2,195,963	₱3,206,613

12 Accounts Payable and Accrued Expenses

This account consists of:

	Notes	2016	2015
		(In Thousand Pesos)	
Accrued project costs	25.3	**₱21,533,633**	₱20,862,122
Accounts payable	16, 9	**20,389,473**	13,050,017
Accrued expenses	16		
Repairs and maintenance		**3,627,299**	2,605,407
Services		**3,539,472**	3,695,142
Lease		**2,112,170**	1,635,900
General, selling and administrative		**1,983,909**	1,931,195
Advertising		**1,821,800**	1,768,127
Manpower		**1,179,182**	1,945,611
Utilities		**1,083,614**	1,045,435
Interest		**523,439**	385,672
Traffic settlements - net	4	**846,074**	444,211
Dividends payable	17.3	**262,355**	260,030
Output VAT - net		**235,266**	198,433
		₱59,137,686	₱49,827,302

General, selling and administrative accrued expenses include travel, professional fees, supplies, commissions and miscellaneous, which are individually immaterial.

Traffic settlements payable are presented net of traffic settlements receivable from the same carrier amounting to ₱947.35 million and ₱1,143.42 million as of December 31, 2016 and 2015, respectively.

As of December 31, 2016, Globe Telecom, GXI, , Asticom and KVI reported output VAT amounting to ₱235.26 million, net of input VAT of ₱1,074.87 million. As of December 31, 2015, Globe Telecom, GXI, Innove, Asticom and KVI reported output VAT amounting to ₱198.43 million, net of input VAT of ₱1,044.75 million.

13 Provisions

The rollforward analysis of this account follows:

	Notes	2016	2015
		(In Thousand Pesos)	
At beginning of year		**₱1,160,118**	₱401,288
Provisions for investments	3.1.5, 10.7	**5,391,250**	-
Provisions for claims		**634,963**	257,587
Payments/reversals		**(554,719)**	(390,711)
Assumed provisions from a business combination		**-**	891,954
At end of year		**₱6,631,612**	₱1,160,118

Provisions relate to various pending unresolved claims over the Globe Group's businesses such as provision for taxes, employee benefits, onerous contracts and various labor cases. Provision for investments pertains to Globe Telecom's share in the total assumed liabilities related to the acquired interest in VTI, BAHC and BHC as discussed in Note 10.7. Included under employee benefits in 2015 is the restructuring cost of BTI amounting to ₱416.86 million which was settled in 2016. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of these on-going claims and assessments. As of February 7, 2017, the remaining pending claims are still being resolved.

14 Notes Payable and Long-term Debt

Notes payable consist of short-term unsecured peso-denominated promissory notes from local banks.

On March 3, 2016, Globe Telecom signed a ₱1,000 million short-term loan with fixed interest rate with Security Bank as lender. The proceeds of the loan were used as working capital. The loan was fully paid in March 2016.

On May 27, 2016 and May 30, 2016, Globe Telecom signed a ₱4,000 million short-term loan with Metrobank and ₱8,900 million short-term loan with Security Bank, respectively, both with fixed interest rates. The proceeds of the loans were used to partially finance an investment. The short-term loan were fully paid in September 2016.

On August 30, 2016, Globe Telecom signed a ₱2,000 million short-term loan with fixed interest rate with BDO as lender. The proceeds of the loan were used as working capital. The loan was fully paid in November 2016.

On November 17, 2016, Globe Telecom signed a ₱1,500 million short term loan with Metrobank as lender. The proceeds of the loan were used as working capital. The short term loan will mature in February 2017.

On December 14, 2016 and December 19, 2016, Globe telecom signed a ₱1,200 million short term loan with Mizuho and ₱1,800 million with BDO, respectively, both with fixed interest rates. The proceeds of the loans were used as working capital. The loans will mature in March 2017.

On December 16, 2016, Globe Telecom signed a ₱1,200 million short term loan with fixed interest rate with BDO as lender. The proceeds of the loan were used as working capital. The loan was fully paid in December 2016.

The short-term loans bear interest ranging from 2.40% to 3.25%.

Long-term debt consists of:

	2016	2015
	(In Thousand Pesos)	
Term Loans:		
Peso	**₱71,610,561**	₱35,683,362
Dollar	**12,715,561**	17,560,999
Retail bonds	**16,902,469**	16,917,473
Corporate notes	**-**	2,067,024
	101,228,591	72,228,858
Less current portion	**(5,830,319)**	(7,973,594)
	₱95,398,272	₱64,255,264

The maturities of long-term debt at nominal values as of December 31, 2016 follow (in thousands):

Due in:	
2017	₱5,844,710
2018	8,175,481
2019	16,401,327
2020	10,945,571
2021 and thereafter	60,337,635
	₱101,704,724

Unamortized debt issuance costs included in the above long-term debt as of December 31, 2016 and 2015 amounted to ₱476.13 million and ₱305.58 million, respectively.

Total interest expense recognized related to long-term debt, excluding the capitalized interest, amounted to ₱3,101.95 million, ₱2,504.10 million and ₱2,067.34 million in 2016, 2015 and 2014, respectively (see Notes 7 and 22).

The interest rates and maturities of the above debts are as follows:

	Maturities	Interest Rates
Term Loans:		
Peso	2017-2031	2.06% to 6.00% in 2016
	2016-2025	2.02% to 6.00% in 2015
Dollar	2017-2023	1.12% to 5.00% in 2016
	2016-2023	1.12% to 5.00% in 2015
Corporate notes	2016	8.43% in 2015
Retail bonds	2017-2023	4.89% to 6.00% in 2016
	2017-2023	4.89% to 6.00% in 2015

14.1 Term Loans and Corporate Notes

Globe Group's unsecured bank loans and corporate notes, which consist of fixed and floating rate notes and dollar and peso-denominated bank loans, bear interest at stipulated and prevailing market rates. Globe Group also has secured debt amounting to USD4.47 million as of December 31, 2015 arising from its acquisition of BTI (see Note 7).

On March 22, 2013, Globe Telecom signed a USD120 million 7-year term loan with floating interest rate with Metrobank as lender to finance Globe Telecom's capital expenditure.

On December 4, 2013, Globe Telecom signed a ₱7,000 million 7-year term loan credit facility with fixed interest rate with Land Bank of the Philippines as lender. The proceeds of the loan were used to partially finance Globe Telecom's general financing and corporate requirements for capital expenditures. The total loan amount was drawn in 2014.

On March 9, 2015, Globe Telecom signed a ₱7,000 million 7-year term loan with fixed interest rate with Philippine National Bank. The proceeds of the loan were used to partially finance the capital expenditures and general corporate requirements.

On October 1, 2015, Globe Telecom signed a USD45 million 7-year term loan with floating interest rate and a ₱5,000.00 million 10-year term loan with fixed interest rate with Metrobank. The proceeds of the loans were used to finance the capital expenditures and/or reimburse capital expenditures.

On March 14, 2016, Globe Telecom signed a ₱7,000 million 10-year term loan with fixed interest rate with Land Bank of the Philippines as lender. The proceeds of the loan were used to partially finance the general financing and corporate requirements for capital expenditures.

On September 2, 2016, Globe Telecom signed a ₱20,000 million term loan with tenors of 12 and 15 years at a fixed interest rate, with Metrobank as lender. The proceeds of the loan were used to partially finance the acquisition of VTI, BAHC and BHC.

On September 29, 2016, Globe Telecom signed a ₱7,000 million 10-year term loan with fixed interest rate with Unionbank as lender. The proceeds of the loan were used to partially finance capital expenditures.

On November 28, 2016, Globe Telecom signed a ₱500 million 15-year term loan with fixed interest rate with Unionbank as lender. The proceeds of the loan were used to partially finance the acquisition of VTI, BAHC and BHC.

The loan agreements with banks and other financial institutions provide for certain restrictions and requirements with respect to, among others, maintenance of financial ratios and percentage of ownership of specific shareholders, incurrence of additional long-term indebtedness or guarantees and creation of property encumbrances.

The financial tests under Globe Group's loan agreements include compliance with the following ratios:

- Total debt* to equity not exceeding 2.5:1;
- Total debt* to EBITDA not exceeding 3:1;
- Debt service coverage exceeding 1.3 times; and
- Secured debt ratio not exceeding 0.2 times.

**Composed of notes payable, long term debt and net derivative liabilities.*

In August 2016, the loan agreements with Non-Bank Financial Institutions were amended to adjust the debt to equity ratio from 2:1 to 2.5:1. As of December 31, 2016, the Globe Group is not in breach of any loan covenants.

14.2 Retail Bonds

On June 1, 2012, Globe Telecom issued ₱10,000.00 million fixed rate bonds. The amount comprises ₱4,500.00 million and ₱5,500.00 million fixed rate bonds due in 2017 and 2019, with interest rate of 5.75% and 6.00%, respectively. The net proceeds of the issue were used to partially finance the Globe Telecom's capital expenditure requirements in 2012.

The five-year and seven-year retail bonds may be redeemed in whole, but not in part only, starting two years before maturity date and on the anniversary thereafter at a price equal to 101.00% and 100.50%, respectively, of the principal amount of the bonds and all accrued interest to the date of the redemption.

On July 17, 2013, the Globe Telecom issued ₱7,000.00 million fixed rate bond. The amount comprises ₱4,000.00 million and ₱3,000.00 million bonds due in 2020 and 2023, with interest rate of 4.8875% and 5.2792%, respectively. The net proceeds of the issue were used to partially finance the Globe Telecom's capital expenditure requirements in 2013.

The seven-year and ten-year retail bonds may be redeemed in whole, but not in part only, starting two years for the seven-year bonds and three years for the ten-year bonds before the maturity date and on the anniversary thereafter at a price ranging from 101.0% to 100.5% and 102.0% to 100.5%, respectively, of the principal amount of the bonds and all accrued interest depending on the year of redemption.

The prepayment feature is assessed as clearly and closely related to the host debt instrument, and hence need not be separately accounted for at FVPL.

In August 2016, the Bond Trust Indentures were amended to adjust the maximum debt-to-equity ratio from 2:1 to 2.5:1. As of December 31, 2016, the Globe Group is not in breach of any bond covenants.

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15 Other Long-term Liabilities

This account consists of:

	Notes	**2016**	2015
		(In Thousand Pesos)	
Accrued pension	16.3, 18.2	**₱3,101,552**	₱3,217,784
ARO	3.2.4, 7	**2,239,107**	2,054,970
Accrued lease obligations and others	25.1.2	**1,329,057**	1,221,576
		₱6,669,716	₱6,494,330

The rollforward analysis of the Globe Group's ARO follows:

	Notes	**2016**	2015
		(In Thousand Pesos)	
At beginning of year		**₱2,054, 970**	₱1,868,006
Accretion expense during the year	22	**167,742**	152,829
Capitalized to property and equipment during the year	30	**23,210**	39,269
Assumed ARO from a business combination		**-**	39,158
Reversals		**(7,535)**	(3,865)
Adjustments due to changes in estimates	3.2.4	**720**	(40,427)
At end of year		**₱2,239,107**	₱2,054,970

16 Related Party Transactions

Parties are considered to be related to Globe Group if they have the ability, directly or indirectly, to control the Globe Group or exercise significant influence over the Globe Group in making financial and operating decisions, or vice versa, or where the Globe Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or entities and include entities which are under the significant influence of related parties of the Globe Group where those parties are individuals, and post-employment benefit plan which are for the benefit of employees of the Globe Group or of any entity that is a related party of the Globe Group.

The Globe Group, in their regular conduct of business, enter into transactions with their major stockholders, AC and Singtel, associates, joint ventures and certain related parties.

16.1 Entities with Joint Control over Globe Group - AC and Singtel

- Globe Telecom has interconnection agreements with Singtel. The related net traffic settlements receivable (included in "Receivables" account in the consolidated statements of financial position) and the interconnection revenues earned (included in "Service revenues" account in the consolidated statements of comprehensive income) are as follows:

	2016	2015	2014
	(In Thousand Pesos)		
Traffic settlements receivable - net	**₱70,141**	₱22,824	₱79,191
Interconnection revenues	**755,514**	725,635	784,965
Interconnection costs	**85,148**	50,346	112,976

- Globe Telecom and Singtel have a technical assistance agreement whereby Singtel will provide consultancy and advisory services, including those with respect to the construction and operation of Globe Telecom's networks and communication services, equipment procurement and personnel services. In addition, Globe Telecom has software development, supply, license and support arrangements, lease of cable facilities, maintenance and restoration costs and other transactions with Singtel.
- The details of fees (included in repairs and maintenance under the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) incurred under these agreements are as follows:

	2016	2015	2014
	(In Thousand Pesos)		
Maintenance and restoration costs and other transactions	**₱126,148**	₱57,551	₱63,695
Technical assistance fee	**89,400**	67,907	160,534
Software development, supply, license and support	**28,342**	7,069	19,642

The outstanding balances due to Singtel (included in the "Accounts payable and accrued expenses" account in the consolidated statements of financial position) arising from these transactions are as follows:

	2016	2015	2014
	(In Thousand Pesos)		
Technical assistance fee	**₱63,510**	₱57,967	₱135,877
Maintenance and restoration costs and other transactions	**22,695**	8,985	10,882
Software development, supply, license and support	**17,974**	-	-

- Globe Telecom, Innove and BTI earn subscriber revenues from AC. The outstanding subscribers receivable from AC (included in "Receivables" account in the consolidated statements of financial position) and the amount earned as service revenue (included in the "Service revenues" account in the consolidated statements of comprehensive income) are as follows:

	2016	2015	2014
	(In Thousand Pesos)		
Subscriber receivables	**₱11,463**	₱12,215	₱9,662
Service revenues	**24,112**	19,338	18,990

- Globe Telecom reimburses AC for certain operating expenses. The net outstanding liabilities to (included in "Accounts payable and accrued expenses" account in the consolidated statements of financial position) and the amount of expenses incurred (included in the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) are as follows:

	2016	2015	2014
	(In Thousand Pesos)		
General, selling and administrative expenses	**₱95,717**	₱48,743	₱37,135
Accounts payable and accrued expenses	**24,653**	50	755

16.2 Joint Ventures in which the Globe Group is a venturer (see Note 10)

- Globe Telecom has preferred roaming service contract with BMPL. Under this contract, Globe Telecom will pay BMPL for services rendered by the latter which include, among others, coordination and facilitation of preferred roaming arrangement among JV partners, and procurement and maintenance of telecommunications equipment necessary for delivery of seamless roaming experience to customers. Globe Telecom also earns or incurs commission from BMPL for regional top-up service provided by the JV partners. The net outstanding liabilities to BMPL related to these transactions amounted to ₱92.86 million and ₱3.11 million as of December 31, 2016 and 2015, respectively. Balances related to these transactions (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounted to ₱19.42 million, ₱18.68 million and ₱23.76 million, for the years ended December 31, 2016, 2015 and 2014, respectively.

- In October 2009, the Globe Group entered into an agreement with BPI Globe BanKO for the pursuit of services that will expand the usage of GCash technology. As a result, the Globe Group recognized revenue amounting to ₱7.46 million, ₱8.96 million and ₱6.13 million in 2016, 2015 and 2014, respectively. The related receivables amounted to ₱16.30 million and ₱7.47 million as of December 31, 2016 and 2015, respectively.

16.3 Transactions with the Globe Group Retirement Plan (GGRP) (see Note 11)

- In 2007, Globe Telecom, Innove and GXI pooled its plan assets for single administration by the GGRP, which was created for the management of the retirement fund. The decisions of the GGRP are made through collective decision of the Board of Trustees.

  The plan is funded by contributions as recommended by the independent actuary on the basis of reasonable actuarial assumptions. These assumptions and the funded status of the pension plan are disclosed in Note 18.2.

  The funded status for the pension plan of Globe Group as of December 31, 2016 and 2015 amounted to ₱3,101.55 million and ₱3,217.78 million, respectively (see Notes 15 and 18.2).

  The fair value of plan assets by each class held by the retirement fund, on a pooled basis is disclosed in Note 18.2.

- As of December 31, 2016 and 2015, the pension plan assets of the retirement plan include shares of stock of Globe Telecom with total fair value of ₱32.18 million and ₱31.20 million, and shares of stock of other related parties with total fair value of ₱107.23 million and ₱144.07 million, respectively. Gains arising from these investments amounted to ₱7.55 million, ₱11.75 million and ₱12.91 million in 2016, 2015 and 2014, respectively.

- In 2008, the Globe Group granted a short-term loan to the GGRP amounting to ₱800.00 million with interest at 6.20%. Upon maturity in 2009, the loan was rolled over until September 2014 with interest at 7.75%. Further, in 2009, the Globe Group granted an additional loan to the retirement fund amounting to ₱168.00 million which bears interest at 7.75% and is due also in September 2014.

  On September 16, 2014, the maturity of the outstanding balance of loan receivable from GGRP amounting to ₱968.00 million was extended to September 11, 2017 and the interest rate was reduced to 5% per annum effective on September 11, 2014. Interest income amounted to ₱44.33 million, ₱49.07 million and ₱68.02 million in 2016, 2015 and 2014, respectively (see Note 19).

  The retirement plan utilized the loan to fund its investments in BHI, a domestic corporation organized to invest in media ventures. BHI has controlling interest in Altimax Broadcasting Co., Inc. (Altimax) and Broadcast Enterprises and Affiliated Media Inc. (BEAM), respectively.

  As of December 31, 2016 and 2015, the outstanding balance of loan receivable from GGRP presented in the "Prepayment and other current assets" of consolidated statements of financial position amounted to ₱788.00 million (see Note 6) and ₱968.00 million presented in the "Other Noncurrent Assets" (see Note 11), respectively.

- On August 13 and December 21, 2009, the Globe Group granted five-year loans amounting to ₱250.00 million and ₱45.00 million, respectively, to BHI at 8.275% interest. The ₱250.00 million loan is covered by a pledge agreement whereby in the event of default, the Globe Group shall be entitled to offset whatever amount is due to BHI from any unpaid fees to BEAM from the Globe Group. The ₱45.00 million loan is fully secured by a chattel mortgage agreement dated December 21, 2009 between Globe Group and BEAM. Interest income amounted to ₱8.06 million, ₱8.04 million and ₱11.30 million in 2016, 2015 and 2014, respectively (see Note 19).

  On August 13, 2014, the maturity of the outstanding balance of loan receivable from BHI amounting to ₱158.62 million was extended to August 13, 2017 and the interest rate was reduced to 5% per annum effective August 14, 2014 (see Note 6).

- On February 1, 2009, the Globe Group entered into a memorandum of agreement (MOA) with BEAM for the latter to render mobile television broadcast service to Globe subscribers using the mobile TV service. As a result, the Globe Group recognized an expense (included in "Professional and other contracted services") amounting to ₱190.00 million, ₱190.00 million and ₱155.00 million in 2016, 2015 and 2014, respectively. Effective January 1, 2015, BEAM charged an increased service fee rate to Globe Group as a result of an amendment to the MOA.
- On October 1, 2009, the Globe Group entered into a MOA with Altimax for the Globe Group's co-use of specific frequencies of Altimax's for the rollout of broadband wireless access to the Globe Group's subscribers. As a result, the Globe Group recognized an expense (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounting to ₱32.49 million, ₱24.85 million and ₱40.88 million in 2016, 2015 and 2014, respectively.

16.4 Transactions with Yondu

As a result of Globe Telecom's sale of its controlling stake in Yondu, transactions are recognized in the consolidated statements of financial position starting September 16, 2015.

The Globe Group has a VAS sharing agreement with Yondu. Under the agreement, Yondu is entitled to a 30% share on revenue for providing mobile contents to Globe and TM subscribers. The Globe Group's payout to Yondu on mobile content transactions in 2016 and 2015 amounted to ₱264.30 million and ₱78.85 million, respectively.

Yondu also provides various enterprise solutions-based services to the Globe Group for network, platform and applications development under its Business Process Outsourcing Unit (BPO) and mobile content. The Globe Group's related expenses in 2016 and 2015 amounted to ₱240.21 million and ₱39.32 million, out of which ₱102.32 million and ₱1.42 million were capitalized under "Asset Under Construction", respectively.

The outstanding balances of receivable and payables resulting from transactions with Yondu in 2016 and 2015 amounted to nil and ₱345.71 million and ₱74.23 million and ₱373.54 million, respectively. Dividends receivable amounting to ₱68.74 million and ₱244.49 million was recognized in the consolidated statements financial position as of December 31, 2016 and 2015, respectively (see Note 6).

16.5 Transactions with other related parties

Globe Telecom has money market placements and bank balances, and subscriber receivables (included in "Cash and cash equivalents" and "Receivables" accounts in the consolidated statements of financial position, respectively) and earns service revenues (included in the "Service revenues" account in the consolidated statements of comprehensive income) from its other related parties namely, Ayala Land, Inc., Ayala Property Management Corporation, Bank of the Philippine Islands, Manila Water Company, Inc., Integrated Microelectronics, Inc., Stream Global Services, Inc., HRMall, Inc., Honda Cars Philippines, Inc., Isuzu Automotive Dealership, Inc., Iconic Dealership, Inc., Accendo Commercial Corporation, Affinity Express Philippines, Inc., Alveo Land Corporation, Asian I-Office Properties, Inc., Avida Land Corp., Avida Sales Corporation, Ayala Hotels, Inc., Ayala Plans, Inc., Ayala Systems Technology, Inc., Cebu Holdings, Inc., Makati Development Corporation, myAyala.com, Inc., North Triangle Depot Commercial Corporation, Psi Technologies, Inc., Roxas Land Corporation., Serendra, Inc., Station Square East Commercial Corporation, Ten Knots Development, KHI ALI Manila, Inc., Lagoon Development Corporation, Subic Bay Town Center, Inc., Ayala Aviation Corporation, Laguna AAA Water Corp., Liveit Solutions, Inc., Liveit Investments, Ltd., Integreon, Inc., Arvo Commercial Corporation, Amaia Land Corporation., Michigan Power, Philippine Intergrated Energy Solutions, Inc., Southcrest Hotel Ventures, Inc., Bonifacio Hotel Ventures, Inc. and Westview Commercial Ventures Corporation.

The balances with other related parties are recorded under the following accounts as of December 31:

	Notes	2016	2015
		(In Thousand Pesos)	
Consolidated statements of financial position:			
Cash and cash equivalents	30	**₱1,468,905**	₱1,621,045
Subscriber receivables (included in "Receivables" account)	4	**192,795**	204,226
Property and equipment	7	**425,029**	59,417
Accounts payable and accrued expenses	12	**35,314**	23,527

	Notes	2016	2015	2014
			(In Thousand Pesos)	
Consolidated statements of comprehensive income:				
Service revenues	29	**₱601,097**	₱509,715	₱479,923
General, selling and administrative expenses	21	**260,312**	208,351	171,873

The balances under "General, selling and administrative expenses" and "Property and equipment" accounts consist of expenses incurred on rent, utilities, customer contact services, other miscellaneous services and purchase of vehicles, respectively.

These related parties are either controlled or significantly influenced by AC.

16.6 Transactions with key management personnel of the Globe Group

The Globe Group's compensation of key management personnel by benefit type are as follows:

	Notes	2016	2015
		(In Thousand Pesos)	
Short-term employee benefits	21	**₱205,000**	₱185,000
Share-based payments	18.1	**81,360**	31,282
Post-employment benefits	18.2	**14,600**	52,960
		₱300,960	₱269,242

There are no agreements between the Globe 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 Globe Group's retirement plans.

The Globe Group has no non-interest bearing short-term loans to its key management personnel in 2016 and 2015.

The summary of balances arising from related party transactions for the relevant financial year follows (in thousands):

2016

	Amount			**Outstanding Balance**				
	Revenue and other income	**Costs and Expenses**	**Property and Equipment (Note 7)**	**Cash and Cash Equivalents (Note 30)**	**Amounts Owed by Related Parties**	**Amounts Owed to Related Parties**	**Terms**	**Conditions**
Entities with joint control over the Company								
Singtel	**₱755,514**	**₱329,038**	**₱ -**	**₱ -**	**₱70,141**	**₱104,179**	**Interest-free, settlement in cash**	**Unsecured, no impairment**
AC	**24,112**	**95,717**	**-**	**-**	**11,463**	**24,653**	**Interest-free, settlement in cash**	**Unsecured, no impairment**
Jointly controlled entities								
BPI Globe BanKO	**7,456**	**-**	**-**	**-**	**16,300**	**-**	**Interest-free, settlement in cash**	**Unsecured, no impairment**
BMPL	**-**	**19,420**	**-**	**-**	**-**	**92,860**	**Interest-free, settlement in cash**	**Unsecured, no impairment**
Associate								
Yondu	**-**	**504,505**	**102,321**	**-**	**68,740**	**345,713**	**Interest-free, settlement in cash**	**Unsecured, no impairment**
Other related parties								
GGRP	**44,334**	**-**	**-**	**-**	**788,000**	**-**	**3 years, 5%, settlement in cash**	**Unsecured, no impairment**
BHI	**8,063**	**-**	**-**	**-**	**158,620**	**-**	**3 years, 5%, settlement in cash**	**The ₱250.00 million is covered by a pledge agreement while the ₱45.00 million is fully secured by chattel mortgage agreement.**
BEAM	**-**	**190,000**	**-**	**-**	**-**	**-**	**Interest-free, settlement in cash**	**-**
Altimax	**-**	**32,490**	**-**	**-**	**-**	**-**	**Interest-free, settlement in cash**	**-**
Key management personnel	**-**	**300,960**	**-**	**-**	**-**	**-**		**Unsecured, no impairment**
Others	**601,097**	**260,312**	**425,029**	**1,468,905**	**192,795**	**35,314**	**Interest-free excluding cash and cash equivalents, settlement in cash**	**Unsecured, no impairment**
	₱1,440,576	**₱1,732,442**	**₱527,350**	**₱1,468,905**	**₱1,306,059**	**₱ 602,719**		

2015

	Amount			Outstanding Balance				
	Revenue and other income	Costs and Expenses	Property and Equipment (Note 7)	Cash and Cash Equivalents (Note 30)	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Entities with joint control over the Company								
Singtel	₱725,635	₱182,873	₱ -	₱ -	₱22,824	₱66,952	Interest-free, settlement in cash	Unsecured, no impairment
AC	19,338	48,743	-	-	12,215	50	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities								
BPI Globe BanKO	8,965	-	-	-	7,468	-	Interest-free, settlement in cash	Unsecured, no impairment
BMPL	-	18,681	-	-	-	3,113	Interest-free, settlement in cash	Unsecured, no impairment
Associate								
Yondu	-	118,170	1,420	-	318,711	373,538	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties								
GGRP	49,071	-	-	-	968,000	-	3 years, 5%, settlement in cash	Unsecured, no impairment
BHI	8,041	-	-	-	158,620	-	3 years, 5%, settlement in cash	The ₱250.00 million is covered by a pledge agreement while the ₱45.00 million is fully secured by chattel mortgage agreement.
BEAM	-	190,000	-	-	-	-	Interest-free, settlement in cash	-
Altimax	-	24,847	-	-	-	-	Interest-free, settlement in cash	-
Key management personnel	-	269,242	-	-	-	-		Unsecured, no impairment
Others	509,715	208,351	59,417	1,621,045	204,226	23,527	Interest-free excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
	₱1,320,765	₱1,060,907	₱60,837	₱1,621,045	₱1,692,064	₱467,180		

17 Equity and Other Comprehensive Income

Globe Telecom's authorized capital stock consists of:

	2016		2015	
	Shares	**Amount**	Shares	Amount
	(In Thousand Pesos and Number of Shares)			
Voting preferred stock - ₱5 per share	**160,000**	**₱800,000**	160,000	₱800,000
Non-voting preferred stock - ₱50 per share	**40,000**	**2,000,000**	40,000	2,000,000
Common stock - ₱50 per share	**148,934**	**7,446,719**	148,934	7,446,719

Globe Telecom's issued, subscribed and fully paid capital stock consists of:

	2016		2015	
	Shares	**Amount**	Shares	Amount
	(In Thousand Pesos and Number of Shares)			
Voting preferred stock	**158,515**	**₱792,575**	158,515	₱792,575
Non-voting preferred stock	**20,000**	**1,000,000**	20,000	1,000,000
Common stock	**132,759**	**6,637,929**	132,743	6,637,138
Total capital stock		**₱8,430,504**		₱8,429,713

Below is the summary of the Globe Telecom's track record of registration of securities:

	Number of shares registered	Issue/offer price	Date of approval
	(In Thousands, Except for Issue/Offer price)		
Voting preferred stock	158,515	₱5.00	June 2001
Non-voting preferred stock	20,000	500.00	August 11, 2014
Common stock*	30,000	0.50	August 11, 1975

**Initial number of registered shares only*

17.1 Preferred Stock

Non-Voting Preferred Stock

On February 10, 2014, Globe Telecom's BOD approved the amendment of Articles of Incorporation (AOI) to reclassify 31 million of unissued common shares with par value of ₱50 per share and 90 million of unissued voting preferred shares with par value of ₱5 per share into a new class of 40 million non-voting preferred shares with par value of ₱50 per share.

On April 8, 2014, the stockholders approved the issuance, offer and listing of up to 20 million non-voting preferred shares, with an issue volume of up to ₱10 billion. The preferred shares shall be redeemable, non-convertible, non-voting, cumulative and may be issued in series.

On June 5, 2014, the SEC approved the amendment of AOI to implement the foregoing reclassification of shares.

On August 8, 2014, the SEC approved the offer of non-voting preferred perpetual shares and on August 15, 2014, the 20 million non-voting preferred shares were fully subscribed and issued. Subsequently, the shares were listed at the Philippines Stock Exchange (PSE) on August 22, 2014.

The proceeds from the preferred shares issuance were used to partially finance capital expenditures.

Non-voting preferred stock has the following features:

a) Issued at ₱50 par;

b) Dividend rate to be determined by the BOD at the time of issue;

c) Redemption - at Globe Telecom‘s option at such times and price(s) as may be determined by the BOD at the time of issue, which price may not be less than the par value thereof plus accrued dividends;

d) Eligibility of investors - Any person, partnership, association or corporation regardless of nationality wherein at least 60% of the outstanding capital stock shall be owned by Filipino

e) No voting rights;

f) Cumulative and non-participating;

g) No pre-emptive rights over any sale or issuance of any share in Globe Telecom’s capital stock; and

h) Stocks shall rank ahead of the common shares and equally with the voting preferred stocks in the event of liquidation.

Voting Preferred Stock

Voting preferred stock has the following features:

(a) Issued at ₱5 par;

(b) Dividend rate to be determined by the BOD at the time of issue;

(c) One preferred share is convertible to one common share starting at the end of the 10th year of the issue date at a price to be determined by Globe Telecom’s BOD at the time of issue which shall not be less than the market price of the common share less the par value of the preferred share;

(d) Call option - Exercisable any time by Globe Telecom starting at the end of the 5th year from issue date at a price to be determined by the BOD at the time of issue;

(e) Eligibility of investors - Only Filipino citizens or corporations or partnerships wherein 60% of the voting stock or voting power is owned by Filipino;

(f) With voting rights;

(g) Cumulative and non-participating;

(h) Preference as to dividends and in the event of liquidation; and

(i) No preemptive right to any share issue of Globe Telecom, and subject to yield protection in case of change in tax laws.

The dividends for preferred stocks are declared upon the sole discretion of the Globe Telecom’s BOD.

17.2 Common Stock

The rollforward of outstanding common shares follows:

	2016		2015	
	Shares	**Amount**	Shares	Amount
	(In Thousand Pesos and Number of Shares)			
At beginning of year	**132,743**	**₱6,637,138**	132,733	₱6,636,654
Exercise of stock options	**16**	**791**	10	484
At end of year	**132,759**	**₱6,637,929**	132,743	₱6,637,138

Fully paid common stock, which have a par value of ₱50, carry one vote per share and carry a right to dividends.

17.3 Cash Dividends

Information on the Globe Telecom's BOD declaration of cash dividends follows:

			Date	
	Per Share	Amount	Record	Payment
	(In Thousand Pesos, Except Per Share Figures)			
Dividends on Voting Preferred stock:				
November 11, 2014	₱0.17	₱26,457	November 25, 2014	December 11, 2014
November 6, 2015	0.21	33,150	November 24, 2015	December 4, 2015
November 4, 2016	0.20	32,027	November 18, 2016	December 2, 2016
Dividends on Non-voting Preferred stock:				
December 12, 2014	13.00	260,030	January 26, 2015	February 22, 2015
May 12, 2015	13.00	260,030	August 10, 2015	August 22, 2015
December 11, 2015	13.00	260,030	January 26, 2016	February 22, 2016
May 4, 2016	13.00	260,030	August 10, 2016	August 22, 2016
December 7, 2016	13.00	260,030	January 27, 2017	February 22, 2017
Dividends on Common stock:				
February 10, 2014	37.50	4,975,351	February 26, 2014	March 20, 2014
August 5, 2014	18.75	2,488,624	August 19, 2014	September 4, 2014
November 11, 2014	18.75	2,488,727	November 25, 2014	December 11, 2014
February 4, 2015	20.75	2,754,224	February 18, 2015	March 4, 2015
May 12, 2015	20.75	2,754,346	May 26, 2015	June 11, 2015
August 3, 2015	20.75	2,754,373	August 17, 2015	September 2, 2015
November 6, 2015	20.75	2,754,412	November 24, 2015	December 4, 2015
February 5, 2016	22.00	2,920,444	February 22, 2016	March 4, 2016
May 4, 2016	22.00	2,920,661	March 19, 2016	June 3, 2016
August 2, 2016	22.00	2,920,689	August 16, 2016	September 1, 2016
November 4, 2016	22.00	2,920,689	November 18, 2016	December 2, 2016

As of December 31, 2016 and 2015, unpaid cash dividends declared related to non-voting preferred stock amounted to ₱260.03 million.

17.4 Common Stock Dividend

The dividend policy of Globe Telecom as approved by the BOD is to declare cash dividends to its common stockholders on a regular basis as may be determined by the BOD. On November 8, 2011, the BOD approved the current dividend policy of Globe Telecom to distribute cash dividends at the rate of 75% to 90% of prior year's core net income. On August 6, 2013, the BOD further approved the change in distribution from semi-annual dividend payments to quarterly dividend distributions. However, on December 10, 2013, the BOD approved to defer the implementation of the quarterly dividend payout to the second semester of 2014.

The dividend distribution policy is reviewed annually and subsequently each quarter of the year, taking into account Globe Telecom's operating results, cash flows, debt covenants, capital expenditure levels and liquidity.

17.5 Retained Earnings Available for Dividend Declaration

The total unrestricted retained earnings available for dividend declaration amounted to ₱8,593.28 million as of December 31, 2016. This amount excludes the undistributed net earnings of consolidated subsidiaries, accumulated equity in net earnings of joint ventures accounted for under the equity method, and unrealized gains recognized on asset and liability currency translations and unrealized gains on fair value adjustments. The Globe Group is also subject to loan covenants that restrict its ability to pay dividends (see Note 14).

17.6 Other Comprehensive Income

Other Reserves

2016

	Cash flow hedges	**AFS**	**Exchange differences arising from translations of foreign investments**	**Remeasurement losses on defined benefit plan**	**Total**
As of January 1	**₱41,357**	**₱102,434**	**₱15,776**	**(₱1,371,080)**	**(₱1,211,513)**
Fair value changes	**(457,499)**	**13,440**	**-**	**-**	**(444,059)**
Remeasurement gain on defined benefit plan	**-**	**-**	**-**	**279,966**	**279,966**
Transferred to profit or loss	**320,977**	**-**	**-**	**-**	**320,977**
Income tax effect to or transferred from equity	**40,957**	**-**	**-**	**(82,458)**	**(41,501)**
Exchange differences	**-**	**-**	**23,205**	**-**	**23,205**
As of December 31	**(₱54,208)**	**₱115,874**	**₱38,981**	**(₱1,173,572)**	**(₱1,072,925)**

2015

	Cash flow hedges	AFS	Exchange differences arising from translations of foreign investments	Remeasurement losses on defined benefit plan	Total
			(In Thousand Pesos)		
As of January 1	₱40,434	₱78,167	₱8,454	(₱1,104,908)	(₱977,853)
Fair value changes	299,772	24,267	-	-	324,039
Remeasurement losses on defined benefit plan	-	-	-	(379,091)	(379,091)
Transferred to profit or loss	(298,453)	-	-	-	(298,453)
Income tax effect to or transferred from equity	(396)	-	-	112,919	112,523
Exchange differences	-	-	7,322	-	7,322
As of December 31	₱41,357	₱102,434	₱15,776	(₱1,371,080)	(₱1,211,513)

2014

	Cash flow hedges	AFS	Exchange differences arising from translations of foreign investments	Remeasurement losses on defined benefit plan	Total
			(In Thousand Pesos)		
As of January 1	₱35,027	₱57,775	(₱6,020)	(₱826,357)	(₱739,575)
Fair value changes	(207,522)	20,392	-	-	(187,130)
Remeasurement losses on defined benefit plan	-	-	-	(397,930)	(397,930)
Transferred to profit or loss	215,246	-	-	-	215,246
Income tax effect to or transferred from equity	(2,317)	-	-	119,379	117,062
Exchange differences	-	-	14,474	-	14,474
As of December 31	₱40,434	₱78,167	₱8,454	(₱1,104,908)	(₱977,853)

18 Employee Benefits

18.1 Stock Plans

The Globe Group has Executive Stock Option Plan (ESOP) and Long-Term Incentive Plan (LTIP). The number of shares allocated under these plans shall not exceed the aggregate equivalent of 6% of the authorized capital stock.

18.1.1 *Executive Stock Option Plan*

The following are the stock option grants to key executives and senior management personnel of the Globe Group under the ESOP from 2004 to 2016:

Date of Grant	**Number of Options/ Grants**	**Exercise Price**	**Exercise Dates**	**Fair Value of Each Option/Grants**	**Fair Value Measurement**
July 1, 2004	803,800	840.75 per share	50% of options exercisable from July 1, 2006 to June 30, 2014; the remaining 50% from July 1, 2007 to June 30, 2014	357.94	Black-Scholes option pricing model
March 24, 2006	749,500	854.75 per share	50% of the options become exercisable from March 24, 2008 to March 23, 2016; the remaining 50% become exercisable from March 24, 2009 to March 23, 2016	292.12	Trinomial option pricing model
May 17, 2007	604,000	1,270.50 per share	50% of the options become exercisable from May 17, 2009 to May 16, 2017, the remaining 50% become exercisable from May 17, 2010 to May 16, 2017	375.89	Trinomial option pricing model
August 1, 2008	635,750	1,064.00 per share	50% of the options become exercisable from August 1, 2010 to July 31, 2018, the remaining 50% become exercisable from August 1, 2011 to July 31, 2018	305.03	Trinomial option pricing model
October 1, 2009	298,950	993.75 per share	50% of the options become exercisable from October 1, 2011 to September 30, 2019, the remaining 50% become exercisable from October 1, 2012 to September 30, 2019	346.79	Trinomial option pricing model

The exercise price is based on the average quoted market price for the last 20 trading days preceding the approval date of the stock option grant.

A summary of the Globe Group's ESOP activity and related information follows:

	2016		2015	
	Number of Shares	**Weighted Average Exercise Price**	Number of Shares	Weighted Average Exercise Price
	(In Thousand Number of Shares Except per Share Figures)			
Outstanding, at beginning of year	**251**	**₱1,084.20**	267	₱1,068.56
Exercised	**(25)**	**945.49**	(16)	1,111.62
Expired/forfeited	**(21)**	**854.75**	-	-
Outstanding and exercisable, at end of year	**205**	**₱1,157.45**	251	₱1,084.20

The average share prices at dates of exercise of the stock options in 2016, 2015 and 2014 amounted to ₱1,072.23, ₱2,211.92 and ₱1,697.34, respectively.

As of December 31, 2016 and 2015, the weighted average remaining contractual life of options outstanding is 1.17 years and 2.87 years, respectively.

The following assumptions were used to determine the fair value of the stock options at effective grant dates:

	October 1, 2009	August 1, 2008	May 17, 2007	March 24, 2006	July 1, 2004
Share price	₱995.00	₱1,130.00	₱1,340.00	₱895.00	₱835.00
Exercise price	₱993.75	₱1,064.00	₱1270.5	₱854.75	₱840.75
Expected volatility	48.49%	31.73%	38.14%	26.97%	39.50%
Option life	10 years	10 years	10 years	10 years	10 years
Expected dividends	6.43%	6.64%	4.93%	4.47%	4.31%
Risk-free interest rate	8.08%	9.62%	7.04%	8.3684%	12.91%

The expected volatility measured at the standard deviation of expected share price returns was based on analysis of share prices for the past 365 days.

18.1.2 *Long-Term Incentive Plan*

In November 2014, the Globe Group obtained approval from the Board to implement a Long-Term Incentive Plan (LTIP) also called a Performance Share Plan (PSP) covering key executives and senior management. Under the PSP, the grantees are awarded a specific number of shares at the start of the performance period which vest over a specified performance period and contingent upon the achievement of specified long-term goals.

The following are the stock grants to key executives and senior management personnel of the Globe Group under the LTIP:

Date of Grant	Number of Grants	Settlement Dates	Fair Value of Each Grants	Fair Value Measurement
January 1, 2014	106,293	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	₱1,630.35	Market price
January 1, 2015	114,392	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	1,738.30	Market price
January 1, 2016	107,365	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	1,904.95	Market price

The fair value is based on the average quoted market price for the last 20 trading days preceding the approval date of the stock option grant.

Cost of share-based payments in 2016, 2015 and 2014 amounted to ₱260.27 million, ₱153.99 million and ₱31.84 million, respectively (See Note 16.6).

18.2 Pension Plan

The Globe Group has a funded, noncontributory, defined benefit pension plans covering substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

The Plan which covers Globe Telecom, Innove and GXI employees is managed and administered by a Board of Trustees (BOT) whose members are unanimously appointed by the Globe Group acting through its BOD, while the BTI Plan is managed and administered by a different retirement committee (BTRC). The BOT and BTRC are authorized to appoint one or more fund managers to hold, invest and reinvest the assets of the Plans and execute an Investment Agreement with the said fund managers. The Plans are held and invested by the fund managers, in accordance with the guidelines set by the BOT and BTRC.

Under the existing regulatory framework, Republic Act 7641 mandates that a retiring qualified private sector employee shall be entitled to receive retirement benefits under any collective bargaining agreement and other agreements, provided that an employee's retirement benefits under said agreements shall not be less than those provided under the same law. In the absence of a retirement plan or agreement providing for retirement benefits of employees in the entity, a qualified private sector employee may retire and shall be paid the retirement pay by the company in accordance with the minimum retirement pay set out in RA 7641.

The components of pension expense (included in staff costs under "General, selling and administrative expenses" account) in the consolidated statements of comprehensive income are as follows:

	2016	2015	2014
		(In Thousand Pesos)	
Current service cost	**₱594,557**	₱543,248	₱417,653

The accrued pension is as follows:

	2016	2015
	(In Thousand Pesos)	
Present value of benefit obligation	**₱6,415,840**	₱6,481,297
Fair value of plan assets	**(3,314,288)**	(3,263,513)
Liabilities recognized in the consolidated statements of financial position	**₱3,101,552**	₱3,217,784

The following tables present the changes in the present value of defined benefit obligation and fair value of plan assets:

Present value of defined benefit obligation

	2016	2015
	(In Thousand Pesos)	
Balance at beginning of year	**₱6,481,297**	₱5,236,037
Current service cost	**594,557**	543,248
Interest cost	**275,103**	247,376
Benefits paid	**(401,688)**	(84,284)
Remeasurements in other comprehensive income:		
Changes in demographic assumptions	**(669,742)**	14,390
Experience adjustments	**137,453**	329,424
Acquired on acquisition of a subsidiary	**-**	726,121
Derecognized upon sale of controlling interest in Yondu	**-**	(12,279)
Past service cost	**-**	(518,736)
Transfer of employees	**(1,140)**	-
Balance at end of year	**₱6,415,840**	₱6,481,297

Fair value of plan assets

	2016	2015
	(In Thousand Pesos)	
Balance at beginning of year	**₱3,263,513**	₱2,914,842
Return on plan assets (excluding amount included in net interest)	**(196,969)**	(25,889)
Contributions	**353,668**	217,484
Interest Income on plan assets	**145,220**	136,079
Benefits paid	**(138,238)**	(84,284)
Settlements	**(115,358)**	(98,288)
Transfer payments	**2,452**	-
Acquired on acquisition of a subsidiary	-	209,793
Actuarial losses	-	(1,223)
Derecognized upon sale of controlling interest in Yondu	-	(5,001)
Balance at end of year	**₱3,314,288**	₱3,263,513
Actual return (loss) on plan assets	**(₱51,749)**	₱108,966

The recommended contribution for the Globe Group retirement fund for the year 2017 amounted to ₱640.41 million. This amount is based on the Globe Group's actuarial valuation report as of December 31, 2016.

As of December 31, 2016 and 2015, the allocation of the fair value of the plan assets of the Globe Group follows:

	2016	2015
	(In Thousand Pesos)	
Cash and cash equivalents	**₱257,189**	₱211,003
Loans receivables	**788,000**	969,321
Investment in fixed income securities:		
Government	**898,503**	886,907
Corporate	**239,955**	341,576
Loans	**-**	5,038
Others	**139,200**	55,931
Investment in equity shares:		
Quoted		
Holding firm	**244,346**	250,004
Industrial	**175,622**	142,527
Property	**129,777**	153,471
Financials	**76,851**	118,725
Mining and oil	**45,327**	11,821
Others	**107,597**	63,382
Unquoted	**999,921**	1,022,002
Liabilities	**(788,000)**	(968,195)
	₱3,314,288	₱3,263,513

All equity and debt instruments held, except for investment in preferred shares of HALO Group, debt securities issued by private corporations and long-term negotiable certificates of deposit, have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

Loans and receivables consist of interest and dividend receivables, receivable on securities sold to brokers and loan granted by the plan to BHI.

Liabilities pertain to interest and trust fee payables, accrued professional fees and loan granted to the plan by Globe Telecom.

The assumptions used to determine pension benefits for the Globe Group are as follows:

	2016	2015
Discount rate	**5.75%**	3.16%-4.50%
Salary rate increase	**5.00%**	4.50%-5.00%

The assumptions regarding future mortality rates which are based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rate for males and females.

In 2016 and 2015, the Globe Group applied a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2016 and 2015, assuming all other assumptions were held constant (in thousand pesos):

December 31, 2016

	Increase (decrease) in basis points	**Impact on defined benefit obligation Increase (decrease)**
Discount rates	+.50%	**(₱396,231)**
	-.50%	**435,997**
Future salary increases	+.50%	**436,639**
	-.50%	**(400,720)**
Rate of return	+10%	**-**
	-10%	**-**

December 31, 2015

	Increase (decrease) in basis points	Impact on defined benefit obligation Increase (decrease)
Discount rates	+.50%	(₱410,410)
	-.50%	453,299
Future salary increases	+1%	941,362
	-1%	(787,204)
Rate of return	+10%	(1,243)
	-10%	1,243

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The objective of the plan's portfolio is capital preservation by earning higher than regular deposit rates over a long period given a small degree of risk on principal and interest. Asset purchases and sales are determined by the plan's investment managers, who have been given discretionary authority to manage the distribution of assets to achieve the plan's investment objectives. The compliance with target asset allocations and composition of the investment portfolio is monitored by the BOT on a regular basis.

The defined benefit retirement plan is funded by the participating companies, namely Globe Telecom, Innove, BTI and GXI. The plan contributions are based on the actuarial present value of accumulated plan benefits and fair value of plan assets are determined using an independent actuarial valuation.

The average duration of the defined benefit obligation at the end of the reporting period is 17.69 years in 2016 and 2015.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2016 and 2015:

	2016	2015
	(In Thousand Pesos)	
Within 1 year	**₱233,339**	₱345,994
More than 1 year to 5 years	**1,412,345**	1,314,685
More than 5 years	**3,012,954**	2,630,750
	₱4,658,638	₱4,291,429

19 Interest Income

Interest income is earned from the following sources:

	Notes	**2016**	2015	2014
			(In Thousand Pesos)	
Short-term placements	30	**₱88,946**	₱181,787	₱91,044
Cash in banks	30	**8,900**	8,891	7,964
Loans receivable:				
GGRP	16.3	**44,334**	49,071	68,015
BHI	16.3	**8,063**	8,041	11,304
TechGlobal		**242**	-	-
BTI	11	**-**	269,945	504,671
Others		**1,104**	802	-
		₱151,589	₱518,537	₱682,998

20 Other Income - net

This account consists of:

	Notes	2016	2015	2014
		(In Thousand Pesos)		
Gain on derivative instruments	28	**₱469,884**	₱19,691	₱70,829
Lease income	25.4, 25.1.1	**83,609**	173,695	172,499
Loss on disposal of investment in associate		**(7,891)**	-	-
(Loss) Gain on previously held equity interest	9.3	**(30,186)**	431,115	-
Foreign exchange gain – net	22, 28.2.1.2	**-**	-	884
Gain on fair value of retained interest	10.1	**-**	745,831	-
Gain on disposal of controlling interest in subsidiary	10.1	**-**	449,148	-
Others		**467,770**	311,373	226,435
		₱983,186	₱2,130,853	₱470,647

The "Others" account includes insurance claims and other items that are individually immaterial.

21 General, Selling and Administrative Expenses

This account consists of:

	Notes	2016	2015	2014
		(In Thousand Pesos)		
Staff costs	16.6, 18	**₱10,109,899**	₱9,761,471	₱8,665,757
Professional and other contracted services	16	**9,804,632**	8,878,085	6,653,441
Selling, advertising and promotions		**9,306,788**	9,594,482	8,000,982
Rent	15, 25.1.1	**5,902,414**	4,932,388	4,116,372
Repairs and maintenance	16	**5,728,124**	4,796,403	4,099,986
Utilities, supplies and other administrative expenses	5	**5,000,691**	4,785,452	4,481,830
Courier, delivery and miscellaneous expenses		**1,806,120**	1,777,053	1,486,356
Insurance and security services		**1,689,252**	1,598,290	1,439,942
Taxes and licenses		**1,590,234**	1,958,281	1,787,694
Others		**934,442**	685,057	650,517
		₱51,872,596	₱48,766,962	₱41,382,877

The "Others" account includes various other items that are individually immaterial.

22 Financing Costs

This account consists of:

	Notes	2016	2015	2014
		(In Thousand Pesos)		
Interest expense - net*	7, 14	**₱3,408,899**	₱2,774,078	₱2,326,171
Foreign exchange loss - net	20, 28.2.1.2	**525,024**	457,295	-
Swap and other financing costs	28.4	**162,903**	141,551	239,535
		₱4,096,826	₱3,372,924	₱2,565,706

**This account is net of the amount capitalized borrowing costs (see Note 7).*

In 2016, 2015 and 2014, gain on derivative instruments amounting to ₱469.88 million, ₱19.69 million and ₱70.83 million, respectively, and net foreign exchange gain amounting to ₱0.88 million in 2014, were presented as part of the "Other income" account in the consolidated statements of comprehensive income (see Note 20).

Interest expense - net is incurred on the following:

	Notes	2016	2015	2014
		(In Thousand Pesos)		
Long-term debt	14	**₱3,001,792**	₱2,396,605	₱1,958,594
Accretion expense	15	**167,742**	161,686	171,493
Net interest cost on defined benefit obligation		**129,883**	99,226	70,752
Amortization of debt issuance cost	14	**100,161**	107,490	108,746
Others		**9,321**	9,071	16,586
		₱3,408,899	₱2,774,078	₱2,326,171

23 Impairment Losses and Others

This account consists of:

	Notes	2016	2015	2014
		(In Thousand Pesos)		
Losses on impairment of:				
Receivables	3.2.2, 4, 6, 28.2.2	**₱2,934,310**	₱2,693,569	₱3,035,235
Property and equipment	7	**9,416**	72,751	110,238
Provisions for (reversal of):				
Inventory obsolescence and market decline	3.2.3, 5	**341,759**	384,143	437,511
Other probable losses		**(14,184)**	(40,943)	137,185
		₱3,271,301	₱3,109,520	₱3,720,169

24 Income Tax

The significant components of the deferred income tax assets and liabilities of the Globe Group represent the deferred income tax effects of the following:

	2016					
			Movements			
	2016	2015	**Acquired from a business combination**	**Profit or Loss**	**Other Comprehensive Income**	**Net**
Deferred tax assets						
Allowance for impairment losses on receivables	**₱2,503,807**	₱2,642,588	**₱ -**	**(₱138,781)**	**₱ -**	**(₱138,781)**
Unearned revenues and advances already subjected to income tax	**1,127,762**	791,532	**-**	**336,230**	**-**	**336,230**
Accrued pension	**979,943**	1,090,748	**-**	**(28,347)**	**(82,458)**	**(110,805)**
Unrealized foreign exchange losses	**642,829**	335,669	**-**	**307,160**	**-**	**307,160**
ARO	**622,390**	565,582	**-**	**56,808**	**-**	**56,808**
Accrued manpower cost	**462,183**	680,545	**-**	**(218,362)**	**-**	**(218,362)**
NOLCO	**394,763**	13,759	**-**	**381,004**	**-**	**381,004**
Inventory obsolescence and market decline	**202,429**	239,745	**-**	**(37,316)**	**-**	**(37,316)**
Accrued rent expense under PAS 17	**162,920**	141,135	**-**	**21,785**	**-**	**21,785**
Accumulated impairment losses on property and equipment	**144,564**	187,589	**-**	**(43,025)**	**-**	**(43,025)**
Provision for claims and assessment	**112,735**	96,047	**-**	**16,688**	**-**	**16,688**
Cost of share-based payments	**31,014**	79,787	**-**	**(48,773)**	**-**	**(48,773)**
Unrealized loss on derivative transactions	**10,402**	-	**-**	**10,402**	**-**	**10,402**
MCIT	**-**	-	**-**	**93,555**	**-**	**93,555**
Others	**251,649**	89,838	**12,000**	**149,811**	**-**	**161,811**
	7,649,390	6,954,564	**12,000**	**858,839**	**(82,458)**	**788,381**
Deferred tax liabilities						
Excess of accumulated depreciation and amortization of Globe Telecom and Innove equipment for (a) tax reporting over (b) financial reporting	**(5,654,854)**	(4,707,930)	**-**	**(946,924)**	**-**	**(946,924)**
Undepreciated capitalized borrowing costs already claimed as deduction for tax reporting	**(1,041,492)**	(888,619)	**-**	**(152,873)**	**-**	**(152,873)**
Unrealized gain on derivative transaction	**(225,658)**	(13,911)	**-**	**(252,704)**	**40,957**	**(211,747)**
Unrealized foreign exchange gain	**(15,776)**	(4,967)	**-**	**(10,809)**	**-**	**(10,809)**
Unamortized discount on noninterest bearing liability	**(3,034)**	(831)	**-**	**(2,203)**	**-**	**(2,203)**
Others	**(2,796)**	(16,436)	**-**	**14,736**	**(1,096)**	**13,640**
	(6,943,610)	(5,632,694)	**-**	**(1,350,777)**	**39,861**	**(1,310,916)**
Deferred tax income (expense)			**₱12,000**	**(₱491,938)**	**(₱42,597)**	**(₱522,535)**
Net deferred tax assets	**₱705,780**	₱1,321,870				

(a) *Sum-of-the-years digit method*
(b) *Straight-line method*

	2015					
			Movements			
	2015	2014	Acquired from a business combination	Profit or Loss	Other Comprehensive Income	Net
Deferred tax assets						
Allowance for impairment losses on receivables	₱2,642,588	₱1,725,002	₱652,087	₱265,499	₱ -	₱917,586
Accrued pension	1,090,748	826,097	250,813	(99,081)	112,919	264,651
Unearned revenues and advances already subjected to income tax	791,532	864,049	-	(72,517)	-	(72,517)
Accrued manpower cost	680,545	709,141	31,291	(59,887)	-	(28,596)
ARO	565,582	519,885	16,589	29,108	-	45,697
Unrealized foreign exchange losses	335,669	69,067	-	266,602	-	266,602
Inventory obsolescence and market decline	239,745	183,384	10,899	45,462	-	56,361
Accumulated impairment losses on property and equipment	187,589	179,121	-	8,468	-	8,468
Accrued rent expense under PAS 17	141,135	122,248	11,642	7,245	-	18,887
Provision for claims and assessment	96,047	64,858	-	31,189	-	31,189
Cost of share-based payments	79,787	71,115	-	8,672	-	8,672
NOLCO	13,759	561	-	13,198	-	13,198
Unrealized loss on derivative transactions	-	-	2,434	(2,434)	-	-
Allowance for doubtful accounts for long-outstanding net advances	-	58,532	-	(58,532)	-	(58,532)
Others	89,838	43,958	3,953	41,927	-	45,880
	6,954,564	5,437,018	979,708	424,919	112,919	1,517,546
Deferred tax liabilities						
Excess of accumulated depreciation and amortization of Globe Telecom and Innove equipment for (a) tax reporting over (b) financial reporting	(4,707,930)	(2,004,385)	(818,803)	(1,884,742)	-	(2,703,545)
Undepreciated capitalized borrowing costs already claimed as deduction for tax reporting	(888,619)	(1,513,860)	-	625,241	-	625,241
Unrealized gain on derivative transaction	(13,911)	(6,970)	-	(6,545)	(396)	(6,941)
Unrealized foreign exchange gain	(4,967)	(2,217)	(71,772)	69,022	-	(2,750)
Unamortized discount on noninterest bearing liability	(831)	(5,583)	-	4,752	-	4,752
Others	(16,436)	(104)	(4,472)	(11,860)	-	(16,332)
	(5,632,694)	(3,533,119)	(895,047)	(1,204,132)	(396)	(2,099,575)
Deferred tax income (expense)			₱84,661	(₱779,213)	₱112,523	(₱582,029)
Net deferred tax assets	₱1,321,870	₱1,903,899				

(a) *Sum-of-the-years digit method*

(b) *Straight-line method*

Net deferred tax assets and liabilities presented in the consolidated statements of financial position on a net basis by entity are as follows:

	2016	2015
	(In Thousand Pesos)	
Net deferred tax assets*	**₱2,622,703**	₱1,324,081
Net deferred tax liabilities (Globe, GTI and KVI)	**1,916,923**	2,211

2016 consist of* ***Innove, GXI, BTI and Asticom*
**2015 consist of Globe Telecom, Innove, GXI, BTI and Asticom*

The composition of deferred income tax assets follows:

	2016	2015
	(In Thousand Pesos)	
Deferred income tax recognized in profit or loss	**₱491,938**	₱751,989
Deferred income tax recognized in OCI	**213,842**	569,881
	₱705,780	₱1,321,870

The reconciliation of the provision for income tax at statutory tax rate and the actual current and deferred provision for income tax follows:

	2016	2015	2014
		(In Thousand Pesos)	
Provision at statutory income tax rate	**₱6,581,221**	₱7,040,246	₱5,814,812
Add (deduct) tax effects of:			
Equity in net losses of associates and joint ventures	**256,559**	46,054	67,277
Deferred tax on unexercised stock options and basis differences on deductible and reported stock compensation expense	**42,209**	(14,393)	3,252
Recognition of deferred income tax asset	**(902,205)**	-	-
Income subjected to lower tax rates	**(13,331)**	(166,108)	(64,633)
Others	**84,450**	77,239	189,806
Actual provision for income tax	**₱6,048,903**	₱6,983,038	₱6,010,514

The current provision for income tax includes the following:

	2016	2015	2014
		(In Thousand Pesos)	
RCIT or MCIT whichever is higher	**₱5,494,883**	₱6,067,224	₱5,830,006
Final tax	**62,082**	136,601	49,872
	₱5,556,965	₱6,203,825	₱5,879,878

Deferred tax assets of BTI on the following deductible temporary differences were not recognized since Management believes that it will not be utilized for future taxable income.

	2016	2015
	(In Thousand Pesos)	
Deferred tax assets on:		
Allowance for impairment in investment	**₱1,269,283**	₱1,269,283
Difference in NBV of property and equipment for tax and accounting	**1,236,752**	1,195,082
Provision for probable loss	**877,577**	424,175
Allowance for impairment losses on receivables	**382,342**	211,113
NOLCO	**-**	2,711,506
Carryforward benefits of MCIT	**-**	93,554
Others	**-**	11,566
	₱3,765,954	₱5,916,279

In 2016, NOLCO amounting to ₱1,133.36 million was recognized and applied against taxable income and the carryforward benefit of MCIT amounting to ₱93.55 million was recognized and applied against income tax payable.

MCIT application to RCIT payable as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
		in thousands			
2014	2015 - 2017	₱43,394	₱43,394	₱-	₱-
2015	2016 - 2018	50,160	50,160	-	-
		₱93,554	₱93,554	₱-	₱-

The corporate tax rate is 30% in 2016, 2015 and 2014.

Globe Telecom is entitled to certain tax and nontax incentives and have availed of incentives for tax and duty-free importation of capital equipment for the services under its franchise.

25 Agreements and Commitments

25.1 Lease Commitments

25.1.1 *Operating lease commitments*

a) Globe Group as lessee

The Globe Group leases certain premises for some of its telecommunication facilities and equipment and for most of its business centers and network sites. The operating lease agreements are for periods ranging from one (1) to ten (10) 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 the "Prepayment and other current assets" and "Other noncurrent assets" accounts in the consolidated statements of financial position (see Notes 6 and 11). The Globe Group also has short-term renewable leases on transmission cables and equipment. The Globe Group's rentals incurred on these various leases (included in the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounted to ₱5,902.41 million, ₱4,932.39 million and ₱4,116.37 million, respectively, in 2016, 2015 and 2014, respectively (See Note 21).

The future minimum lease payments under these operating leases are as follows:

	2016	2015
	(In Thousand Pesos)	
Not later than one year	**₱ 4,061,049**	₱3,355,546
After one year but not more than five years	**14,560,820**	11,247,041
After five years	**3,600,295**	5,272,419
	₱22,222,164	₱19,875,006

b) Globe Group as lessor

Globe Group has certain lease agreements with C2C Pte. Ltd. (C2C) on equipment (see Note 25.4). Total lease income amounted to ₱83.61 million, ₱173.70 million and ₱172.50 million in 2016, 2015 and 2014, respectively (included in "Other income" account in the consolidated statements of comprehensive income) (see Note 20).

The future minimum lease receivables under these operating leases as of December 31, 2016 and 2015 amounted to nil and ₱39.92 million, respectively.

25.1.2 Finance lease commitments

a) Globe Group as lessee

Globe Telecom entered into an agreement with a vendor, for the upgrade of its billing and customer management system. The agreement covers the supply of hardware, application systems and software and software licenses including installation, as well as a managed services agreement that covers a seven (7) year period.

The agreement includes a lease component for hardware infrastructure and information equipment valued at ₱893.28 million. Total lease payments as of December 31, 2016 and 2015, which is equivalent to one year advance lease, amounted to ₱606.64 million and ₱474.41 million, respectively. The managed service engagement has terms of renewal and purchase options, among others.

Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

	2016		2015	
	(In Thousand Pesos)			
	Minimum Payments	**Present Value of Payments**	Minimum Payments	Present Value of Payments
Within one year	**₱158,741**	**₱154,464**	₱154,906	₱148,124
After one year but not more than five years	**128,100**	**126,943**	264,164	259,534
More than five years	**-**	**-**	-	-
Total minimum lease payments	**286,841**	**281,407**	419,070	407,658
Less amounts representing finance charges	**(5,434)**	**-**	(11,412)	-
Present value of minimum lease payments	**₱281,407**	**₱281,407**	₱407,658	₱407,658

In addition, total payments to service providers based on the seven-year agreement for the maintenance of servers, which includes application development and maintenance, service design, managed network services, office automation or end-user computing, service desk services and business supports systems amounted to ₱1,677.14 million and ₱1,101.10 million as of December 31, 2016 and 2015, respectively.

25.2 Agreements and Commitments with Other Carriers

Globe Telecom, Innove and BTI have existing international telecommunications service agreements with various foreign administrations and interconnection agreements with local telecommunications companies for their various services. Globe Telecom also has international roaming agreements with other foreign operators, which allow its subscribers access to foreign networks. The agreements provide for sharing of toll revenues derived from the mutual use of telecommunication networks.

25.3 Arrangements and Commitments with Suppliers

The Globe Group has entered into agreements with various suppliers for the development or construction, delivery and installation of property and equipment. Under the terms of these agreements, advance payments and downpayments are made to suppliers upon submission of required documentation. While the development or construction is in progress, project costs are accrued based on the project status. Billings are based on the progress of the development or construction and advance payments are being applied proportionately to the milestone billings. When development or construction and installation are completed and the property and equipment is ready for service, the value of unbilled but delivered goods or services from the related purchase orders is accrued.

The accrued project costs as of December 31, 2016 and 2015 included in the "Accounts payable and accrued expenses" account in the consolidated statements of financial position amounted to ₱21,533.63 million and ₱20,862.12 million, respectively (see Note 12). As of December 31, 2016 and 2015, the consolidated expected future billings on the unaccrued portion of purchase orders issued amounted to ₱50,094.61 million and ₱44,786.69 million, respectively. The settlement of these liabilities is dependent on the payment terms and project milestones agreed with the suppliers and contractors. As of December 31, 2016 and 2015, the unapplied advances made to suppliers and contractors relating to purchase orders issued amounted to ₱8,215.54 million and ₱4,522.78 million, respectively (see Note 6).

25.4 Agreements with C2C/Pacnet

In 2001, Globe Telecom signed a cable equipment supply agreement with C2C as the supplier. In March 2002, Globe Telecom as a lessor entered into an equipment lease agreement for the said equipment with GB21 Hong Kong Limited (GB21).

Subsequently, GB21, in consideration of C2C's agreement to assume all payment obligations pursuant to the lease agreement, assigned all its rights, obligations and interest in the equipment lease agreement to C2C. As a result of the said assignment of payables by GB21 to C2C, the Globe Telecom's liability arising from the cable equipment supply agreement with C2C was effectively converted into a noninterest bearing long-term obligation accounted for a net present value under PAS 39 starting 2005.

In January 2003, the Globe Telecom received advance lease payments from C2C for its use of a portion of the Globe Telecom's cable landing station facilities. Based on the amortization schedule, the Globe Telecom recognized lease income amounting to ₱33.38 million, ₱6.39 million, and ₱12.26 million in 2016, 2015 and 2014, respectively.

On November 17, 2009, Globe Telecom and Pacnet Cable Ltd. (Pacnet), formerly C2C, signed a memorandum of agreement (MOA) to terminate and unwind their Landing Party Agreement dated August 15, 2000 (LPA). The MOA further requires Globe Telecom, being duly licensed and authorized by the NTC to land the C2C Cable Network in the Philippines and operate the C2C Cable Landing Station (CLS) in Nasugbu, Batangas, Philippines, to transfer to Pacnet's designated qualified partner, the license of the C2C CLS, the CLS, a portion of the property on which the CLS is situated, certain equipment and associated facilities thereof.

In return, Pacnet will compensate Globe Telecom in cash and by way of C2C cable capacities deliverable upon completion of certain closing conditions. The MOA also provided for novation of abovementioned equipment supply and lease agreements and reciprocal options for Globe Telecom to purchase future capacities from Pacnet and Pacnet to purchase backhaul and ducts from Globe Telecom at agreed prices.

25.5 Construction Maintenance Agreement for South-East Asia Japan Cable System (SJC)

In April 2011, the global consortium of telecommunication companies formed to build and operate the South-East Asia Japan Cable (SJC) system officially started the construction of the project that will link Brunei, China Mainland, Hong Kong, Philippines, Japan, and Singapore with options to extend to Thailand. The SJC consortium is composed of the Globe Group and nine other international carriers. Globe Telecom's investment for this project amounts to USD63.91 million and total expenditures incurred was at 100% as of December 31, 2014.

25.6 Network Sharing Arrangement with ABS-CBN Convergence Inc.

On May 27, 2013, Globe Telecom, Innove and ABS-CBN Convergence Inc. (ABS-C) entered into a network sharing arrangement in order to provide capacity and coverage for new mobile telephony, data and value-added services to be offered by ABS-C nationwide to its subscribers using shared network and interconnect assets of the parties.

This arrangement will enable Globe Telecom, Innove and ABS-C to improve public service by enhancing utility, capacity, inter-operability and quality of mobile and local exchange telephone and data services to the public and allow ABS-C to modernize its existing service and expand to a retail base on top of its existing subscriber base.

On May 31, 2013, NTC approved the network sharing agreement and co-use of the number blocks assigned to Globe Telecom.

25.7 Southeast Asia - United States (SEA - US) Project

Globe Telecom has joined a consortium of seven international telecommunication companies for the construction of a new submarine cable system directly connecting Southeast Asia and the United States. Other members of the consortium include PT Telekomunikasi Indonesia International (Telin), Telkom USA, RAM Telecom International (RTI), Hawaiian Telcom, and Teleguam Holdings (GTA). The 15,000-kilometer cable system would link Manado in Indonesia, Davao in the Philippines, Piti in Guam, Oahu in Hawaii, and Los Angeles in California, providing superior latency delivering additional 20 terabits per second (Tbps), utilizing 100 gigabits per second (Gbps) transmission equipment. Globe Telecom and GTIC US is spending more than USD80.00 million for the SEA-US undersea cable system targeted to be completed by end of 2017.

On March 17, 2015, Globe Telecom provided a written guaranty to NEC Corporation (NEC) pursuant to the supply contract of the cable system between GTIC US and NEC. Globe Telecom unconditionally guarantees the full and punctual performance by GTIC US of its payment obligations up to an aggregate amount of USD46.23 million, less any payments made in accordance with the terms and conditions of the contract. A default by GTIC US to pay any guaranteed obligation under the contract is a condition that will render the guaranty exercisable. Total payments amounted to USD26.51 million for the period ended December 31, 2016.

25.8 Facilities-based Operations License granted to GTSG

On November 25, 2014, GTSG applied for a facilities-based operations license (FBO) with Infocommunications Development Authority in Singapore (IDA) which was subsequently granted on January 7, 2015. Under this license, GTSG was required to provide IDA with the performance bond for the aggregate amount of USD75,400 to secure its obligation to fulfill the three performance milestones of installation of equipment required to support Southeast Asia Japan cable system and activation of its capacity between Singapore, Philippines and Hongkong. GTSG has fulfilled the first two milestones. On April 28, 2015, IDA returned the two bank guarantees pertaining to the first two milestones totaling to USD.05 million. As of December 31, 2015, the third performance milestone has been completed and the remaining USD.03 million bond has been returned to GTSG last August 8, 2016.

25.9 Services-based Operator License granted to Globe Telecom HK Limited (GTHK)

On March 17, 2015, Globe Telecom HK Limited (GTHK) applied for a services-based operator license (SBO) with the Office of the Communications Authority in Hong Kong (OFCA) which was subsequently approved on May 7, 2015. GTHK is licensed to provide a public telecommunications service and establish and maintain a telecommunications system.

25.10 Agreements with HOOQ Digital Pte. Ltd. (HOOQ)

On February 25, 2015, Globe Telecom entered into a 3 year service and content distribution contract with HOOQ. Under the agreement, HOOQ will provide content to Globe Telecom, in the form of video, movies or other form of content, which Globe Telecom may sell to its subscribers. The service may be provided either on transaction or subscription basis. Globe Telecom shall pay a service fee for every active subscriber in each month, or a maximum net subscriber guarantee of ₱2.08 billion.

Globe Telecom also undertakes to provide advertising and promotions support at a minimum amount of $3 million. For this purpose, HOOQ granted Globe Telecom a non-exclusive and royalty free right to use the HOOQ trade mark.

25.11 License agreements with Walt Disney Company (Southeast Asia) Pte. Limited ("Disney")

On July 1, 2015, Globe Telecom and Disney entered into several license agreements for a period of five (5) years. Under the agreements, Globe Telecom is granted the right to market, reproduce and distribute Disney's products to the public through its distribution channels. In consideration, Globe Telecom agreed to pay royalty based on its net revenues, with minimum commitment guarantee amounting to USD48.41 million including a guaranteed non-returnable, non-refundable advance on a quarterly basis amounting to USD0.17 million.

As of December 31, 2016, the total amount accrued under "general, selling and administrative" line item in the consolidated statement of comprehensive income amounted to USD1.06 million.

25.12 Agreements with Huawei International, Pte. Ltd.

In 2014, Globe Telecom and Innove engaged Huawei for a period of ten (10) years to perform the design, engineering, manufacture, assembly and delivery of certain equipment and all its ancillary equipment and related software and documentation, and to provide services, including subsequent training and technical support, in an end-to-end full-turn key outcome based technical solution. Globe Telecom is spending a total of ₱1,911.46 million for the services and USD92.32 million for the equipment.

25.13 Agreements with Spotify AB (Spotify)

On March 13, 2014, Globe Telecom entered into a 2 year service agreement with Spotify to provide ad-free desktop, portable music streaming and conditional download service. During the term, Globe Telecom shall spend USD2.25 million worth of advertising budget and at least USD400,000 in purchasing in-client advertising inventory from Spotify. For each month of the term, Globe Telecom shall pay an amount equal to the monthly fees which includes hard bundle fee, soft bundle fee and standalone subscription fee. In addition, Globe Telecom commits to pay a total minimum guarantee of USD1.75 million which shall be recouped against the actual fees paid and payable for the service subscriptions. Total payments net of revenue share amounted to ₱366.65 million and ₱231.66 million in 2016 and 2015, respectively.

26 Contingencies

a. On October 10, 2011, the NTC issued Memorandum Circular No. 02-10-2011 titled Interconnection Charge for Short Messaging Service requiring all public telecommunication entities to reduce their interconnection charge to each other from ₱0.35 to ₱0.15 per text, which Globe Telecom complied as early as November 2011. On December 11, 2011, the NTC One Stop Public Assistance Center (OSPAC) filed a complaint against Globe Telecom, Smart and Digitel alleging violation of the said MC No. 02-10-2011 and asking for the reduction of SMS off-net retail price from P1.00 to P0.80 per text. Globe Telecom filed its response maintaining the position that the reduction of the SMS interconnection charges does not automatically translate to a reduction in the SMS retail charge per text.

   On November 20, 2012, the NTC rendered a decision directing Globe Telecom to:

   1. Reduce its regular SMS retail rate from P1.00 to not more than ₱0.80;
   2. Refund/reimburse its subscribers the excess charge of ₱0.20; and
   3. Pay a fine of ₱200.00 per day from December 1, 2011 until date of compliance.

   On May 7, 2014, NTC denied the Motion for Reconsideration (MR) filed by Globe Telecom last December 5, 2012 in relation to the November 20, 2012 decision. Globe Telecom's assessment is that Globe Telecom is in compliance with the NTC Memorandum Circular No. 02-10-2011. On June 9, 2014, Globe Telecom filed petition for review of the NTC decision and resolution with the Court of Appeals (CA).

   The CA granted the petition in a resolution dated September 3, 2014 by issuing a 60-day temporary restraining order on the implementation of Memorandum Circular 02-10-2011 by the NTC. On October 15, 2014, Globe Telecom posted a surety bond to compensate for possible damages as directed by the CA.

   On June 27, 2016, the CA rendered a decision reversing the NTC's abovementioned decision and resolution requiring telecommunications companies to cut their SMS rates and return the excess amount paid by subscribers. The CA said that the NTC order was baseless as there is no showing that the reduction in the SMS rate is mandated under MC No. 02-10-2011; there is no showing, either that the present P1.00 per text rate is unreasonable and unjust, as this was not mandated under the memorandum. Moreover, under the NTC's own MC No. 02-05-2008, SMS is a value added service (VAS) whose rates are deregulated.

   Thereafter, the NTC and the intervenors filed their respective motions for reconsideration dated July 26, 2016 and September 14, 2016, which motions remain pending with the appellate court.

   Globe Telecom believes that it did not violate NTC MC No. 02-10-2011 when it did not reduce its SMS retail rate from ₱1.00 to ₱0.80 per text, and hence, would not be obligated to refund its subscribers. However, if it is ultimately decided by the Supreme Court (in case an appeal is taken thereto by the NTC from the adverse resolution of the CA) that Globe Telecom is not compliant with said circular, Globe may be contingently liable to refund to its subscribers the ₱0.20 difference (between ₱1.00 and ₱0.80 per text) reckoned from November 20, 2012 until said decision by the SC becomes final and executory. Management does not have an estimate of the potential claims currently.

b. On May 22, 2006, Innove received a copy of the Complaint of Subic Telecom Company (Subictel), Inc., a subsidiary of PLDT, seeking an injunction to stop the Subic Bay Metropolitan Authority (SBMA) and Innove from taking any actions to implement the Certificate of Public Convenience and Necessity (CPCN) granted by SBMA to Innove. Subictel claimed that the grant of a CPCN allowing Innove to offer certain telecommunications services within the Subic Bay Freeport Zone would violate the Joint Venture Agreement (JVA) between PLDT and SBMA.

   The Supreme Court ordered the reinstatement of the case and has forwarded it to the NTC Olongapo for trial.

   On July 13, 2016, the Regional Trial Court (RTC) in Olongapo rendered its decision dismissing Subictel's complaint, as nothing in the JVA cited by Subictel supports its claim of exclusivity. Moreover, the Constitution clearly provides that no franchise or authorization for the operation of a public utility shall be exclusive in character.

   Subictel did not move for a reconsideration of the RTC's decision. On October 19, 2016, Innove received a copy of Subictel's Petition for Review to the Supreme Court dated September 13, 2016 assailing the trial court's decision. Innove awaits the High Court's action on said petition.

c. (1) PLDT and its affiliate, Bonifacio Communications Corporation (BCC) and Innove and Globe Telecom are in litigation over the right of Innove to render services and build telecommunications infrastructure in the Bonifacio Global City (BGC). In the case filed by Innove before the NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (FBDC), the NTC has issued a Cease and Desist Order preventing BCC from performing further acts to interfere with Innove's installations in the BGC.

   On January 21, 2011, BCC and PLDT filed with the CA a Petition for Certiorari and Prohibition against the NTC, et al. seeking to annul the Order of the NTC dated October 28, 2008 directing BCC, PLDT and FBDC to comply with the provisions of NTC MC 05-05-02 and to cease and desist from performing further acts that will prevent Innove from implementing and providing telecommunications services in the Fort Bonifacio Global City pursuant to the authorization granted by the NTC.

   On April 25, 2011, Innove Communications, filed its comment on the Petition. On August 16, 2011, the CA ruled that the petition against Innove and the NTC lacked merit, holding that neither BCC nor PLDT could claim the exclusive right to install telecommunications infrastructure and providing telecommunications services within the BGC. Thus, the CA denied the petition and dismissed the case. PLDT and BCC filed their motions for reconsideration thereto, which the CA denied.

   On July 6, 2012, PLDT and BCC assailed the CA's rulings via a petition for review on certiorari with the Supreme Court. Innove and Globe filed their comment on said petition on January 14, 2013, to which said petitioners filed their reply on May 21, 2013. The case remains pending with the Supreme Court.

(2) In a case filed by PLDT against the NTC in Branch 96 of the RTC of Quezon City (QC), where PLDT sought to obtain an injunction to prevent the NTC from hearing the case filed by Innove, the RTC denied the prayer for a preliminary injunction and the case has been set for further hearings. PLDT has filed a Motion for Reconsideration and Globe Telecom has intervened in this case. In a resolution dated October 28, 2008, the RTC QC denied BCC's motion for the issuance of a temporary restraining order (TRO) on the ground that the NTC has primary administrative jurisdiction over the case. On October 14, 2013, the RTC issued an order dismissing the case. On November 12, 2013, PLDT elevated the case to the CA. On July 25, 2016, the CA granted PLDT's petition, holding that the trial court had jurisdiction, since the issues raised by PLDT were supposedly purely legal in character. On August 17, 2016, the NTC through the Office of the Solicitor General (OSG) moved for a reconsideration of the CA's decision. The motion is pending to date.

(3) In a case filed by BCC against FBDC, Globe Telecom, and Innove before the Regional Trial Court of Pasig, which case sought to enjoin Innove from making any further installations in the BGC and claimed damages from all the parties for the breach of the exclusivity of BCC in the area, the court did not issue a TRO and has instead scheduled several hearings on the case. The defendants filed their respective motions to dismiss the complaint on the grounds of forum shopping and lack of jurisdiction, among others. On March 30, 2012, the RTC of Pasig, as prayed for, dismissed the complaint on the aforesaid grounds.

The motion for reconsideration filed by BCC on July 20, 2012 remains pending with the trial court.

(4) On November 11, 2008, BCC filed a criminal complaint against the officers of Innove, FBDC and Innove contractor Avecs Corporation for malicious mischief and theft arising out of Innove's disconnection of BCC's duct at the Net Square buildings. The accused officers filed their counter affidavits. On October 26, 2016, the Office of the City Prosecutor dismissed the criminal complaint for lack of merit, holding that: First, NTC M. C. No. 05-05-2002 declared Bonifacio Global City a free zone, an IT-Hub Area so as to maintain a viable, efficient, reliable and universal telecommunications infrastructure. Any service provider is welcome to operate and interconnect with others. Second, BCC's claimed exclusivity is not absolute, as even BCC had agreed to sell to FBDC one duct bank for lease to other carriers including Innove. Third, the alleged destruction of BCC's property was not fuelled by hate, revenge or mere pleasure of destruction but the unfortunate and unintended result of Innove's installation of telecommunications infrastructure in the building. Fourth, intent to gain was not manifest, it being improbable that a large telecommunications company would steal unused duct bank runs. And, fifth, the situation proscribed in P. D. No. 401 is the pilferage of telecommunications services through illegal connection of telephone lines or stealing of telephone meters, neither of which was committed in this case."

d. On July 23, 2009, the NTC issued NTC Memorandum Circular (MC) No. 05-07-2009 (Guidelines on Unit of Billing of Mobile Voice Service). The MC provides that the maximum unit of billing for the CMTS whether postpaid or prepaid shall be six (6) seconds per pulse. The rate for the first two (2) pulses, or equivalent if lower period per pulse is used, may be higher than the succeeding pulses to recover the cost of the call set-up. Subscribers may still opt to be billed on a one (1) minute per pulse basis or to subscribe to unlimited service offerings or any service offerings if they actively and knowingly enroll in the scheme.

On December 28, 2010, the Court of Appeals (CA) rendered its decision declaring null and void and reversing the decisions of the NTC in the rates applications cases for having been issued in violation of Globe Telecom and the other carriers' constitutional and statutory right to due process. However, while the decision is in Globe Telecom's favor, there is a provision in the decision that NTC did not violate the right of petitioners to due process when it declared via circular that the per pulse billing scheme shall be the default.

Last January 21, 2011, Globe Telecom and two other telecom carriers, filed their respective Motions for Partial Reconsideration (MR) on the pronouncement that "the Per Pulse Billing Scheme shall be the default". The petitioners and the NTC filed their respective Motion for Reconsideration, which were all denied by the CA on January 19, 2012.

On March 12, 2012, Globe and Innove elevated to the Supreme Court the questioned portions of the Decision and Resolution of the CA dated December 28, 2010 and its Resolution dated January 19, 2012. The other service providers, as well as the NTC, filed their own petitions for review. The adverse parties have filed their comments on each other's petitions, as well as their replies to each other's comments. The case is now submitted for resolution.

e. In a letter filed by Philippine Competition Commission (PCC) dated June 7, 2016 addressed to Globe Telecom, PLDT, SMC and VTI regarding the Joint Notice filed by Globe Telecom, PLDT and SMC on May 30, 2016 disclosing the acquisition by Globe Telecom and PLDT of the entire issued and outstanding shares of VTI, the PCC claims that the Notice was deficient in form and substance and concludes that the acquisition cannot be claimed to be deemed approved.

On June 10, 2016, Globe Telecom formally responded to the letter reiterating that the Notice, which sets forth the salient terms and conditions of the transaction, was filed pursuant to and in accordance with Memorandum Circular No. l6-002 (MC No. l6-002) issued by the PCC. MC No. 16-002 provides that before the implementing rules and regulations for Republic Act No. 10667 (the Philippine Competition Act of 2015) come into full force and effect, upon filing with the PCC of a notice in which the salient terms and conditions of an acquisition are set forth, the transaction is deemed approved by the PCC and as such, it may no longer be challenged. Further, Globe Telecom clarified in its letter that the supposed deficiency in form and substance of the Notice is not a ground to prevent the transaction from being deemed approved. The only exception to the rule that a transaction is deemed approved is when a notice contains false material information. In this regard, Globe Telecom stated that the Notice does not contain any false information.

On June 17, 2016, Globe Telecom received a copy of the second letter issued by PCC stating that notwithstanding the position of Globe Telecom, it was ruling that the transaction was still subject for review.

On July 12, 2016, Globe Telecom asked the CA to stop the government's anti-trust body from reviewing the acquisition of SMC's telecommunications business. Globe Telecom maintains the position that the deal was approved after Globe Telecom notified the PCC of the transaction and that the anti-trust body violated its own rules by insisting on a review. On the same day, Globe Telecom filed a Petition for Mandamus, Certiorari and Prohibition against the PCC. On July 25, 2016, the CA, through its 6th Division issued a resolution denying Globe Telecom's application for temporary restraining order (TRO) and injunction against PCC's review of the transaction. In the same resolution, however, the CA required the PCC to comment on Globe Telecom's petition for certiorari and mandamus within 10 days from receipt thereof. The PCC filed said comment on August 8, 2016. In said comment, the PCC prayed that the ₱70 billion deal between PLDT-Globe Telecom and San Miguel be declared void for PLDT and Globe Telecom's alleged failure to comply with the requirements of the Philippine Competition Act of 2015. The PCC also prayed that the CA direct Globe Telecom to: cease and desist from further implementing its co-acquisition of the San Miguel telecommunications assets; undo all acts consummated pursuant to said acquisition; and pay the appropriate administrative penalties that may be imposed by the PCC under the Philippine Competition Act for the illegal consummation of the subject acquisition. The case remains pending with the CA.

Meanwhile, PLDT filed a similar petition with the CA, which was raffled off to its 12th Division. On August 26, 2016, PLDT secured a TRO from said court. Thereafter, Globe Telecom's petition was consolidated with that of PLDT, before the 12th Division. The consolidation effectively extended the benefit of PLDT's TRO to Globe Telecom. The parties were required to submit their respective Memoranda, after which, the case shall be deemed submitted for resolution.

The Globe Group is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and legal counsel, the possibility of outflow of economic resources to settle the contingent liability is remote.

27 Earnings Per Share

The Globe Group's earnings per share amounts were computed as follows:

	2016	2015	2014
	(In Thousand Pesos and Number of Shares Except per Share Figures)		
Net income attributable to common shareholders	**₱15,878,415**	₱16,496,644	₱13,376,381
Less dividends on preferred shares:			
Non-voting preferred shares	**(520,060)**	(520,060)	(260,030)
Convertible voting preferred shares	**(32,027)**	(33,150)	(26,457)
Net income attributable to common shareholders for basic earnings per share (a)	**15,326,328**	15,943,434	13,089,894
Add dividends on convertible voting preferred shares	**32,027**	33,150	26,457
Net income attributable to common shareholders for diluted earnings per share (b)	**15,358,355**	15,976,584	13,116,351
Common shares outstanding, beginning	**132,743**	132,733	132,596
Weighted average number of exercised shares for stock options	**13**	6	107
Weighted average number of shares for basic earnings per share (c)	**132,756**	132,739	132,703
Dilutive shares arising from:			
Convertible preferred shares	**399**	358	467
Stock options	**88**	128	117
Adjusted weighted average number of common shares for diluted earnings per share (d)	**133,243**	133,225	133,287
Basic earnings per share (a/c)	**₱115.45**	₱120.11	₱98.64
Diluted earnings per share (b/d)	**₱115.27**	₱119.92	₱98.41

28 Capital and Risk Management and Financial Instruments

28.1 General

The Globe Group adopts an expanded corporate governance approach in managing its business risks. An Enterprise Risk Management Policy was developed to systematically view the risks and to provide a better understanding of the different risks that could threaten the achievement of the Globe Group's mission, vision, strategies, and goals, and to provide emphasis on how management and employees play a vital role in achieving the Globe Group's mission of transforming and enriching lives through communications.

The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. Globe Group risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The application of these policies is the responsibility of the BOD through the Chief Executive Officer. The Chief Financial Officer and concurrent Chief Risk Officer champion and oversee the entire risk management function. Risk owners have been identified for each risk and they are responsible for coordinating and continuously improving risk strategies, processes and measures on an enterprise-wide basis in accordance with established business objectives.

The risks are managed through the delegation of management and financial authority and individual accountability as documented in employment contracts, consultancy contracts, letters of authority, letters of appointment, performance planning and evaluation forms, key result areas, terms of reference and other policies that provide guidelines for managing specific risks arising from the Globe Group's business operations and environment.

The Globe Group continues to monitor and manage its financial risk exposures according to its BOD approved policies.

The succeeding discussion focuses on Globe Group's capital and financial risk management.

28.2 Capital and Financial Risk Management Objectives and Policies

Capital represents equity attributable to equity holders of the Parent.

The primary objective of the Globe Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Globe Group monitors its use of capital using leverage ratios, such as debt to total capitalization and makes adjustments to it in light of changes in economic conditions and its financial position. The ratio of debt to total capitalization for the years ended December 31, 2016 and 2015 was at 63% and 55% respectively.

The Globe Group is not subject to regulatory imposed capital requirements.

The main purpose of the Globe Group's financial risk management is to fund its operations and capital expenditures. The main risks arising from the use of financial instruments are market risk, credit risk and liquidity risk. The Globe Group also enters into derivative transactions, the purpose of which is to manage the currency and interest rate risk arising from its financial instruments.

Globe Telecom's BOD reviews and approves the policies for managing each of these risks. The Globe Group monitors market price risk arising from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

The Globe Group's risk management policies are summarized below:

28.2.1 *Market Risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Globe Group is mainly exposed to two types of market risk: interest rate risk and currency risk.

Financial instruments affected by market risk include loans and borrowings, AFS investments, and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as of December 31, 2016 and 2015. The analyses exclude the impact of movements in market variables on the carrying value of pension, provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as of December 31, 2016 and 2015 including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges for the effects of the assumed changes in the underlying.

28.2.1.1 *Interest Rate Risk*

The Globe Group's exposure to market risk from changes in interest rates relates primarily to the Globe Group's long-term debt obligations. Please refer to table presented under 28.2.3 Liquidity Risk.

Globe Group's policy is to manage its interest cost using a mix of fixed and variable rate debt, targeting a ratio of between 31%-62% fixed rate USD debt to total USD debt, and between 44%-88% fixed rate PHP debt to total PHP debt. To manage this mix in a cost-efficient manner, Globe Group enters into interest rate swaps, in which Globe Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

After taking into account the effect of currency and interest rate swaps, 48% and 87% and 55% and 78% of the Globe Group's USD and PHP borrowings as of December 31, 2016 and 2015, respectively, are at a fixed rate of interest.

The following tables demonstrate the sensitivity of income before tax to a reasonably possible change in interest rates after the impact of hedge accounting, with all other variables held constant.

	Increase/ Decrease in basis Points	**Effect on income before income tax Increase (Decrease)**	**Effect on equity Increase (Decrease)**
		(In Thousand Pesos)	
2016			
USD	**+50bps**	**(₱28,275)**	**(₱433)**
	-50bps	**28,275**	**433**
PHP	**+200bps**	**(12,991)**	**4,578**
	-200bps	**11,128**	**(4,423)**
2015			
USD	+50bps	(₱31,163)	(₱541)
	-50bps	31,163	541
PHP	+150bps	(23,996)	919
	-150bps	23,996	(6,351)

28.2.1.2 *Foreign Exchange Risk*

The Globe Group's foreign exchange risk results primarily from movements of the PHP against the USD with respect to USD-denominated financial assets, USD-denominated financial liabilities and certain USD-denominated revenues. Majority of revenues are generated in PHP, while substantially all of capital expenditures are in USD. In addition, 12% and 24% of debt as of December 31, 2016 and 2015, respectively, are denominated in USD before taking into account any swap and hedges.

Information on the Globe Group's foreign currency-denominated monetary assets and liabilities and their PHP equivalents are as follows:

	2016		2015	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
		(In Thousand Pesos)		
Assets				
Cash and cash equivalents	**\$73,640**	**₱3,664,977**	\$83,182	₱3,919,388
Receivables	**90,047**	**4,481,535**	94,308	4,443,617
	163,687	**8,146,512**	177,490	8,363,005
Liabilities				
Accounts payable and accrued expenses	**347,053**	**17,272,500**	360,789	16,999,651
Long-term debt	**255,055**	**12,693,809**	373,565	17,601,636
	602,108	**29,966,309**	734,354	34,601,287
Net foreign currency - denominated liabilities	**\$438,421**	**₱21,819,797**	\$556,864	₱26,238,282

The following tables demonstrate the sensitivity to a reasonably possible change in the PHP to USD exchange rate, with all other variables held constant, of the Globe Group's income before tax (due to changes in the fair value of foreign currency-denominated assets and liabilities).

Increase/Decrease in Peso to US Dollar exchange rate	**Effect on income before income tax Increase (Decrease)**	**Effect on equity Increase (Decrease)**
	(In Thousand Pesos)	
2016		
+.40	**(₱147,223)**	**₱65,173**
-.40	**147,223**	**(65,173)**
2015		
+.40	(₱222,745)	₱98,411
-.40	222,745	(98,411)

The movement in equity arises from changes in the fair values of derivative financial instruments designated as cash flow hedges.

In addition, the consolidated expected future payments on foreign currency-denominated purchase orders related to capital projects amounted to USD1,274.14 million and USD805.26 million as of December 31, 2016 and 2015, respectively (see Note 25.3). The settlement of these liabilities is dependent on the achievement of project milestones and payment terms agreed with the suppliers and contractors. Foreign exchange exposure assuming a +/-40 centavos in 2016 and +/-40 centavos in 2015 movement in PHP to USD rate on commitments amounted to ₱509.66 million and ₱322.11 million gain or loss, respectively.

The Globe Group's foreign exchange risk management policy is to maintain a hedged financial position, after taking into account expected USD flows from operations and financing transactions. Globe Telecom enters into short-term foreign currency forwards and long-term foreign currency swap contracts in order to achieve this target.

28.2.2 *Credit Risk*

Applications for postpaid service are subjected to standard credit evaluation and verification procedures. The Credit and Billing Management of the Globe Group continuously reviews credit policies and processes and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of postpaid subscribers are being monitored on a regular basis and appropriate credit treatments are applied at various stages of delinquency. Likewise, net receivable balances from carriers of traffic are also being monitored and subjected to appropriate actions to manage credit risk. The maximum credit exposure relates to receivables net of any allowances provided.

With respect to credit risk arising from other financial assets of the Globe Group, which comprise cash and cash equivalents, short-term investments, AFS financial investments and certain derivative instruments, the Globe Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Globe Group's investments comprise short-term bank deposits and government securities. Credit risk from these investments is managed on a Globe Group basis. For its investments with banks, the Globe Group has a counterparty risk management policy which allocates investment limits based on counterparty credit rating and credit risk profile.

The Globe Group makes a quarterly assessment of the credit standing of its investment counterparties, and allocates investment limits based on size, liquidity, profitability, and asset quality. For investments in government securities, these are denominated in local currency and are considered to be relatively risk-free. The usage of limits is regularly monitored. For its derivative counterparties, the Globe Group deals only with counterparty banks with investment grade ratings and large local banks. Credit ratings of derivative counterparties are reviewed quarterly.

Following are the Globe Group exposures with its investment counterparties for cash and cash equivalents as of December 31:

	2016	2015	2014
Local bank deposits	**52%**	51%	60%
Onshore foreign bank	**40%**	49%	36%
Offshore bank deposit	**8%**	-	4%

The Globe Group has not executed any credit guarantees in favor of other parties. There is also minimal concentration of credit risk within the Globe Group. Credit exposures from subscribers and carrier partners continue to be managed closely for possible deterioration. When necessary, credit management measures are proactively implemented and identified collection risks are being provided for accordingly. Outstanding credit exposures from financial instruments are monitored daily and allowable exposures are reviewed quarterly.

The tables below show the aging analysis of the Globe Group's receivables as of December 31.

		Past Due But Not Impaired					
	Neither Past Due Nor Impaired	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Impaired Financial Assets	Total
				(In Thousand Pesos)			
2016							
Wireless receivables:							
Consumer	₱1,151,907	₱597,739	₱591,809	₱353,190	₱7,146,334	₱2,712,548	₱12,553,527
Key corporate accounts	56,065	100,468	178,867	179,935	2,111,378	439,123	3,065,836
Other corporations and Small and Medium Enterprises (SME)	236,945	92,940	96,655	59,518	1,291,470	362,720	2,140,248
	1,444,917	791,147	867,331	592,643	10,549,182	3,514,391	17,759,611
Wireline receivables:							
Consumer	734,193	319,697	176,490	109,843	1,397,681	3,634,115	6,372,019
Key corporate accounts	320,294	440,932	708,345	613,400	2,863,094	524,815	5,470,880
Other corporations and SME	129,798	94,323	84,918	50,721	172,305	645,175	1,177,240
	1,184,285	854,952	969,753	773,964	4,433,080	4,804,105	13,020,139
Other trade receivables	89,031	64,998	54,479	24,335	30,209	-	263,052
Traffic receivables:							
Foreign	1,525,630	-	-	-	-	160,245	1,685,875
Local	215,356	7,500	2,314	1,116	1,122	18,267	245,675
	1,740,986	7,500	2,314	1,116	1,122	178,512	1,931,550
Other receivables	1,970,288	-	-	-	-	165,607	2,135,895
Total	₱6,429,507	₱1,718,597	₱1,893,877	₱1,392,058	₱15,013,593	₱8,662,615	₱35,110,247

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Impaired Financial Assets	Total
		Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days		
	(In Thousand Pesos)						
2015							
Wireless receivables:							
Consumer	₱1,160,766	₱1,456,106	₱934,133	₱658,013	₱4,878,851	₱3,610,773	₱12,698,642
Key corporate accounts	23,588	80,842	147,701	195,144	1,621,980	288,440	2,357,695
Other corporations and Small and Medium Enterprises (SME)	117,898	191,710	147,944	100,168	752,580	434,394	1,744,694
	1,302,252	1,728,658	1,229,778	953,325	7,253,411	4,333,607	16,801,031
Wireline receivables:							
Consumer	505,739	288,669	93,278	56,076	1,999,625	2,367,788	5,311,175
Key corporate accounts	339,476	408,804	208,351	438,261	2,432,971	462,242	4,290,105
Other corporations and SME	115,974	85,942	45,068	25,183	184,948	150,968	608,083
	961,189	783,415	346,697	519,520	4,617,544	2,980,998	10,209,363
Other trade receivables	20,041	15,501	1,360	712	11,474	-	49,088
Traffic receivables:							
Foreign	1,181,353	-	-	-	-	149,958	1,331,311
Local	114,305	3,368	1,664	3,890	1,104	271,682	396,013
	1,295,658	3,368	1,664	3,890	1,104	421,640	1,727,324
Other receivables	1,864,366	-	-	-	-	246,860	2,111,226
Total	₱5,443,506	₱2,530,942	₱1,579,499	₱1,477,447	₱11,883,533	₱7,983,105	₱30,898,032

Total allowance for impairment losses amounting to ₱8,165.60 million and ₱8,962.26 million includes allowance for impairment losses arising from specific and collective assessment of ₱350.96 million and ₱647.59 million as of December 31, 2016 and 2015, respectively (see Note 4).

The table below provides information regarding the credit risk exposure of the Globe Group by classifying assets according to the Globe Group's credit ratings of receivables as of December 31. The Globe Group's credit rating is based on individual borrower characteristics and their relationship to credit event experiences.

	Neither Past Due Nor Impaired			
	High Quality	**Medium Quality**	**Low Quality**	**Total**
	(In Thousand Pesos)			
2016				
Wireless receivables:				
Consumer	**₱606,012**	**₱525,850**	**₱20,045**	**₱1,151,907**
Key corporate accounts	**14,887**	**40,265**	**913**	**56,065**
Other corporations and SME	**125,725**	**44,314**	**66,906**	**236,945**
	746,624	**610,429**	**87,864**	**1,444,917**
Wireline receivables:				
Consumer	**515,863**	**153,988**	**64,342**	**734,193**
Key corporate accounts	**185,876**	**134,382**	**36**	**320,294**
Other corporations and SME	**75,255**	**54,147**	**396**	**129,798**
	776,994	**342,517**	**64,774**	**1,184,285**
Total	**₱1,523,618**	**₱952,946**	**₱152,638**	**₱2,629,202**
2015				
Wireless receivables:				
Consumer	₱593,565	₱535,275	₱31,926	₱1,160,766
Key corporate accounts	8,025	15,311	252	23,588
Other corporations and SME	60,398	24,096	33,404	117,898
	661,988	574,682	65,582	1,302,252
Wireline receivables:				
Consumer	344,989	157,840	2,910	505,739
Key corporate accounts	151,494	187,975	7	339,476
Other corporations and SME	49,609	66,166	199	115,974
	546,092	411,981	3,116	961,189
Total	₱1,208,080	₱986,663	₱68,698	₱2,263,441

High quality accounts are accounts considered to be high value and have consistently exhibited good paying habits. Medium quality accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts do not flow through to permanent disconnection status as they generally respond to credit actions and update their payments accordingly. Low quality 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. Impairment losses are also provided for these accounts based on net flow rate.

Other trade receivables that are neither past due nor impaired are considered to be high quality since these are transacted with counterparties who consistently pay on time

Traffic receivables that are neither past due nor impaired are considered to be high quality given the reciprocal nature of the Globe Group's interconnect and roaming partner agreements with the carriers and the Globe Group's historical collection experience.

Other receivables that are neither past due nor impaired are considered high quality accounts as these are substantially from credit card companies and Globe Group dealers.

The following is a reconciliation of the changes in the allowance for impairment losses for receivables as of December 31 (see Notes 4 and 23):

	Subscribers					
	Consumer	**Key Corporate Accounts**	**Other Corporations and SME**	**Traffic Settlements and Others**	**Non-trade**	**Total**
			(In Thousand Pesos)			
2016						
At beginning of the year	**₱7,123,653**	**₱816,369**	**₱392,518**	**₱629,717**	**₱66,653**	**₱9,028,910**
Charges for the period	**2,349,881**	**598,137**	**(18,946)**	**(68,834)**	**74,072**	**2,934,310**
Reversals/ write-offs/ adjustments	**(3,343,805)**	**(352,428)**	**32,741**	**6,599**	**(597)**	**(3,657,490)**
At end of year	**₱6,129,729**	**₱1,062,078**	**₱406,313**	**₱567,482**	**₱140,128**	**₱8,305,730**
2015						
At beginning of the year	₱2,742,022	₱540,525	₱687,874	₱219,624	₱58,414	₱4,248,459
Charges for the period	2,340,667	182,121	185,742	(14,961)	(10,719)	2,682,850
Reversals/ write-offs/ adjustments	2,040,964	93,723	(481,098)	425,054	18,958	2,097, 601
At end of year	₱7,123,653	₱816,369	₱392,518	₱629,717	₱66,653	₱9,028,910

28.2.3 *Liquidity Risk*

The Globe Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Globe Group intends to use internally generated funds and available long-term and short-term credit facilities. As of December 31, 2016 and 2015, the Globe Group has available uncommitted short-term credit facilities of USD80.40 million and ₱13,445 million, USD79.40 million and ₱12,345 million, respectively. As of December 31, 2016 and 2015, the Globe Group has available committed short-term credit facilities of ₱1,200 million and ₱3,000 million, respectively.

As of December 31, 2016 and 2015, the Globe Group has ₱4,500 million and ₱2,000 million, respectively, in committed long-term facilities.

As part of its liquidity risk management, the Globe 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, in case any requirements arise. Fund raising activities may include bank loans, export credit agency facilities and capital market issues.

The following tables show comparative information about the Globe Group's financial instruments as of December 31 that are exposed to liquidity risk and interest rate risk and presented by maturity profile including forecasted interest payments for the next five years from December 31 figures (in thousands).

Long-term Liabilities

2016

	2017	2018	2019	2020	2021 and thereafter	Total (in USD)	Total (in PHP)	Debt Issuance Costs	Carrying Value (in PHP)	Fair Value (in PHP)
Liabilities:										
Long-term debt										
Fixed Rate										
USD notes	**$441**	**$557**	**$574**	**$635**	**$1,771**	**$3,978**	**₱ -**	**₱10,005**	**₱187,931**	**₱223,866**
Interest rate	**5.00%**	**5.00%**	**6.00%**	**6.00%**	**6.00%**					
Philippine peso	**₱5,225,000**	**₱760,000**	**₱10,995,000**	**₱4,762,500**	**₱55,292,500**	**-**	**77,035,000**	**411,414**	**76,623,586**	**85,113,349**
Interest rate	**5.15%;4.90%; 4.25%;4.75%; 4.87%;5.45%; 4.19%;5.75%; 4.85%**	**5.15%;4.90%; 4.25%;4.83%; 4.87%;5.45%; 4.19%;4.85%;**	**5.15%;4.90%; 4.25%;4.83% 4.75%;4.87%; 5.45%;4.19%**	**5.15%;4.90%; 4.25%;4.83%; 4.75%;4.87%; 5.45%;4.19%;**	**5.15%;4.90%; 4.25%;4.91%; 5.06%;4.83%; 4.75%;4.87%; 5.45%;4.19%; 5.28%;6.00%;**					
Floating rate										
USD notes	**$9,600**	**$9,600**	**$9,600**	**$123,600**	**$99,600**	**252,000**	**-**	**38,662**	**12,503,126**	**12,730,188**
Interest rate	**Libor 6-mo. + 1% margin;Libor 3mo. + 1.5% margin;Libor 3mo. + 0.8% margin**	**Libor 6-mo. + 1% margin;Libor 3mo. + 1.5% margin;Libor 3mo. + 0.8% margin**	**Libor 6-mo. + 1% margin;Libor 3mo. + 1.5% margin;Libor 3mo. + 0.8% margin**	**Libor 6-mo. + 1% margin;Libor 3mo. + 1.5% margin;Libor 3mo. + 0.8% margin**	**Libor 3mo. + 1.5% margin;Libor 3mo. + 0.8% margin**					
Philippine peso	**₱120,000**	**₱6,910,000**	**₱4,900,000**			**-**	**11,930,000**	**16,052**	**11,913,948**	**11,983,947**
Interest rate	**PDST-R2 3mo. + 0.5%margin; PDST-R2 3mo. + 0.6% margin**	**PDST-R2 3mo. + 0.5% margin;PDST-R2 3mo. + 0.6% margin**	**PDST-R2 3mo. + 0.5% margin**							
						$255,978	**₱88,965,000**	**₱476,133**	**₱101,228,591**	**₱110,051,350**
Interest payable*										
PHP debt	**₱ 4,144,314**	**₱3,736,685**	**₱3,354,827**	**₱3,049,838**	**₱14,244,244**	**$ -**	**₱28,529,908**	**₱ -**	**₱ -**	**₱ -**
USD debt	**$5,259**	**$6,208**	**$5,486**	**$3,993**	**$3,754**	**$ 24,700**	**₱ -**	**$ -**	**$ -**	**$ -**

**Used month-end USD LIBOR and Philippine Dealing and Exchange Corporation (PDEX) rates.*

** Using ₱49.769 - USD exchange rate as of December 31, 2016.*

2015

	2016	2017	2018	2019	2020 and thereafter	Total (in USD)	Total (in PHP)	Debt Issuance Costs	Carrying Value (in PHP)	Fair Value (in PHP)
Liabilities:										
Long-term debt										
Fixed Rate										
USD notes	$442	$446	$563	$580	$2,434	$4,465	₱ -	₱11,557	₱198,825	₱242,683
Interest rate	5.00%	5.00%	5.00%	6.00%	6.00%					
Philippine peso	₱2,397,800	₱4,930,000	₱430,000	₱10,630,000	₱24,545,000	-	42,932,800	238,408	42,694,392	46,370,633
Interest rate	5.45%;4.19%; 4.85%;8.36%	4.87%;5.45%; 4.19%;5.75%; 4.85%	4.87%;5.45%; 4.85%;4.19%	4.87%;5.45%; 6.00%;4.85%; 4.19%	4.87%;5.45%; 4.89%;5.28%; 6.00%;4.19%					
Floating rate										
USD notes	$117,100	$9,600	$9,600	$9,600	$223,200	369,100	-	29,079	17,362,174	17,594,855
Interest rate	Libor 6-mo. + 1% margin; Libor 3mo. + .90% margin; Libor 3mo. + 1.5% margin	Libor 6-mo. + 1% margin; Libor 3mo. + 1.5% margin; Libor 3mo. + 0.8% margin	Libor 6-mo. + 1% margin; Libor 3mo. + 1.5% margin; Libor 3mo. + 0.8% margin	Libor 6-mo. + 1%margin; Libor 3mo. + 1.5%margin; Libor 3mo. + 0.8% margin	Libor 6-mo. + 1% margin; Libor 3mo. + 1.5% margin; Libor 3mo. + 0.8% margin					
Philippine peso	₱70,000	₱5,070,000	₱6,860,000	-	-	-	12,000,000	26,534	11,973,466	11,973,466
Interest rate	PDST-R2 3mo. + .60% margin	PDST-R2 3mo. +.50% margin; PDST-R2 3mo. + .60% margin	PDST-R2 3mo. + .60% margin							
						$373,565	₱54,932,800	₱305,578	₱72,228,857	₱76,181,637
Interest payable*										
PHP debt	₱2,669,549	₱2,369,191	₱1,934,694	₱1,571,926	₱3,189,856	$ -	₱11,735,216	₱ -	₱ -	₱ -
USD debt	$5,437	$4,885	$4,715	$4,575	$6,538	$ 26,150	₱ -	$ -	$ -	$ -

**Used month-end USD LIBOR and Philippine Dealing and Exchange Corporation (PDEX) rates.*

** Using ₱47.118 - USD exchange rate as of December 31, 2015.*

The following tables present the maturity profile of the Globe Group's other liabilities and derivative instruments (undiscounted cash flows including swap costs payments/receipts except for other long-term liabilities) as of December 31, 2016 and 2015.

2016

Other Financial Liabilities

	On Demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
				(In Thousand Pesos)				
Accounts payable and accrued expenses*	₱861,204	₱64,930,863	₱-	₱-	₱-	₱-	₱ -	₱65,792,067
Notes Payable	-	4,500,000	-	-	-	-	-	4,500,000
Other long-term liabilities	-	-	-	-	-	-	6,944,576	6,944,576
	₱861,204	₱69,430,863	₱-	₱-	₱-	₱-	₱6,944,576	₱77,236,643

Excludes taxes payable which is not a financial instrument.

Derivative Instruments

	2017		2018		2019		2020		2021 and beyond	
	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay
Projected Swap Coupons:										
Interest Rate Swaps-USD	₱ 24,450	₱ 22,015	₱ 23,556	₱ 21,219	₱ 27,736	₱ 20,478	₱16,935	₱10,068	₱-	₱ -
Cross Currency Swaps	₱104,977	₱151,122	₱104,532	₱151,122	₱119,117	₱151,537	₱68,875	₱75,976	₱-	₱ -
Principal Only Swaps	₱ -	₱ 71,549	₱ -	₱ 64,425	₱ -	₱ 57,258	₱ -	₱34,455	₱-	₱18,227

	2017		2018		2019		2020		2021 and beyond	
	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay
Projected Principal Exchanges:										
Forward Purchase of USD**	$15,000	₱ 727,170	$ -	₱ -	$ -	₱ -	$ -	₱ -	$ -	₱ -
FX Swap, Buys USD Forward**	$70,000	₱3,496,100	$ -	₱ -	$ -	₱ -	$ -	₱ -	$ -	₱ -
Cross Currency Swaps- PHP	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -	₱3,648,800	₱ -	₱ -
Cross Currency Swaps- USD	$ -	$ -	$ -	$ -	$ -	$ -	$85,000	$ -	$ -	$ -
Principal Only Swaps- PHP	₱ -	₱ 410,241	₱ -	₱410,241	₱ -	₱410,241	₱ -	₱1,795,721	₱ -	₱706,133
Principal Only Swaps- USD	$ 8,700	$ -	$8,700	$ -	$8,700	$ -	$37,700	$ -	$15,000	$ -

**Projected principal exchanges represent commitments to purchase USD for payment of USD debts with the same maturities.*
***Deliverable and non-deliverable*

2015

Other Financial Liabilities

	On Demand	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
				(In Thousand Pesos)				
Accounts payable and accrued expenses*	₱1,714,558	₱43,583,112	₱-	₱-	₱-	₱-	₱ -	₱45,297,670
Other long-term liabilities	-	-	-	-	-	-	1,273,215	1,273,215
	₱1,714,558	₱43,583,112	₱-	₱-	₱-	₱-	₱1,273,215	₱46,570,885

Excludes taxes payable which is not a financial instrument.

Derivative Instruments

	2016		2017		2018		2019		2020 and beyond	
	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay
Projected Swap Coupons:										
Cross Currency Swaps	₱110,300	₱206,056	₱90,807	₱151,122	₱105,847	₱151,122	₱122,010	₱151,537	₱64,419	₱75,976
Principal Only Swaps	₱ -	₱ 34,093	₱ -	₱ 36,222	₱ -	₱ 30,185	₱ -	₱ 24,214	₱ -	₱36,404

	2016		2017		2018		2019		2020 and beyond	
	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay	Receive	Pay
Projected Principal Exchanges:										
Cross Currency Swaps- PHP	₱ -	₱4,847,850	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -	₱3,648,800
Cross Currency Swaps- USD	$115,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$85,000	$ -
Principal Only Swaps- PHP	₱ -	₱ -	₱ -	₱353,067	₱ -	₱353,067	₱ -	₱353,067	₱ -	₱1,059,200
Principal Only Swaps- USD	$ -	$ -	$7,500	$ -	$7,500	$ -	$7,500	$ -	$22,500	$ -

28.2.4 *Hedging Objectives and Policies*

The Globe Group uses a combination of natural hedges and derivative hedging to manage its foreign exchange exposure. It uses interest rate derivatives to reduce earnings volatility related to interest rate movements, and principal only swaps to hedge the foreign exchange risk exposure to principal repayments on USD debt.

It is the Globe Group's policy to ensure that capabilities exist for active but conservative management of its foreign exchange and interest rate risks. The Globe Group does not engage in any speculative derivative transactions. Authorized derivative instruments include currency forward contracts, currency swap contracts, interest rate swap contracts and currency option contracts.

28.3 Derivative Financial Instruments

The Globe Group's freestanding and embedded derivative financial instruments are accounted for as hedges or transactions not designated as hedges. The table below sets out information about the Globe Group's derivative financial instruments and the related fair values as of December 31:

2016

	USD Notional Amount	**PHP Notional Amount**	**Derivative Assets**	**Derivative Liabilities**
		(In Thousands)		
Derivative instruments designated as hedges				
Cash flow hedges				
Cross currency swaps	**$85,000**	**₱-**	**₱612,712**	**₱31,170**
Principal only swaps	**78,800**	**-**	**123,877**	**30,621**
Interest rate swaps	**33,800**	**-**	**18,548**	**-**
Derivative instruments not designated as hedges				
Freestanding				
Deliverable forwards	**70,000**	**-**	**-**	**9,463**
Nondeliverable forwards	**15,000**	**-**	**19,364**	**-**
Embedded				
Currency forwards*	**32,626**	**-**	**48,947**	**34,674**
Net			**₱823,448**	**₱105,928**

**The embedded currency forwards are at a net buy position.*

2015

	USD Notional Amount	PHP Notional Amount	Derivative Assets	Derivative Liabilities
		(In Thousands)		
Derivative instruments designated as hedges				
Cash flow hedges				
Cross currency swaps	$200,000	₱-	₱1,045,239	₱53,013
Principal only swaps	45,000	-	25,592	29,877
Derivative instruments not designated as hedges				
Embedded				
Currency forwards*	21,811	-	11,450	28,388
Net			₱1,082,281	₱111,278

**The embedded currency forwards are at a net buy position.*

The table below also sets out information about the maturities of Globe Group’s derivative instruments as of December 31 that were entered into to manage interest and foreign exchange risks related to the long-term debt (in thousands).

2016

	<1 Year	**>1-<2 Years**	**>2-<3 Years**	**>3-<4 Years**	**>4-<5 Years**	**>5-<6 Years**	**>6-<7 Years**	**Total**
Derivatives								
Interest Rate Swaps								
Floating-Fixed								
Notional PHP	**₱ -**	**₱ -**	**₱ -**	**₱ -**	**₱ -**	**₱ -**	**₱-**	**₱ -**
Notional USD	**$ 1,200**	**$ 1,200**	**$ 1,200**	**$ 30,200**	**$ -**	**$ -**	**$-**	**$33,800**
Cross Currency Swaps								
Floating-Fixed								
Notional PHP	**₱ -**	**₱ -**	**₱ -**	**₱3,648,800**	**₱ -**	**₱ -**	**₱-**	**₱3,648,800**
Notional USD	**$ -**	**$ -**	**$ -**	**$ 85,000**	**$ -**	**$ -**	**$-**	**$85,000**
Pay-fixed rate								**4.12%4.28%**
Receive-floating rate								**USD LIBOR +1.0%**
Principal Only Swaps								
Fixed-Fixed								
Notional PHP	**₱410,241**	**₱410,241**	**₱410,241**	**₱1,795,721**	**₱353,067**	**₱353,067**	**₱-**	**₱3,732,578**
Notional USD	**$ 8,700**	**$ 8,700**	**$ 8,700**	**$ 37,700**	**$ 7,500**	**$ 7,500**	**$-**	**$78,800**
Pay-fixed rate								**1.585%-2.3%**

2015

	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5-<6 Years	>6-<7 Years	Total
Derivatives								
Cross Currency Swaps								
Floating-Fixed								
Notional PHP	₱4,847,850	₱ -	₱ -	₱ -	₱3,648,800	₱ -	₱ -	₱8,496,650
Notional USD	$ 115,000	$ -	$ -	$ -	$ 85,000	$ -	$ -	$200,000
Pay-fixed rate								2.48%-4.28%
Receive-floating rate								USD LIBOR + 1.0% or 0.90%
Principal Only Swaps								
Fixed-Fixed								
Notional PHP	**₱ -**	₱353,067	₱353,067	₱353,067	₱ 353,067	₱353,067	₱353,067	₱2,118,402
Notional USD	**$ -**	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$45,000
Pay-fixed rate								1.585%-1.835%

The Globe Group's other financial instruments that are exposed to interest rate risk are cash and cash equivalents. These mature in less than a year and are subject to market interest rate fluctuations.

The Globe Group's other financial instruments which are non-interest bearing and therefore not subject to interest rate risk are trade and other receivables, accounts payable and accrued expenses and long-term liabilities. Loans receivable are also not subject to interest rate risk due to fixed interest rates.

The subsequent sections will discuss the Globe Group's derivative financial instruments according to the type of financial risk being managed and the details of derivative financial instruments that are categorized into those accounted for as hedges and those that are not designated as hedges.

28.4 Derivative Instruments Accounted for as Hedges

The following sections discuss in detail the derivative instruments accounted for as cash flow hedges.

- *Currency Swaps and Cross Currency Swaps*

  The Globe Group entered into cross currency swap and principal only swaps contracts to hedge the foreign exchange and interest rate risk on dollar loans with maturities until April 2020 and October 2022, respectively. The cross currency swaps have a notional amount of USD85.00 million and USD200.00 million as of December 31, 2016 and 2015, respectively. Principal only swaps have a notional amount of USD78.80 million and USD45.00 million as of December 31, 2016 and 2015, respectively. The fair values of the currency swaps as of December 31, 2016 and 2015 amounted to net asset of ₱674.80 million and ₱987.94 million, of which ₱67.19 million and ₱41.36 million (net of tax) is reported in the equity section of the consolidated statements of financial position.

- *Interest Rate Swaps*

  As of December 31, 2016, the Globe Group has USD33.80 million in notional amount of USD interest rate swap that have been designated as cash flow hedge of interest rate risk from USD loans. The interest rate swap effectively fixed the benchmark rate of the hedged USD loan at 1.336% over the duration of the agreement, which involves semi-annual payment intervals up to April 2020.

  As of December 31, 2016, the fair value of the outstanding swap amounted to ₱18.55 million gains, of which ₱12.98 million (net of tax), is reported as "Other reserves" in the equity section of the consolidated statements of financial position (see Note 17.6).

  Accumulated swap cost for the years ended December 31, 2016, 2015 and 2014 amounted to ₱.40 million, nil and ₱43.64 million, respectively (see Note 22).

- *Deliverable and Nondeliverable Forwards*

  The Globe Group has no outstanding deliverable and nondeliverable forwards as of December 31, 2016 and December 31, 2015.

  Hedging gains/losses on derivatives intended to manage foreign currency fluctuations on dollar based revenues for the years ended December 31, 2016, 2015 and 2014 amounted to nil, ₱32.06 million loss and, ₱4.74 million gain, respectively. These hedging gains/losses are reflected under "Service revenues" in the consolidated statements of comprehensive income.

28.5 Other Derivative Instruments Not Designated as Hedges

The Globe Group enters into certain derivatives as economic hedges of certain underlying exposures. Such derivatives, which include embedded and freestanding currency forwards, embedded call options, and certain currency and interest rate swaps with option combination or structured provisions, are not designated as accounting hedges. The gains or losses on these instruments are accounted for directly in profit or loss in the consolidated statements of comprehensive income. This section consists of freestanding derivatives and embedded derivatives found in both financial and nonfinancial contracts.

28.6 Freestanding Derivatives

Freestanding derivatives that are not designated as hedges consist of currency forwards and interest rate swaps entered into by the Globe Group. Fair value changes on these instruments are accounted for directly in profit or loss in the consolidated statements of comprehensive income.

- *Interest Rate Swaps*

  The Globe Group also has an outstanding PHP interest rate swap contract which swaps a floating peso loan into fixed rate of 4.92% and involves quarterly payment intervals until September 2015.

  As of December 31, 2016 and 2015, the Globe Group has no outstanding interest rate swap contract not designated as hedges.

- *Deliverable and Non-deliverable Forwards*

  As of December 31, 2016 and 2015, the Globe Group has USD85.00 million and nil deliverable and non-deliverable currency forward contracts not designated as hedges, respectively.

28.7 Embedded Derivatives and Other Financial Instruments

The Globe Group has instituted a process to identify any derivatives embedded in its financial or nonfinancial contracts. Based on PAS 39, the Globe Group assesses whether these derivatives are required to be bifurcated or are exempted based on the qualifications provided by the said standard. The Globe Group's embedded derivatives include embedded currency derivatives noted in non-financial contracts.

- *Embedded Currency Forwards*

  As of December 31, 2016 and 2015, the total outstanding notional amount of currency forwards embedded in nonfinancial contracts amounted to USD32.63 million and USD21.81 million, respectively. The nonfinancial contracts consist mainly of foreign currency-denominated maintenance and lease agreements and unbilled leased lines receivables denominated in foreign currency with domestic counterparties. The net fair value of the embedded currency forwards as of December 31, 2016 and 2015 amounted to ₱14.27 million gain and ₱16.94 million loss, respectively.

28.8 Fair Value Changes on Derivatives

The net movements in fair value changes of all derivative instruments are as follows:

	2016	2015
	(In Thousand Pesos)	
At beginning of year	**₱971,003**	₱493,734
Acquired on acquisition of a subsidiary	**-**	(8,114)
Net changes in fair value of derivatives:		
Designated as cash flow hedges	**98,308**	314,303
Not designated as cash flow hedges	**59,155**	(13,847)
	1,128,466	786,076
Less fair value of settled instruments	**410,946**	(184,927)
At end of period	**₱717,520**	₱971,003

28.9 Hedge Effectiveness Results

As of December 31, 2016 and 2015, the effective fair value changes on the Globe Group's cash flow hedges that were deferred in equity amounted to ₱54.21 million and ₱41.36 million gains, net of tax, respectively. Total ineffectiveness for the years ended December 31, 2016 and 2015 is immaterial.

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.

28.10 Categories of Financial Assets and Financial Liabilities

The table below presents the carrying value of the Globe Group's financial instruments by category as of December 31:

	2016	2015
	(In Thousand Pesos)	
Financial Assets		
Financial assets at FVPL:		
Derivative assets designated as cash flow hedges	**₱755,137**	₱1,070,831
Derivative assets not designated as hedges	**68,311**	11,450
AFS investment in equity securities (Note 11)	**794,087**	577,580
Loans and receivables - net*	**36,029,700**	35,452,665
	₱37,647,235	₱37,112,526
Financial Liabilities		
Financial liabilities at FVPL:		
Derivative liabilities designated as cash flow hedges	**₱61,792**	₱82,890
Derivative liabilities not designated as hedges	**44,136**	28,388
Financial liabilities at amortized cost**	**171,535,994**	118,799,743
	₱171,641,922	₱118,911,021

**This consists of cash and cash equivalents, short-term investments and long-term investments, receivables, other nontrade receivables and loans receivables.*

***This consists of accounts payable, accrued expenses, accrued project cost, traffic settlement-net, dividends payable, notes payable, long-term debt (including current portion) and other long-term liabilities (including current portion).*

As of December 31, 2016 and 2015, the Globe Group has no investments in foreign securities.

28.11 Offsetting Financial Assets and Financial Liabilities

The Globe Group has derivative financial instruments that have offsetting arrangements. Upon adoption of the amendment to PFRS 7, the Globe Group has determined that there is no impact on financial position or on profit or loss, but resulted to additional disclosures about such offsetting arrangements. Accordingly, these additional disclosures are set forth below.

	Gross amounts	Amounts offset under PAS 32	Reported amounts in the consolidated statements of financial position	Amounts offset under master netting arrangements or other similar contracts	Amounts offset by financial collateral received or pledged	Net exposure
			(In Thousand Pesos)			
December 31, 2016						
Derivative assets	**₱823,448**	**₱ -**	**₱823,448**	**(₱99,747)**	**₱-**	**₱723,701**
Derivative liabilities	**105,928**		**105,928**	**(99,747)**		**6,181**
Traffic settlements receivable	**3,337,030**	**(1,479,576)**	**1,857,454**	**-**	**-**	**1,857,454**
Traffic settlements payable	**1,795,114**	**(947,354)**	**847,760**	**-**	**-**	**847,760**
December 31, 2015						
Derivative assets	₱1,082,281	₱ -	₱1,082,281	(₱82,890)	₱-	₱999,391
Derivative liabilities	111,278	-	111,278	(82,890)	-	28,388
Traffic settlements receivable	3,544,807	(1,817,483)	1,727,324	-	-	1,727,324
Traffic settlements payable	1,587,634	(1,143,423)	444,211	-	-	444,211

The Globe Group makes use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Master netting arrangements do not normally result in an offset of balance sheet assets and liabilities unless certain conditions for offsetting under PAS 32 apply.

Although master netting arrangements may significantly reduce credit risk, it should be noted that:

a) Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realized; and

b) The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement and fluctuations in market factors.

28.12 Fair Values of Financial Assets and Financial Liabilities

The table below presents a comparison of carrying amounts and estimated fair values of all the Globe Group's financial instruments as of December 31:

	2016		2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
	(In Thousand Pesos)			
Financial Assets				
Derivative assets	**₱823,448**	**₱823,448**	₱1,082,281	₱1,082,281
AFS investment in equity securities (Note 11)	**794,087**	**794,087**	577,580	577,580
	₱1,617,535	**₱1,617,535**	₱1,659,861	₱1,659,861
Financial Liabilities				
Derivative liabilities	**₱105,928**	**₱105,928**	₱111,278	₱111,278
Long-term debt (including current portion)	**101,228,592**	**103,963,908**	72,228,858	76,181,637
	₱101,334,520	**₱104,069,836**	₱72,340,136	₱76,292,915

The following discussions are methods and assumptions used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

28.12.1 *Non-Derivative Financial Instrument*

The fair values of cash and cash equivalents, subscriber receivables, traffic settlements receivable, current portion of loan receivable, miscellaneous receivables, accrued interest receivables, accounts payable, accrued expenses and notes payable are approximately equal to their carrying amounts considering the short-term maturities of these financial instruments.

The fair value of AFS investments are based on quoted and unquoted prices. Unquoted AFS equity securities are carried at cost, subject to impairment.

The fair value of loans receivables approximates carrying value after calculations.

For variable rate financial instruments that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate financial instruments that reprice every six months, the fair value is determined by discounting the principal amount plus the next interest payment using the prevailing market rate for the period up to the next repricing date. The discount rates used range from 1.01% to 1.71% for USD floating loans.

For noninterest bearing obligations, the fair value is estimated as the present value of all future cash flows discounted using the prevailing market rate of interest for a similar instrument.

28.12.2 *Derivative Instrument*

The fair value of freestanding and embedded forward exchange contracts is calculated by using the interest rate parity concept.

The fair values of interest rate swaps and cross currency swap transactions are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair value of interest rate swap transactions is the net present value of the estimated future cash flows. The fair values of currency and cross currency swap transactions are determined based on changes in the term structure of interest rates of each currency and the spot rate.

The fair values were tested to determine the impact of credit valuation adjustments. However, the impact is immaterial given that the Globe Group deals its derivatives with large foreign and local banks with very minimal risk of default.

Embedded currency options are valued using the simple option pricing model of third party provider.

28.12.3 *Fair Value Hierarchy*

The following tables provide the fair value measurement hierarchy of the Globe Group's assets and liabilities:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
2016				
Assets measured at fair value:		***(In Thousand Pesos)***		
Derivative assets:				
Cross currency swaps	**₱ -**	**₱612,712**	**₱-**	**₱612,712**
Interest rate swaps	**-**	**18,548**		**18,548**
Principal only swaps	**-**	**123,877**	**-**	**123,877**
Embedded currency forwards	**-**	**48,947**	**-**	**48,947**
Nondeliverable forwards	**-**	**19,364**	**-**	**19,364**
AFS investment in equity securities	**228,200**	**565,887**	**-**	**794,087**
Liabilities measured at fair value:				
Derivative liabilities:				
Cross currency swaps	**-**	**31,170**	**-**	**31,170**
Principal only swaps	**-**	**30,621**	**-**	**30,621**
Embedded Currency forwards	**-**	**34,674**	**-**	**34,674**
Deliverable forwards	**-**	**9,463**	**-**	**9,463**
Long-term debt (including current portion)	**-**	**103,963,908**	**-**	**103,963,908**
2015				
Assets measured at fair value:				
Derivative assets:				
Cross currency swaps	₱ -	₱1,045,239	₱-	₱1,045,239
Principal only swaps	-	25,592	-	25,592
Embedded currency forwards	-	11,450	-	11,450
AFS investment in equity securities	203,736	373,844	-	577,580
Liabilities measured at fair value:				
Derivative liabilities:				
Cross currency swaps	-	53,013	-	53,013
Principal only swaps	-	29,877	-	29,877
Embedded Currency forwards	-	28,388	-	28,388
Long-term debt (including current portion)	-	76,181,637	-	76,181,637

There were no transfers from Level 1 and Level 2 fair value measurements for the years ended December 31, 2016 and 2015. The Globe Group has no financial instruments classified under Level 3.

29 Operating Segment Information

The Globe Group's reportable segments consist of: (1) mobile communications services; and (2) wireline communication services; which the Globe Group operates and manages as strategic business units and organize by products and services. The Globe Group presents its various operating segments based on segment net income.

The mobile value added data content and application development services coming from various revenue streams are reported under mobile communication services segment to conform to the current presentation of internal management reports.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

Most of the Globe Group's revenues are derived from operations within the Philippines, hence, the Globe Group does not present geographical information required by PFRS 8, *Operating Segments*. The Globe Group does not have a single customer that will meet the 10% reporting criteria.

The Globe Group also presents the different product types that are included in the report that is regularly reviewed by the chief operating decision maker in assessing the operating segments performance.

Segment assets and liabilities are not measures used by the chief operating decision maker since the assets and liabilities are managed on a group basis.

The Globe Group's segment information is as follows (in thousand pesos):

	2016		
	Mobile Communications Services	**Wireline Communications Services**	**Consolidated**
		(In Thousand Pesos)	
REVENUES:			
Service revenues:			
External customers:			
Voice	**₱34,065,274**	**₱3,779,820**	**₱37,845,094**
SMS	**23,198,924**	**-**	**23,198,924**
Data	**34,611,986**	**9,873,417**	**44,485,403**
Broadband	**-**	**14,460,125**	**14,460,125**
Nonservice revenues:			
External customers	**5,670,249**	**523,408**	**6,193,657**
Segment revenues	**97,546,433**	**28,636,770**	**126,183,203**
EBITDA	**41,260,570**	**8,717,826**	**49,978,396**
Depreciation and amortization	**(10,978,984)**	**(12,869,662)**	**(23,848,646)**
EBIT	**30,281,586**	**(4,151,836)**	**26,129,750**
NET INCOME (LOSS) BEFORE TAX[2]	**26,090,530**	**(4,153,128)**	**21,937,402**
Provision for income tax	**(5,359,344)**	**(689,559)**	**(6,048,903)**
NET INCOME (LOSS)	**₱20,731,186**	**(4,842,687)**	**₱15,888,499**
Other segment information			
Intersegment revenues	**(₱2,573,816)**	**(₱1,511,959)**	**(₱4,085,775)**
Subsidy[1]	**(5,476,822)**	**(243,635)**	**(5,720,457)**
Interest income[2]	**104,318**	**45,755**	**150,073**
Interest expense	**(3,388,476)**	**(20,423)**	**(3,408,899)**
Equity in net losses of associates and joint ventures	**(855,198)**	**-**	**(855,198)**
Impairment losses and others	**(2,420,759)**	**(850,542)**	**(3,271,301)**
Capital expenditure	**32,317,407**	**6,762,791**	**39,080,198**
Cost of sales	**(11,147,071)**	**(767,043)**	**(11,914,114)**
Operating expenses	**(50,641,724)**	**(19,369,426)**	**(70,011,150)**

(Forward)

	2016		
	Mobile Communications Services	**Wireline Communications Services**	**Consolidated**
	(In Thousand Pesos)		
Cash Flows			
Net cash from (used in):			
Operating activities	**₱31,140,895**	**₱6,321,702**	**₱37,462,597**
Investing activities	**(51,644,709)**	**(6,016,878)**	**(57,661,587)**
Financing activities	**16,988,326**	**(23,697)**	**16,964,629**

[1] *Computed as non-service revenues less cost of sales*
[2] *Net of final tax*

	2015		
	Mobile Communications Services	Wireline Communications Services	Consolidated
	(In Thousand Pesos)		
REVENUES:			
Service revenues:			
External customers:			
Voice	₱37,128,125	₱3,418,142	₱40,546,267
SMS	26,397,857	-	26,397,857
Data	27,716,723	7,697,774	35,414,497
Broadband	-	11,320,605	11,320,605
Nonservice revenues:			
External customers	6,002,767	287,201	6,289,968
Segment revenues	97,245,472	22,723,722	119,969,194
EBITDA	39,998,632	5,962,223	45,960,855
Depreciation and amortization	(10,344,191)	(10,788,507)	(21,132,698)
EBIT	29,654,441	(4,826,284)	24,828,157
NET INCOME (LOSS) BEFORE TAX[2]	28,470,093	(5,002,605)	23,467,488
Provision for income tax	(5,721,726)	(1,261,312)	(6,983,038)
NET INCOME (LOSS)	₱22,748,367	(₱6,263,917)	₱16,484,450
Other segment information			
Intersegment revenues	(₱1,495,254)	(₱753,845)	(₱2,249,099)
Subsidy[1]	(7,300,116)	(75,119)	(7,375,235)
Interest income[2]	420,532	92,820	513,352
Interest expense	(2,438,341)	(335,737)	(2,774,078)
Equity in net losses of associates and joint ventures[3]	(153,512)	-	(153,512)
Impairment losses and others	2,168,778	940,742	3,109,520
Capital expenditure	24,712,694	5,604,486	30,317,180
Cost of sales	(13,302,883)	(362,320)	(13,665,203)
Operating expenses	(44,052,436)	(16,444,210)	(60,496,646)
Cash Flows			
Net cash from (used in):			
Operating activities	28,332,095	7,620,108	35,952,203
Investing activities	(27,952,500)	(4,607,585)	(32,560,085)
Financing activities	(7,991,180)	(415,097)	(8,406,277)

[1] *Computed as non-service revenues less cost of sales*
[2] *Net of final tax*
[3] *Starting June 2016, Globe Group presented equity in net losses as a non-operating income and expense below EBITDA, previously under other income above EBITDA. This change resulted to retroactive adjustments of 2015 and 2014 reported figures.*

	2014		
	Mobile Communications Services	Wireline Communications Services	Consolidated
		(In Thousand Pesos)	
REVENUES:			
Service revenues:			
External customers:			
Voice	₱34,683,539	₱2,789,304	₱37,472,843
SMS	29,078,791	-	29,078,791
Data	14,306,226	5,480,245	19,786,471
Broadband	-	12,686,499	12,686,499
Nonservice revenues:			
External customers	2,981,383	1,229,726	4,211,109
Segment revenues	81,049,939	22,185,774	103,235,713
EBITDA[3]	34,292,472	5,203,166	39,495,638
Depreciation and amortization	(9,197,602)	(8,925,922)	(18,123,524)
EBIT	25,094,870	(3,722,756)	21,372,114
NET INCOME (LOSS) BEFORE TAX[2]	23,295,190	(3,912,484)	19,382,706
Provision for income tax	(4,787,141)	(1,223,373)	(6,010,514)
NET INCOME (LOSS)	₱18,508,049	(₱5,135,857)	₱13,372,192
Other segment information			
Intersegment revenues	(₱2,039,736)	(₱540,210)	(₱2,579,946)
Subsidy[1]	(6,185,207)	(265,028)	(6,450,235)
Interest income[2]	632,611	43,557	676,168
Interest expense	(2,192,498)	(133,673)	(2,326,171)
Equity in net losses of associates and joint ventures[3]	(224,257)	-	(224,257)
Impairment losses and others	2,846,665	873,504	3,720,169
Capital expenditure	22,741,742	4,242,016	26,983,758
Cost of sales	(9,166,590)	(1,494,754)	(10,661,344)
Operating expenses	(38,346,234)	(14,957,874)	(53,304,108)
Cash Flows			
Net cash from (used in):			
Operating activities	30,681,003	5,774,155	36,455,158
Investing activities	(15,723,193)	(4,492,913)	(20,216,106)
Financing activities	(6,942,137)	-	(6,942,137)

[1] *Computed as non-service revenues less cost of sales*

[2] *Net of final tax*

[3] *Starting June 2016, Globe Group presented equity in net losses as a non-operating income and expense below EBITDA, previously under other income above EBITDA. This change resulted to retroactive adjustments of 2015 and 2014 reported figures.*

A breakdown of gross revenues to net revenues and a reconciliation of segment revenues to the total revenues presented in the consolidated statements of comprehensive income are shown below:

	2016	2015	2014
	(In Thousand Pesos)		
Gross service revenues	**₱119,989,546**	₱113,679,226	₱99,024,604
Interconnection charges	**(9,623,127)**	(9,007,919)	(8,429,934)
Net service revenues	**110,366,419**	104,671,307	90,594,670
Nonservice revenues	**6,193,657**	6,289,968	4,211,109
Segment revenues	**116,560,076**	110,961,275	94,805,779
Interest income	**151,589**	518,537	682,998
Other income - net	**983,186**	2,130,853	470,647
Total revenues	**₱117,694,851**	₱113,610,665	₱95,959,424

The reconciliation of the EBITDA to income before income tax presented in the consolidated statements of comprehensive income is shown below:

	2016	2015	2014
	(In Thousand Pesos)		
EBITDA	**₱49,978,396**	₱45,960,855	₱39,495,638
Depreciation and amortization	**(23,848,646)**	(21,132,698)	(18,123,524)
Financing costs	**(4,096,826)**	(3,372,924)	(2,565,706)
Equity in net losses of associates and joint ventures	**(855,198)**	(153,512)	(224,257)
Gain on derivative instruments	**469,884**	-	-
Interest income	**151,589**	518,537	682,998
Gain on disposal of property and equipment - net	**101,232**	57,642	101,159
Loss/(Gain) on previously held equity interest	**(30,186)**	431,115	-
Gain on fair value of retained interest	**-**	745,831	-
Gain on disposal of controlling interest in subsidiary	**-**	449,148	-
Other items	**67,157**	(36,506)	16,398
Income before income tax	**₱21,937,402**	₱23,467,488	₱19,382,706

The reconciliation of core net income after tax (core NIAT) to NIAT is shown below:

	2016	2015	2014
	(In Thousand Pesos)		
Core NIAT	**₱16,013,946**	₱15,126,221	₱14,489,176
Foreign exchange gains (losses)[1]	**(367,517)**	(320,106)	619
Mark-to-market gains[1]	**328,919**	13,784	49,581
Non-recurring items	**(56,663)**	178,304	(30,964)
Gain on previously held equity interest	**(30,186)**	431,115	-
Gain on fair value of retained interest[1]	**-**	666,876	-
Gain on disposal of controlling interest in subsidiary	**-**	388,256	-
Accelerated depreciation[1]	**-**	-	(1,136,220)
NIAT	**₱15,888,499**	₱16,484,450	₱13,372,192

[1] *Net of taxes*

29.1 Mobile Communications Services

This reporting segment is made up of digital cellular telecommunications services that allow subscribers to make and receive local, domestic long distance and international long distance calls, international roaming calls and other value added services (VAS) in any place within the coverage areas.

29.1.1 *Mobile communication voice net service revenues include the following:*

a) Pro-rated monthly service fees on postpaid plans;

b) Charges for intra-network and outbound calls in excess of the consumable minutes for various Globe Postpaid plans, including currency exchange rate adjustments (CERA) net of loyalty discounts credited to subscriber billings;

c) Airtime fees for intra-network and outbound calls recognized upon the earlier of actual usage of the airtime value or expiration of the unused value of the prepaid reload denomination (for Globe Prepaid and TM) which occurs between 3 and 120 days after activation depending on the prepaid value reloaded by the subscriber net of (i) bonus credits and (ii) prepaid reload discounts;

d) Revenues generated from inbound international and national long distance calls and international roaming calls; and

e) Mobile service revenues of GTI.

29.1.2 *Mobile SMS service revenues* consist of local and international revenues from value-added services such as inbound and outbound SMS and MMS, and infotext, subscription fees on unlimited and bucket prepaid SMS services, net of any payouts to content providers.

29.1.3 *Mobile communication data net service revenues* consist of local and international revenues from value-added services such as mobile internet browsing and content downloading, mobile commerce services, other add-on VAS and service revenues of GXI and Yondu, net of payouts to content providers.

29.1.4 Globe Telecom offers its wireless communications services to consumers, corporate and small and medium enterprise (SME) clients through the following three (3) brands: Globe Postpaid, Globe Prepaid and Touch Mobile.

The Globe Group also provides its subscribers with mobile payment and remittance services under the GCash brand.

29.2 Wireline Communications Services

This reporting segment is made up of fixed line telecommunications services which offer subscribers local, domestic long distance and international long distance voice services in addition to broadband and a number of VAS in various areas covered by the Certificate of Public Convenience and Necessity (CPCN) granted by the NTC.

29.2.1 *Wireline voice service revenues* consist of the following:

a) Monthly service fees including CERA of voice-only subscriptions;

b) Revenues from local, international and national long distance calls made by postpaid and prepaid wireline subscribers, as well as broadband customers who have subscribed to data packages bundled with a voice service. Revenues are net of prepaid call card discounts;

c) Revenues from inbound local, international and national long distance calls from other carriers terminating on Globe's network;

d) Revenues from additional landline features such as caller ID, call waiting, call forwarding, multi-calling, voice mail, duplex and hotline numbers and other value-added features;

e) Installation charges and other one-time fees associated with the establishment of the service; and

f) Revenues from DUO and SUPERDUO (fixed line portion) service consisting of monthly service fees for postpaid and subscription fees for prepaid.

29.2.2 *Wireline data service revenues* consist of the following:

a) Monthly service fees from international and domestic leased lines;

b) Other wholesale transport services;

c) Revenues from value-added services; and

d) One-time connection charges associated with the establishment of service.

29.2.3 *Broadband service revenues* consist of the following:

a) Monthly service fees of wired, fixed wireless and bundled voice and data subscriptions;

b) Browsing revenues from all postpaid and prepaid wired, fixed wireless in excess of allocated free browsing minutes and expiration of unused value of prepaid load credits;

c) Value-added services such as games; and

d) Installation charges and other one-time fees associated with the service.

29.2.4 The Globe Group provides wireline voice communications (local, national and international long distance), data and broadband and data services to consumers, corporate and SME clients in the Philippines.

- *Consumers* - the Globe Group's postpaid voice service provides basic landline services including toll-free NDD calls to other Globe landline subscribers for a fixed monthly fee. For wired broadband, consumers can choose between broadband services bundled with a voice line, or a broadband data-only service. The Globe Group offers broadband packages bundled with voice, or broadband data-only service. For subscribers who require full mobility, Globe Broadband service come in postpaid and prepaid packages and allow them to access the internet via LTE, 3G with HSDPA, Enhanced Datarate for GSM Evolution (EDGE), General Packet Radio Service (GPRS) or WiFi at hotspots located nationwide.

- *Corporate/SME clients* - for corporate and SME enterprise clients wireline voice communication needs, the Globe Group offers postpaid service bundles which come with a business landline and unlimited dial-up internet access. The Globe Group also provides a *full* suite of telephony services from basic direct lines to Integrated Services Digital Network (ISDN) services, 1-800 numbers, International Direct Dialing (IDD) and National Direct Dialing (NDD) access as well as managed voice solutions such as Voice Over Internet Protocol (VOIP) and managed Internet Protocol (IP) communications. Value-priced, high speed data services, wholesale and corporate internet access, data center services and segment-specific solutions customized to the needs of vertical industries.

30 Notes to Consolidated Statements of Cash Flows

The principal noncash transactions are as follows:

	Notes	**2016**	2015	2014
		(In Thousand Pesos)		
Unpaid investments and advances	10.7	**₱11,997,228**	₱ -	₱ -
Increase in liabilities related to the acquisition of property and equipment		**1,780,201**	6,827,342	5,091,154
Unpaid dividends on preferred shares	17.3	**260,030**	260,030	260,030
Capitalized ARO	15	**23,210**	39,269	9,495
Reversal of project accruals	12	**-**	(8,748,893)	-

The cash and cash equivalents account consists of the following as of December 31:

	2016	2015	2014
	(In Thousand Pesos)		
Cash on hand and in banks	**₱1,915,935**	₱5,355,055	₱6,126,034
Short-term placements	**6,716,917**	6,459,324	10,630,874
	₱8,632,852	₱11,814,379	₱16,756,908

Cash in banks earn interest at respective bank deposit rates. Short-term placements represent short-term money market placements.

The ranges of interest rates of the above placements are as follows:

	2016	2015	2014
Placements:			
PHP	0.05% to 1.75%	0.25% to 2.25%	0.20% to 1.50%
USD	0.25% to 2.70%	0.02% to 2.00%	0.01% to 1.75%

31 Events After Reporting Period

On February 7, 2017, ownership of GXI was transferred to GFII/Mynt, Globe Telecom's wholly-owned subsidiary pursuant to the BOD approval through its Executive Committee made last February 6, 2017. GXI provides mobile commerce services under GCash brand, while GFII/Mynt is a holding company for Globe's financial technology business.

On February 7, 2017, Globe Telecom's BOD approved the declaration of the first quarterly cash dividend of ₱22.75 per common share, payable to common stockholders of record as of February 21, 2017. Total dividends amounting to ₱3.0 billion will be payable on March 8, 2017.

NavarroAmper&Co.

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BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-4

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Globe Telecom, Inc.
The Globe Tower, 32nd Street corner 7th Avenue
Bonifacio Global City, Taguig City

We have audited the consolidated financial statements of Globe Telecom, Inc. and Subsidiaries as at and for the year ended December 31, 2016, in accordance with Philippine Standards on Auditing, on which we have rendered an unqualified opinion dated February 7, 2017.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on the attached schedules showing the list of all effective accounting standards and interpretations, the reconciliation of the retained earnings available for dividend declaration, the map showing the relationships between and among Globe Telecom, Inc. and Subsidiaries and its related parties, and the other supplementary information shown in Schedules A to H as at December 31, 2016, as required by the Securities and Exchange Commission under the SRC Rule 68, as Amended, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These information are the responsibility of management and have been subjected to the auditing procedures applied in our audit except for the map which we have audited only to the extent disclosed in the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
TIN 005299331

By:

Gregorio S. Navarro
Partner
CPA License No. 0033571
SEC A.N. 0820-AR-2, issued on May 21, 2015; effective until May 20, 2018, Group A
TIN 109228435
BIR A.N. 08-002552-33-2014, issued on September 15, 2014; effective until September 15, 2017
PTR No. A-3264648, issued on January 5, 2017, Taguig City

Taguig City, Philippines
February 7, 2017

GLOBE TELECOM, INC. AND SUBSIDIARIES

Index to the Consolidated Financial Statements and Supplementary Schedules

GLOBE TELECOM, INC. AND SUBSIDIARIES

Schedule 1

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)

DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	*First-time Adoption of Philippine Financial Reporting Standards*			✓
	Amendments to PFRS 1 and PAS 27: *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*			✓
	Amendments to PFRS 1: *Additional Exemptions for First-time Adopters*			✓
	Amendment to PFRS 1: *Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters*			✓
	Amendments to PFRS 1: *Severe Hyperinflation and Removal of Fixed Date for First-time Adopters*			✓
	Amendments to PFRS 1: *Government Loans*			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PFRS 1: *First-Time Adoption of PFRS*			✓
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 1: *First-time Adoption of International Financial Reporting Standards (Changes to the Basis for Conclusions only)*			✓
PFRS 2	*Share-based Payment*	✓		
	Amendments to PFRS 2: *Vesting Conditions and Cancellations*	✓		
	Amendments to PFRS 2: *Group Cash-settled Share-based Payment Transactions*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 2:*Definition of Vesting Condition*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		**Adopted**	**Not Adopted**	**Not Applicable**
	*Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions**		✓	
PFRS 3 (Revised)	*Business Combinations*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 3: *Accounting for Contingent Consideration)*			✓
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 3: *Scope of Exception for Joint Ventures*	✓		
PFRS 4	*Insurance Contracts*			✓
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
PFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*			✓
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 5: *Changes in methods of disposal*			✓
PFRS 6	*Exploration for and Evaluation of Mineral Resources*			✓
PFRS 7	*Financial Instruments: Disclosures*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets - Effective Date and Transition*	✓		
	Amendments to PFRS 7: *Improving Disclosures about Financial Instruments*	✓		
	Amendments to PFRS 7: *Disclosures - Transfers of Financial Assets*	✓		
	Amendments to PFRS 7: *Disclosures – Offsetting Financial Assets and Financial Liabilities*	✓		
	Amendments to PFRS 7: *Mandatory Effective Date of PFRS 9 and Transition Disclosures*	✓		
	Amendments to PFRS 7: *Hedge Accounting Disclosures*	✓		
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 7: *Servicing contracts and Applicability of the amendments to PFRS 7 to condensed interim financial statements*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		**Adopted**	**Not Adopted**	**Not Applicable**
PFRS 8	*Operating Segments*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 8: *Aggregation of Segments and Reconciliation of Segment Assets*	✓		
PFRS 9	*Financial Instruments (2014)**		✓	
PFRS 10	*Consolidated Financial Statements*	✓		
	Amendments to PFRS 10: *Consolidated Financial Statement: Transition Guidance*	✓		
	Amendments to PFRS 10:*Transition Guidance and Investment Entities*	✓		
	Amendments to PFRS 10: *Sales or contributions of assets between an investor and its associate/joint venture**		✓	
	Amendments to PFRS 10: *Investment Entities: Applying the Consolidation Exception*			✓
PFRS 11	*Joint Arrangements*	✓		
	Amendments to PFRS 1: *Joint Arrangements: Transition Guidance*	✓		
	Amendments to PFRS 11: *Accounting for Acquisitions of Interests in Joint Operations*			✓
PFRS 12	*Disclosure of Interests in Other Entities*	✓		
	Amendments to PFRS 12: *Disclosure of Interests in Other Entities: Transition Guidance*	✓		
	Amendments to PFRS 12: *Transition Guidance and Investment Entities*			✓
	Amendments to PFRS 12: *Investment Entities: Applying the Consolidation Exception*			✓
PFRS 13	*Fair Value Measurement*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 13: *Fair Value Measurement (Amendments to the Basis of Conclusions Only, with Consequential Amendments to the Bases of Conclusions of Other Standards)*	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 13: *Portfolio Exception*	✓		
PFRS 14	*Regulatory Deferral Accounts*			✓
PFRS 16	*Leases **		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Accounting Standards				
PAS 1 (Revised)	*Presentation of Financial Statements*	✓		
	Amendment to PAS 1: *Capital Disclosures*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*	✓		
	Amendments to PAS 1: *Presentation of Items of Other Comprehensive Income*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 1: *Comparative Information*	✓		
	Amendments to PAS 1: *Disclosure Initiative*	✓		
PAS 2	*Inventories*	✓		
PAS 7	*Statement of Cash Flows*	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		
PAS 10	*Events after the Reporting Period*	✓		
PAS 11	*Construction Contracts*			✓
PAS 12	*Income Taxes*	✓		
	Amendment to PAS 12: *Deferred Tax: Recovery of Underlying Assets*	✓		
	Amendment to PAS 12: *Recognition of Deferred Tax Assets for Unrealized Losses**		✓	
PAS 16	*Property, Plant and Equipment*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 16, *Servicing Equipment*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 16: *Revaluation Method - Proportionate Restatement of Accumulated Depreciation*			✓
	Amendments to PAS 16: *Clarification of Acceptable Methods of Depreciation*	✓		
	Amendments to PAS 16: *Agriculture: Bearer Plants*			✓
PAS 17	*Leases*	✓		
PAS 18	*Revenue*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		**Adopted**	**Not Adopted**	**Not Applicable**
PAS 19 (Amended)	*Employee Benefits (2011)*	✓		
	Amendments to PAS 19: *Defined Benefit Plans: Employee Contributions*	✓		
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 19: *Discount rate: regional market issue*			✓
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
	Amendment to PAS 21: *Net Investment in a Foreign Operation*	✓		
PAS 23 (Revised)	*Borrowing Costs*	✓		
PAS 24 (Revised)	*Related Party Disclosures*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 24*: Key Management Personnel*	✓		
PAS 26	*Accounting and Reporting by Retirement Benefit Plans*			✓
PAS 27 (Amended)	*Separate Financial Statements*			✓
	Amendments to PAS 27: *Transition Guidance and Investment Entities*			✓
	Amendments to PAS 27: *Equity Method in Separate Financial Statements*			✓
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*	✓		
	Amendments to PAS 28: *Sales or contributions of assets between an investor and its associate/joint venture**		✓	
	Amendments to PAS 28: *Investment Entities: Applying the Consolidation Exception*			✓
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 32	*Financial Instruments: Disclosure and Presentation*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*	✓		
	Amendment to PAS 32: *Classification of Rights Issues*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		**Adopted**	**Not Adopted**	**Not Applicable**
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 32: *Tax Effect of Equity Distributions*	✓		
	Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities*	✓		
PAS 33	*Earnings per Share*	✓		
PAS 34	*Interim Financial Reporting*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 34: *Interim Reporting of Segment Assets*	✓		
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 34: *Disclosure of information 'elsewhere in the interim financial report'*	✓		
PAS 36	*Impairment of Assets*	✓		
	Amendments to PAS 36: *Recoverable Amount Disclosures for Non-Financial Assets*	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 38*: Revaluation Method - Proportionate Restatement of Accumulated Amortization*	✓		
	Amendments to PAS 38*: Clarification of Acceptable Methods of Amortization*	✓		
PAS 39	Financial Instruments: *Recognition and Measurement*	✓		
	Amendments to PAS 39: *Transition and Initial Recognition of Financial Assets and Financial Liabilities*	✓		
	Amendments to PAS 39: *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*	✓		
	Amendments to PAS 39: *The Fair Value Option*	✓		
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		**Adopted**	**Not Adopted**	**Not Applicable**
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets – Effective Date and Transition*	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*	✓		
	Amendment to PAS 39: *Eligible Hedged Items*	✓		
	Amendment to PAS 39: *Novation of Derivatives and Continuation of Hedge Accounting*			✓
	Amendment to PAS 39: *Hedge Accounting Application*	✓		
PAS 40	*Investment Property*	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PAS 40*: Clarifying the Interrelationship of IFRS 3 and IAS 40 When Classifying Property as Investment Property or Owner-Occupied Property*	✓		
PAS 41	*Agriculture*			✓
	Amendments to PAS 41*: Agriculture: Bearer Plants*			✓
Philippine Interpretations				
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	✓		
IFRIC 2	*Members' Share in Co-operative Entities and Similar Instruments*			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*	✓		
IFRIC 9	*Reassessment of Embedded Derivatives*	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 11	*PFRS 2- Group and Treasury Share Transactions*			✓
IFRIC 12	*Service Concession Arrangements*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 13	*Customer Loyalty Programmes*	✓		
IFRIC 14	*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*			✓
IFRIC 17	*Distributions of Non-cash Assets to Owners*			✓
IFRIC 18	*Transfers of Assets from Customers*			✓
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
IFRIC 21	*Levies*	✓		
SIC-7	*Introduction of the Euro*			✓
SIC-10	*Government Assistance - No Specific Relation to Operating Activities*			✓
SIC-15	*Operating Leases - Incentives*	✓		
SIC-21	*Income Taxes- Recovery of Revalued Non-depreciable Assets*			✓
SIC-25	*Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*			✓
SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓		
SIC-29	*Service Concession Arrangements: Disclosures*			✓
SIC-31	*Revenue - Barter Transactions Involving Advertising Services*			✓
SIC-32	*Intangible Assets - Web Site Costs*	✓		
PIC Q&A No. 2006-01	*Revenue Recognition for Sales of Property Units Under Pre-Completion Contracts*			✓
PIC Q&A No. 2006-02	*Clarification of Criteria for Exemption from Presenting Consolidated Financial Statements*			✓
PIC Q&A No. 2007-03	*Valuation of Bank Real and Other Properties Acquired (ROPA)*			✓
PIC Q&A No. 2008-01	*Rate Used in Discounting Post-employment Benefit Obligations*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PIC Q&A No. 2008-02	*Accounting for Government Loans with Low Interest Rates under the Amendments to PAS 20*			✓
PIC Q&A No. 2009-01	*Financial Statements Prepared on a Basis Other than Going Concern*			✓
PIC Q&A No. 2010-01	*Rate Used in Determining the Fair Value of Government Securities in the Philippines*			✓
PIC Q&A No. 2010-02	*Basis of Preparation of Financial Statements*	✓		
PIC Q&A No. 2010-03	*Current/non-current Classification of a Callable Term Loan*	✓		
PIC Q&A No. 2011-02	*Common Control Business Combinations*			✓
PIC Q&A No. 2011-03	*Accounting for Inter-company Loans*	✓		
PIC Q&A No. 2011-04	*Costs of Public Offering of Shares*	✓		
PIC Q&A No. 2011-05	*Fair Value or Revaluation as Deemed Cost*			✓
PIC Q&A No. 2011-06	*Acquisition of Investment Properties – Asset Acquisition or Business Combination?*	✓		
PIC Q&A No. 2012-01	*Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*			✓
PIC Q&A No. 2012-02	*Cost of a New Building Constructed on Site of a Previous Building*			✓
PIC Q&A No. 2013-03 (Revised)	*Accounting for Employee Benefits under a Defined Contribution Plan Subject to Requirement of Republic Act (RA) 7641: The Philippine Retirement Law*	✓		
PIC Q&A No. 2015-01	*Conforming Changes to PIC Q&As - Cycle 2015*			✓

*These are the new and revised accounting standards and interpretations that are effective for annual period beginning on or after the reporting period ended December 31, 2016

Schedule 2

FINANCIAL SOUNDNESS INDICATORS	**December 31 2016**	December 31 2015
FINANCIAL RATIOS		
Debt to EBITDA	**2.15**	1.51
Debt Service Coverage Ratio	**4.18**	5.18
Interest Coverage Ratio	**12.50**	12.24
Debt to Equity (D/E Ratio) – gross	**1.67**	1.22
Debt to Equity (D/E Ratio) – net	**1.53**	1.02
Debt to Total Capitalization – book	**0.62**	0.55
Debt to Total Capitalization – market	**0.33**	0.22
Total Asset to Equity Ratio	**3.94**	3.29
Current Ratio	**0.64**	0.72
Solvency Ratio	**0.23**	0.29
PROFITABILITY MARGINS		
EBITDA Margins	**42%**	40%
Net Profit Margin	**13%**	15%
Return on Equity	**26%**	29%

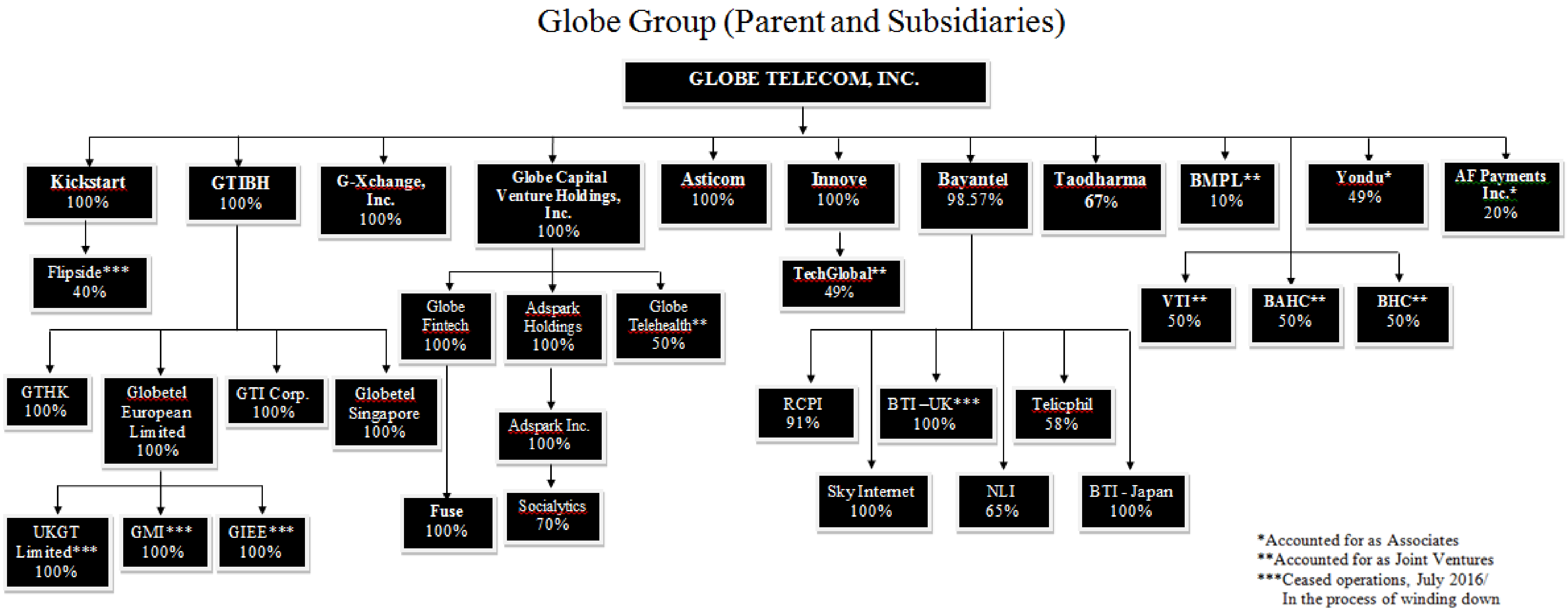
Schedule 3

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2016

Items	Amount (In thousands)
Unappropriated Retained Earnings, beginning	₱9,956,986
Accumulated adjustments to Retained Earnings	(4,753,497)
Unappropriated Retained Earnings, as adjusted, beginning	5,203,489
Net income during the period closed to Retained Earnings	15,724,251
Less: Non-actual/unrealized income net of tax	
Unrealized foreign exchange gain –net	(99,892)
Net income actually earned/realized during the period	15,624,359
Add (Less):	
Dividend during the period	12,234,570
Unappropriated Retained Earnings, as adjusted, ending	₱8,593,278

Schedule 4

MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP AS OF DECEMBER 31, 2016



*Accounted for as Associates
**Accounted for as Joint Ventures
***Ceased operations, July 2016/
In the process of winding down

Schedule 5

SCHEDULE OF PREFERRED SHARES OFFERING PROCEEDS
AS OF DECEMBER 31, 2016

Preferred Shares Offering Proceeds	₱-
Not Applicable	
Balance of Proceeds as at December 31, 2016	₱-

SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2016

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Amasia CIV T, L.P./Switch (Amasia)	1,094,531 shares	₱132,780,000	₱-
AVA Online Group, Inc. (AVA)	1,333 shares	5,000,000	-
City Sports Club Cebu	1 share	699,908	-
COINS.PH	493,182 shares	48,280,000	-
Digital Space Explorer, Inc./Squadzip	56,001 shares	4,000,000	-
Eyeron, Inc. (Eyeron)	1,231,120 shares	4,395,100	-
Growth Solutions Pte. Ltd.	80,000 shares	3,610,960	-
Guestlist Philippines, Inc. (Guestlist)	250,000 shares	951,080	-
Innovantage, Inc.	224 shares	7,500,000	-
Lenddo International (Lenddo)	440,476 shares	44,143,605	-
Life Track Medical Sytems, Inc.	38,193 shares	4,641,841	-
Makati Executive Center	1 share	30,100	-
Manila Golf & Country Club	3 shares	126,000,000	-
Manila Polo Club	6 shares	78,000,000	-
mClinica Pte. Ltd. (mClinica)	5,880 shares	11,220,500	-
Medix Digital Solutions, Inc. (Medix)	120,000 shares	2,040,000	-
Philam Properties Corporation/ Tower Club, Inc.	Club A – 116	500,000	-
Philippine Long Distance Telephone Co.	658,886 shares	22,439,014	-
Ritmo, Inc.	34,091 shares	2,362,194	-
Telecoms Infrastructure Corp. of the Philippines	1,713,549 shares	2,970,448	-
Teridion Technologies Ltd. (Teridion)	237,758 shares	92,368,000	-
Thinc Office Corp.(MyLegalWhiz)	5,647 shares	1,230,000	-
Twidl, Inc.	4,527 shares	5,082,000	-
Wattpad	2,485,707 shares	144,599,989	-
ZAP Group, Inc. (ZAP)	75,361 shares	25,782,474	-
Zipmatch	161,770 shares	23,460,000	-
AFS investment in equity securities		₱784,087,215	₱-

SCHEDULE B – Amounts Receivable from Directors, Officers, Employees, Related Parties and principal Stockholders (Other than Related parties)

Name and Designation of debtor	Balance at the beginning of period (January 1, 2016)	Additions	Amounts collected	Current	Not-current	Balance at the end of period (December 31, 2016)
Education Loan	₱52,630,561	₱101481163	₱97,523,485	₱56,588,239	₱-	₱56,588,239
Hospitalization Loan	38,599,533	22,603,575	24,284,987	36,918,121	-	36,918,121
Housing and Renovation Loan	31,340,558	34,308,349	34,461,261	31,187,646	-	31,187,646
Medical and Health Related Loan	10,750,857	1,429,400	1,841,074	10,339,183	-	10,339,183
Trade Receivables	9,109,927	-	9,109,927	-	-	-
Others	11,664,120	921,500	12,203,877	381,743	-	381,743
Total	₱154,095,556	₱160,743,987	₱179,424,611	₱135,414,932	₱-	₱135,414,932

SCHEDULE C - Trade & Other Receivables Eliminated During Consolidation

Creditor	Creditor's Relationship to the Reporting Co. (Subsidiary or Parent)	Account Type	Beginning Balance (January 1, 2016)	Net Movement	Outstanding Balance (December 31, 2016)	Remarks	Description of "Other Receivables" Account
Globe	Parent	Traffic receivable	₱811,005,163	(₱474,855,432)	₱336,149,731		
		Trade Receivables	2,509,478,699	(2,509,478,699)	-		
		Other Receivables	12,294,783,403	(5,696,473,184)	6,598,310,219		
		Dividends Receivable	-	-	441,392,824		
Innove	Subsidiary	Traffic receivable	415,554,229	(244,005,423)	171,548,806		
		Trade Receivables	8,972,913	96,996,591	105,969,504		
		Other Receivables	1,848,211,740	1,617,807,918	3,466,019,658		
	Co-Subsidiary	Trade Receivables	298,844,273	(51,859,970)	246,984,303		
	Co-Subsidiary	Other Receivables	72,299,246	152,798,152	225,097,398		
	Co-Subsidiary	Traffic receivable	19,970,044	6,847,738	26,817,782		
GXI	Subsidiary	Trade Receivables	57,492,160	(964,117)	56,528,043		
		Other Receivables	-	45,110,456	45,110,456		
	Co-Subsidiary	Trade Receivables	26,812,645	(26,788,091)	24,554		
		Other Receivables	-	6,800,000	6,800,000		
GTI	Subsidiary	Other Receivables	155,425,675	(79,659,868)	75,765,807		
	Co-Subsidiary	Other Receivables	30,173,388	77,302,279	107,475,667		
Asticom	Subsidiary	Trade Receivables	155,335,744	(40,380,497)	114,955,247		
	Co-Subsidiary	Trade Receivables	8,431,828	18,486,977	26,918,805		
	Co-Subsidiary	Other Receivables	3,221,816	(3,221,816)	-		

(Forward)

Creditor	Creditor's Relationship to the Reporting Co. (Subsidiary or Parent)	Account Type	Beginning Balance (January 1, 2016)	Net Movement	Outstanding Balance (December 31, 2016)	Remarks	Description of "Other Receivables" Account
BTI	Subsidiary	Other Receivables	₱29,530,362	₱118,659,493	₱148,189,855		
		Traffic receivable	4,661,046	71,191,753	75,852,799		
		Trade Receivables		45,122,886	45,122,886		
	Co-Subsidiary	Trade Receivables	20,231,292	25,505,130	45,736,422		
		Traffic receivable	7,896,949	4,068,769	11,965,718		
		Other Receivables		23,262,041	23,262,041		
GCVH	Co-Subsidiary	Other Receivables	2,332,927	25,744,109	28,077,036		
		Trade Receivables		191,282	191,282		
	Subsidiary	Trade Receivables		151,204,260	151,204,260		
		Other Receivables		114,902,401	114,902,401		
TOTAL			**₱18,780,665,542**	**(₱6,525,684,864)**	**₱12,696,373,502**		

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2016

Description	Beginning balance (Jan. 01, 2016)	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions/ (deductions)	Ending balance (Dec. 31, 2016)
			(In Thousand Pesos)			
Licenses and Application Software	₱22,924,678	₱135,273	(₱15,245,475)	₱5,079,043	(₱68,321)	₱12,825,198
Add:						
Customer Contracts	571,760	-	(214,410)	-	-	357,350
Exclusive Dealership Right	141,019	-	(150,324)	9,305	-	-
Total Intangible Assets	23,637,457	135,273	(15,610,209)	5,088,348	(68,321)	13,182,548
Add: Other Intangible Assets and Goodwill	1,644,864	125,457	(108,259)	(11,390)	-	1,650,672
Total Intangible Assets and Goodwill	₱25,282,321	₱260,730	(₱15,718,468)	₱5,076,958	(₱68,321)	₱14,833,220

SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2016

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of Long-Term Debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in related statement of financial position		
			Amount	**Interest rates**	**Maturity dates**
Term Loans:					
Dollar	$294,193,866	₱ 501,533,059	₱ 12,189,524,682	1.12% - 5.00%	2018 - 2023
Peso	₱ 72,500,000,000	841,484,807	70,793,579,618	2.06% - 6.00%	2018 – 2031
Retail Bonds	₱ 17,000,000,000	4,487,301,428.71	12,415,167,930	4.89% - 6.00%	2018 - 2023
		₱ 5,830,319,295	₱ 95,398,272,230		

SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES
DECEMBER 31, 2016

Name of Related Party	Balances at beginning of period	Balance at end of period
Not Applicable		

SCHEDULE G – GUARANTESS OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2015

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which this statement is filed	Nature of guarantee
Not Applicable				

SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2016

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	148,934,373	132,758,588	8,936,062	103,822,139	161,910	-
Voting preferred stock	160,000,000	158,515,021	-	-	5	-
Non-voting preferred stock	40,000,000	20,000,000	-	27,800	47,500	-