SAN MIGUEL CORPORATION

ANNUAL REPORT 2015

INSPIRE CHANGE



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MESSAGE TO STOCKHOLDERS

A renewed sense of purpose

Not very long ago, we set out on an ambitious diversification program that we believed would prepare our company for the challenges of the future, enable us to become a true catalyst for national development, and further enhance shareholder value. To fully realize this vision, we had to acquire and develop new businesses that would provide us sharper focus on emerging growth industries. Critical to the strategy too, was the continued success of our core businesses.

Eight years on, with our transformation into a highly diversified conglomerate complete, we are again looking to the future and executing on the next phase of our growth strategy.

Our food, beverage and packaging businesses continue to be market leaders. They aggressively pursue growth through expansion, even as they tighten their hold on—and increase—market share.

We have also overcome the challenges of integrating and managing our complex portfolio.

Our power, fuel and oil, and infrastructure businesses continue to expand, generating the bulk of our revenues. Just as significantly, we have already started reaping the benefits of some of the large-scale projects we initially set out to undertake.

In 2015, we reported better-than-expected results. Consolidated net income, excluding the effects of foreign exchange translation, amounted to P38.2 billion, 26% higher than in 2014. Operating income also grew 41% to P78.7 billion. Consolidated sales revenues amounted to P673.9 billion, and EBITDA reached P108.6 billion, 23% higher than in 2014.

These top-line numbers offer a snapshot of how our company did last year. They, however, do not reflect the level of achievement we have attained in terms of priming our company for long-term growth.

Our performance in 2015 illustrates how our company is better built to derive income from multiple revenue streams and make structural adjustments to maximize opportunities offered by the business environment.

Of course, our transformation has not been without its share of setbacks. In 2015, for instance, Petron Corporation was subjected to a steep drop in oil prices and bursts of market volatility. Separately, adverse currency movements—principally the strengthening of the dollar against the peso and other Asian currencies—resulted in unrealized foreign exchange losses.

These contingencies were largely external and beyond our control. But the distinct advantages of our diversification and our experiences over the past couple of years have made us more resilient and agile in responding to cyclical strains and extraordinary challenges.

Confronted by the volatility in crude oil prices, Petron's hedging strategy allowed it to better manage inventories and protect margins. Early this year, the upgraded Petron Bataan Refinery commenced full commercial operations, providing additional volumes. This also paves the way for the full utilization of the refinery and gives it the capability to use cheaper medium and heavy crudes to enhance profitability.

To further improve management of our foreign exchange exposure, we tapped domestic liquidity through the issuance of retail investment securities such as bonds and preferred shares to refinance part of our dollar obligations and fund new projects. At the same time, this approach provided investors the opportunity to benefit from long-term investments with fixed returns.

Likewise, faced with higher excise taxes, San Miguel Brewery Inc. ultimately decided to defer price increases and worked on further improving operating efficiencies and sales and distribution efforts to maintain margins.

These are just a few examples of how we manage in hard times and deal with critical issues that affect our businesses. We accept that we operate in a fluid environment and our diversified portfolio gives us stability and continuity as the environment shifts.

If 2015 taught us anything, it's that we Filipinos can no longer escape the effects of global issues. As an organization, we have to do our part in addressing them. We've seen and felt how growing political and social unrest in key regions worldwide can impact on both big and small economies and, in turn, our businesses. We understand how social problems—inequality, lack of opportunity, scarce resources and climate change—can affect business sustainability, even as they make the world increasingly small, volatile and fragile. Throughout our company's history, we've always faced up to the defining challenges of the times. This is why the value of *malasakit* figures so strongly in our organization's culture.



Eduardo M. Cojuangco, Jr.
Chairman and Chief Executive Officer

Ramon S. Ang
President and Chief Operating Officer

In 2015, we began to look beyond our community-focused social development initiatives and sought to directly participate in addressing critical global problems. By involving ourselves in major economic meetings such as the Asia-Pacific Economic Cooperation (APEC) 2015 CEO Summit, we've gained valuable insights on how companies are responding, with ever-increasing urgency, to the call of social responsibility.

As we chart our company's way forward, these insights have fortified our resolve to make our businesses

more sustainable and more transformative of the communities they serve.

In many ways, 2015 was the springboard for this way of thinking. Apart from meeting our strategic goals, one of the more significant developments of our 125th year was defining what the San Miguel Corporation brand should stand for from this point onwards.

The launch of our new corporate slogan, "Your World Made Better," is the culmination and articulation of all our efforts in the past decade to build a company whose growth strategies are aligned with a commitment to address the immediate needs of our countrymen—whether it's affordable, "good-for-you" choices in nutrition; sufficient electricity nationwide or relief from the ordeals of commuting everyday.

By investing purposefully in practical, sustainable and long-term solutions, we believe we harness the transformative potential of our businesses to the national interest. In this sense, "Your World Made Better" is not so much a slogan as it is a business philosophy, anchored on today's realities.

Certainly our individual businesses have taken to heart the challenge of satisfying unmet needs. Intensifying similar efforts in the past, they're incorporating this new mindset into their growth strategies. San Miguel Pure Foods Company, Inc. for instance, is investing significantly in increasing capacities and developing categories that focus on convenience and wellness. At the same time, more effort is being made by our Beverage and Packaging businesses in developing new processes that improve operations while reducing our environmental footprint.

We highlight examples of such initiatives in succeeding pages of this report.

Similarly, our next generation of large-scale projects affirm how determined we are to be a leader in both high-growth and emerging industries, and a catalyst for national development.

San Miguel Holdings Corp. is laying the groundwork for its new projects. Among these is MRT7, a 44-kilometer rail and road project that will link to MRT3 and have a provision to connect to LRT1, and extend all the way to San Jose Del Monte in Bulacan. Once complete, it will provide commuters to and from the North a faster, more convenient and comfortable daily commute and help decongest roads in Metro Manila.

In the pipeline too, is SLEx-TR4, a 57.59-kilometer, four-lane toll road that will extend the South Luzon Expressway (SLEx) from Sto. Tomas, Batangas to Lucena City in Quezon province, making travel to the South faster, safer and more convenient than ever.

Also in the early stages of development is Skyway Stage 4, a 58.09-kilometer at-grade and elevated expressway that will start at Skyway-FTI and traverse C5 Road; provide access to Lower Bicutan over C6 Road and connect Ortigas Avenue Extension all the way to San Jose Del Monte, Bulacan.

These new projects, taken together with our existing SLEx, Skyway, STAR Tollway, Tarlac-Pangasinan-La Union Expressway and soon-to-be-completed NAIA Expressway, Skyway Stage 3 and the Boracay Airport, go a long way in interconnecting key growth areas of our country and hastening development in regions that lag behind. Moreover, these infrastructure assets afford us a dominant position in this important, high-growth industry.

Even as we complete our power plants in Davao and Bataan, we've entered into a joint venture partnership with Korea Water

We understand how social problems—inequality, lack of opportunity, scarce resources and climate change—can affect business sustainability, even as they make the world increasingly small, volatile and fragile.

Resources Corporation for Angat Hydropower Corporation, raising our capacity to generate hydroelectric power. This project also puts us in charge of rehabilitating the Angat Dam. By undertaking this project, we ensure that Angat will continue to serve as a source of irrigation, potable water and hydropower for generations to come.

Our investment in the Bulacan Bulk Water Supply project holds great strategic and social significance. Undertaking our first bulk water supply project should give us experience in water utilities distribution, while addressing the perennial water shortage in this key province of Central Luzon.

SMC, through subsidiaries, also holds a significant stake in Manila North Harbour Port, Inc. Our investment has transformed Manila North Harbour into one of the most modern ports in the Philippines today. We will continue to invest in its modernization and expansion, and by doing so, significantly improve the flow of goods and people to and from the nation's capital.

This report provides a glimpse of some of the things that your company will be focusing on over the immediate future. Already, we feel a sense of accomplishment at having come this far. Our core businesses continue to grow, even as our new power, fuel and oil, and infrastructure projects are beginning to contribute to our bottom line.

By any measure, every single one of these projects is game-changing for the sectors we aim to participate in and lead, and more importantly, for the people whose lives they will impact. And yet we recognize that there is still much that we can do.

With a renewed sense of purpose, we, together with our employees, stand ready as ever to do the work we're so passionate about: engineering growth and creating opportunities where they are most needed, enabling people by investing in industries that will make the biggest difference in their lives, and always—in everything we do—leading by example.



Inspiring change for a better world

As one of the Philippines' largest conglomerates, we've long since realized that our businesses can have a great impact on social issues.

With so many now turning to the private sector for leadership, effective services and bold thinking, we believe in providing solutions that make business sense and deliver social good at the same time.

Call it shared value or corporate social responsibility—but the idea that our competitiveness and the vitality of our communities rely heavily on each other, is one that has taken root in every corner of our organization.

It's evident in how we've approached expansion. Rather than take the easy road to profit, we continue to devote much effort and resources into ventures that afford us greater long-term opportunities and address issues hindering our country's growth.

It's clear too, in our approach to social development. Our thrust has always been to go beyond mere giving, and instead, find sustainable ways to enable marginalized sectors to participate in, and contribute to growth.

This is the philosophy behind our new slogan, "Your World Made Better," which in essence, is driven by one of the values we have long since adopted: *malasakit*.

Here are some ways we're hoping to inspire others to make the world better.

Good for you

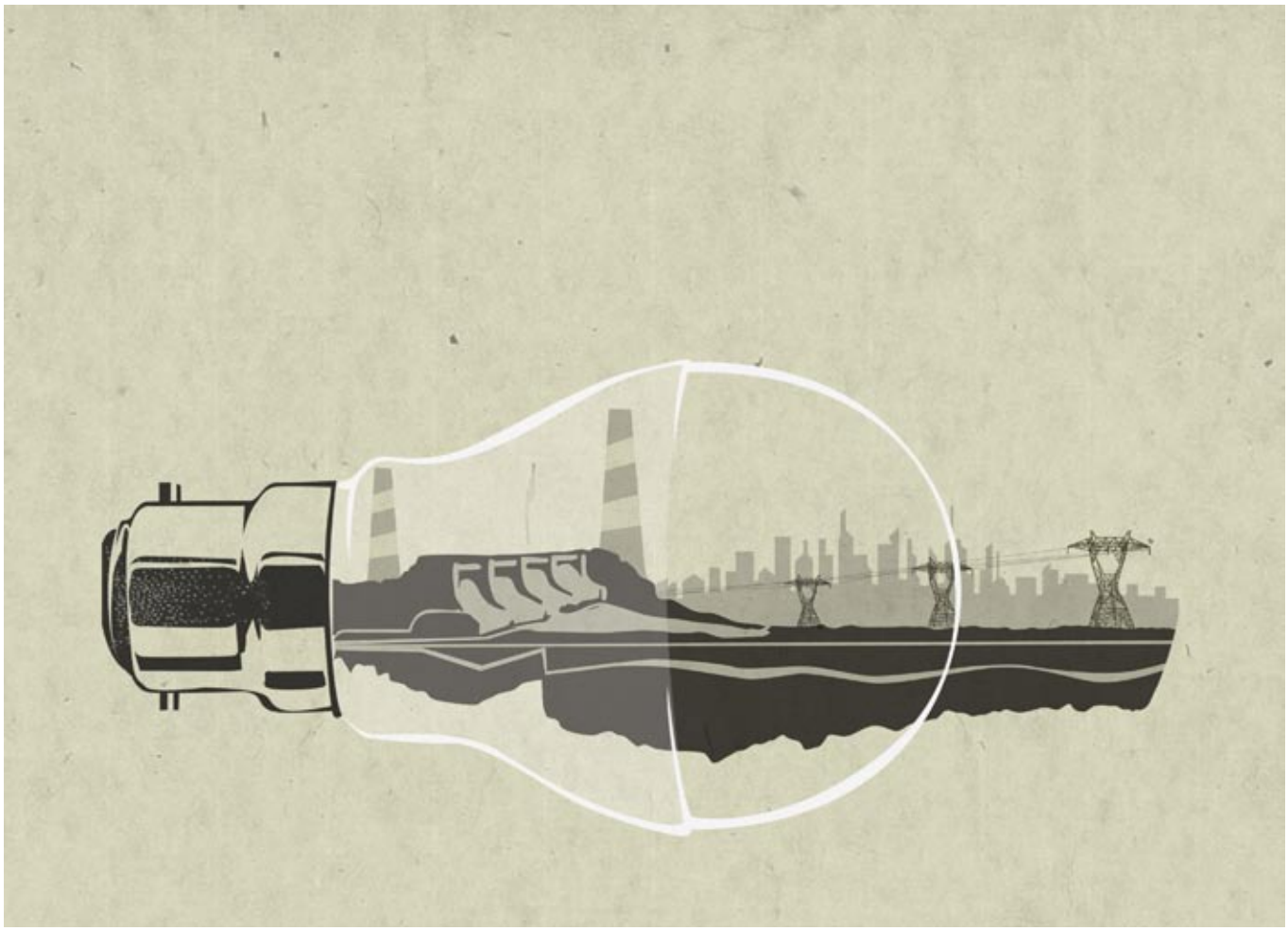
When it comes to developing innovative products that serve customers' needs, few can match San Miguel Pure Foods Company Inc. (SMPFC) in terms of experience. Home to many of the country's most beloved and trusted food brands, its products are made to delight, nourish and provide convenience.

The past decade has seen the company put particular emphasis on good nutrition. Whether it's by fortifying products with more vitamins, developing healthier variants, using natural ingredients or adding functionalities built around wellness, the company has shown many times that it's in step with consumers' changing needs and lifestyles.

A recent example would be the 20% reduction in salt across all its processed products. This goal, achieved a full two years before such regulatory requirement came into effect, reflects the company's readiness to provide more healthy options for customers.

In poultry and hogs production, antibiotics are withdrawn at least a week before harvest, so as not to compromise the efficacy of antibiotics in humans. To the same end, the company has made available free-range chickens and brown eggs completely free of feed-additive antibiotics.

SMPFC is also working to close gaps in its production chain by investing significantly in company-owned facilities. This way, it can better ensure adherence to its strict and high standards of quality and safety. At the same time, this improves operational efficiencies and allows for more synergies.



Biodegradable plastics
San Miguel Yamamura Packaging Corporation has always taken a proactive stance in mitigating its impact on the environment, investing in recycling facilities, equipment and systems.

The company is now working on another cutting-edge innovation: developing its own cost-efficient, biodegradable plastics by utilizing specially-developed resins and other biodegradable ingredients.

More specifically, this new kind of plastic can disintegrate in water. The hope is that once it's adopted by more users, there will be less waste to clog sewage and drainage systems and harm marine ecosystems.

Power in water
With over 7,100 islands, power security remains elusive for many Filipinos. The Visayas region, for example, has barely enough for back-up supply, and Mindanao, on the other hand, remains woefully behind, with its rolling blackouts. Even in major urban centers, power outages are commonplace, especially in the summer months when demand peaks.

It's the mission of SMC Global Power Holdings Corp. to improve power security and provide affordable electricity that meets the needs of industrial, commercial and home users. Apart from building two new power plants in Davao and Bataan, the company is also working to diversify its power sources.

In the Philippines, as in most parts of the world, shifting to renewable energy is still something for the future as it has yet to become sustainable economically.

Still, the company is making a long-term play for hydropower. Recently, SMC Global Power increased its hydropower capacity by investing in the Angat Hydroelectric Power Plant. Total hydropower capacity is now at 563 MW.

We also hope to make a big impact in the water utilities industry. The Bulacan Bulk Water Supply Project is a game-changer in water distribution. It will bring potable, treated bulk water to some 24 water districts in the province at the lowest cost per cubic meter anywhere in the country.

This goes a long way in diversifying the company's power portfolio and affords it other strategic opportunities.

Safe, secure access to water

Our focus on water goes beyond power generation. Water is a valuable and critical resource, not just for people, but also to most of SMC's major businesses.

The Angat Dam and dikes strengthening project, which forms part of the concession to the Angat Hydroelectric Power Plant, is a major undertaking that is of critical importance for much of Metro Manila.

Angat Dam has long been due for fortification and repair to make sure that it can withstand extremely heavy rainfall and very strong earthquakes. The dam provides some 500 million gallons of water per day to millions of households and businesses and irrigates some 25,000 hectares of farmlands.

We also hope to make a big impact in the water utilities industry. The Bulacan Bulk Water Supply Project is a game-changer in water distribution. The project, which will bring potable, treated bulk water to some 24 water districts in the province, will offer the lowest cost per cubic meter of water anywhere in the country.

The project will also benefit the environment and improve health safety. It will eliminate the use of deep wells which have greatly diminished groundwater sources and compromised water quality.

Greening our rivers

Many times though, making a difference requires only simple solutions.

Since the 1990s, the Tullahan River in Valenzuela has been declared a "dead" river, a catch basin for sewage, garbage and other pollutants. For many years now, San Miguel Brewery Inc. has worked to rehabilitate the river and educate residents through programs such as *"Ilog Ko, Irog Ko,"* and *"Tulong-Tulong Para sa Tullahan."*

Removing debris and silt from the riverbed is a year-round undertaking, and to this end, the brewery has donated dredging equipment to the local government.

In 2015, SMB took steps to bring the river back to life, making it a breeding ground for aquatic life. It's getting help from Mother Nature herself in the form of vetiver grass, which is commonly used to stabilize landfills and treat waste water.

Vetiver grass can absorb excess nitrogen and phosphorous in the water, acting as a filter to soak up pollution and other toxic chemicals.

By combining this innovative, literally "green" solution with improvements in waste water treatment, the rerouting of sewage, and vigilance and awareness among those in the communities, it's hoped that someday soon, the Tullahan will again teem with life.

Investing in cleaner air

Long before the government directive to make all fuels compliant with Euro-4 emission standards came into effect this year, Petron Corporation had made the production of more environment-friendly fuels one of the key objectives of its US$2-billion Petron Bataan Refinery Upgrade (RMP-2) project.

With the completion of RMP-2, which enables the company to fully utilize its 180,000 barrels-per-day capacity, Petron became the first Philippine oil refiner capable of producing Euro-4 fuels. Its products now contain just 0.0005% sulfur, ten times cleaner than the previous standard.

The benefits to motorists of this new generation of fuels are substantial: better engine protection, improved mileage, more power and more savings on fuel and maintenance.

However, the environment stands to benefit the most. With over 2,200 service stations nationwide, in terms of sheer scale, Petron makes the biggest difference.

Well before the end of 2015, Petron was able to achieve Euro-4 compliance for all its fuel products.

As first mover in adopting the new standard, Petron contributes to improved air quality through cleaner emissions.



Management's Report

In 2015, San Miguel Corporation's consolidated sales revenues amounted to P673.9 billion, 13% lower than 2014, reflecting the effect of lower crude oil prices on Petron Corporation's revenues. Lower volumes and revenues from SMC Global Power also contributed to the decline, mainly due to the scheduled shutdown of the Malampaya gas facilities, the main power source of the Ilijan power plant, and the scheduled major maintenance of the Ilijan and Sual power plants.

SMC's core businesses of beverage, food and packaging continued to contribute higher revenues compared to 2014. Our infrastructure business also started to pull its weight, contributing higher revenues to the aggregate, following the consolidation of Skyway 1 and 2 and South Luzon Expressway (SLEx) into San Miguel Corporation in early 2015.

As a result, consolidated operating income grew 41% to P78.7 billion from last year, mainly attributable to higher margins from Petron, the strong showing of our core businesses and higher contribution from the infrastructure business.

Consolidated net income excluding loss on foreign exchange translation rose 26% to P38.2 billion. Reported net income amounted to P29 billion, which includes the P9.2 billion mark-to-market loss on foreign exchange.

Consolidated EBITDA grew 23%, reaching P108.6 billion.

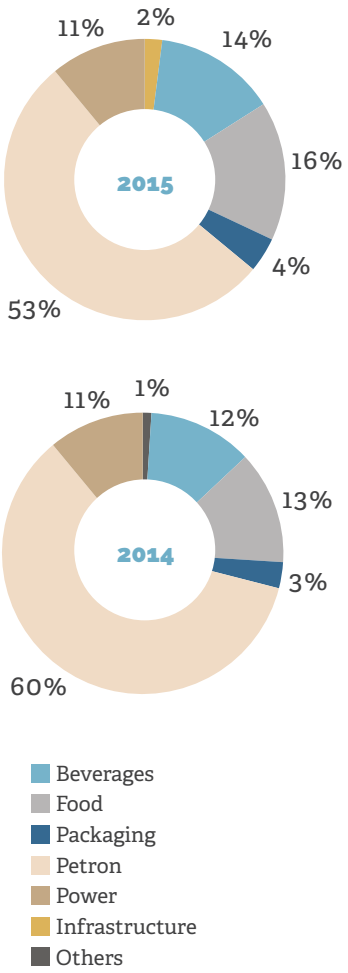
Significant developments
As far as executing on our strategic growth plans, 2015 was a year of many significant milestones.

In March 2015, through our infrastructure subsidiary San Miguel Holdings Corp., we increased our ownership in Atlantic Aurum Inc. B.V. (AAIBV), effectively increasing SMC's ownership in SLEx and the Skyway System.

In the same month, the company reissued, through private placement, 279,406,667 Series 1 Preferred Shares for P75.00 per share, with a dividend rate of 5.635%. Total proceeds amounted to about P21 billion.

In July, SMC, through telecommunications subsidiary Vega Telecom, Inc., acquired the remaining stake of Qtel Westbay Holdings S.P.C., Wi-Tribe Asia Limited and White Dawn Solutions Holdings, Inc. in Liberty Telecom Holdings, Inc., resulting in an increase in ownership to 97.46%.

CONTRIBUTION BY REVENUE





In September, SMC Global Power filed a case to nullify a termination notice issued by Power Sector Assets and Liabilities Management Corp. (PSALM) and its drawing of the Stand-by Letter of Credit for the Performance Bond for the Ilijan Power Plant. The Court eventually issued an order granting a Preliminary Injunction in favor of South Premier Power Corp., enjoining PSALM from proceeding with the termination of the IPPA agreement while the main case is pending. As such, South Premier Power Corp. continues to be the IPPA for the Ilijan Power Plant.

Towards the end of 2015, through San Miguel Holdings Corp. and partner Korea Water Resources Corp., we won the public bidding for the Bulacan Bulk Water project. The concession agreement, signed January this year, involves the supply of treated bulk water to 24 water districts in the province.

We continue to closely monitor and proactively manage our liabilities. In September, we successfully redeemed our SMC Series 2A Preferred Shares. Subsequently, we issued and listed on the Philippine Stock Exchange (PSE) the new SMC Series 2 Preferred Shares in three subseries: SMC2D, SMC2E and SMC2F, with dividend rates of 5.9431%, 6.3255% and 6.8072%, respectively. In March 2016, we also issued another set of Series 2 Preferred Shares in subseries SMC2G, SMC2H and SMC2I with dividend rates at 6.5793%, 6.3222% and 6.3355%, respectively. These constitute efforts to lower our exposure to foreign currency movements.

We expect many significant milestones throughout 2016, including the start of commercial operations of Petron's Refinery Master Plan Phase-2 (RMP-2), the completion of NAIA Expressway, extension of the Boracay airport runway and completion of the greenfield coal-fired power plants in Limay, Bataan and Malita, Davao.

By the end of 2016, we would have begun construction for MRT7 and SLEx-TR4.

Once these major projects come on stream, we expect to realize significant additional cash flows.

BEVERAGES

San Miguel Brewery Inc.

San Miguel Brewery Inc. (SMB) ended the year with consolidated revenues of P82.4 billion, 4% higher than 2014, driven by robust domestic operations. Ongoing efforts to stimulate volumes, improve cost-efficiencies and manage fixed costs resulted in operating income of P22.6 billion, 3% higher than 2014. Net income amounted to P13.5 billion.



SMB also expanded its business portfolio by acquiring, in April 2015, the non-alcoholic beverage business (NAB) of Ginebra San Miguel Inc. Pursuing a multi-beverage strategy will allow SMB to improve its competitiveness. NAB volumes have improved since the segment was acquired.

Domestic Operations
Sales volumes for SMB's domestic operations reached 176.9 million cases, 3% higher than the previous year. This translated into a 9% growth in revenues amounting to P70.3 billion. Operating income reached P22.4 billion, up 6% from 2014.

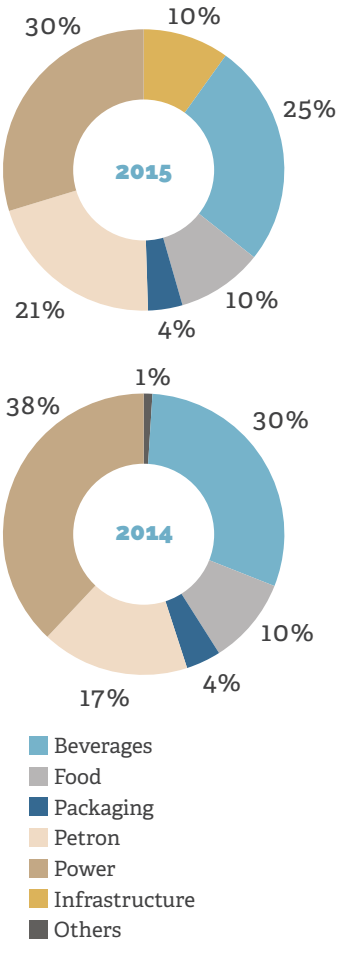
SMB continues to lead in the domestic market. In its long history, SMB has created many memorable campaigns and popular lifestyle events. In 2015, it continued to make brand-building investments, strengthening the equity of its individual brands.

Red Horse continued to dominate the strong beer category with the annual *Pambansang Muziklaban*, the country's longest-running amateur band competition, along with its regional *Pasiklaban* challenge and a new campaign dubbed "#1 Beer."

Flagship San Miguel Pale Pilsen launched the *"Amin ang Beer, Sa'yo ang Kwento"* promo and continues to be popular in on-premise outlets.

"San Mig Light Bucket Nights" continued to be an effective thematic campaign for San Mig Light, while Gold Eagle Beer's *"Sama-Samang Mag-Jamming, Sama-Samang Mag-Gold Eagle Beer"* campaign and digital promotion helped the brand strengthen its position in the Visayas and Mindanao regions.

CONTRIBUTION BY EBITDA



SMC's core businesses of beverage, food and packaging continued to contribute higher revenues, while its infrastructure business started to pull its weight, with larger contributions to the Group.

International Operations
Hong Kong, Indonesia and China operations experienced major challenges in 2015 affecting volumes. This was partly offset by sales programs and strong growth in Thailand's domestic operations and improved performance of core brands in Vietnam. Total revenues amounted to US$257 million, versus US$331 million in 2014.

Sales volumes in South China continued to improve, registering a 14% increase on the back of outlet coverage expansion and higher export volumes. North China operations continued to face strong competition.

Sales volumes in Hong Kong declined following the termination of the distribution agreement with Anheuser Busch InBev in 2015. The company continues to put in place programs to recover lost volumes. Among these is a drive to augment SMB Hong Kong's portfolio of imported brands and implement going-to-market strategies aimed at penetrating large wholesalers. These initiatives have resulted in improved performance. Not taking into account business lost after the withdrawal of Anheuser Busch InBev, volumes would have grown 2% in 2015.

It was a difficult year for SMB's Indonesia operations, with a new government regulation banning the sale of alcoholic beverages in major channels. This significantly affected sales volumes. To counter this, the company introduced a program encouraging dealers and wholesalers to become distributors and sub-distributors. Additional sales programs were rolled out for modern trade and off- and on-premise outlets, including trade discount incentives.

Meanwhile, Vietnam registered an 18% growth in sales volumes. San Miguel Pale Pilsen, San Mig Light and W1 Bia, all registered double-digit growth. However, full-year operating performance declined 16% versus the previous year due to lower exports.

Ongoing programs and outlet penetration initiatives resulted in a 14% growth in Thailand domestic volumes. All brands and regions registered gains, with San Mig Light outperforming 2014 levels by 11%. Full-year operating income grew by more than 100% largely due to volume improvement and higher prices implemented during the second quarter of the year.

Ginebra San Miguel Inc.
Ginebra San Miguel Inc. (GSMI) delivered a robust performance in 2015, surpassing its 2014 performance. Growth was driven by better sales volumes and cost-management programs. Total domestic volumes reached 23 million cases, 4% higher than the previous year. Volumes for flagship Ginebra San Miguel grew 5% as the "*Ganado Sa Buhay*" thematic campaign continued to resonate with consumers. Vino Kulafu grew by 12% driven by better distribution, which strengthened the brand's popularity among younger consumers in the Visayas and Mindanao regions. As a result, consolidated revenues grew 7% to P16.6 billion.

Lower production costs, an improved bottle retrieval system and better distillery efficiencies resulted in a full-year operating income of P621 million, 73% better than the previous year.

FOOD

San Miguel Pure Foods Company Inc. (SMPFC) posted another strong year of growth for 2015, with a 4% increase in revenues to P106.9 billion. Operating income was also up 18% to P7.6 billion. Growth was derived from the strong performance of its Feeds and Branded businesses. With lower interest expenses, net income reached P4.75 billion, 24% higher than 2014.

San Miguel Pure Foods remained focused on growing its branded value-added business, a source of

more robust and steady margins. In 2015 alone, SMPFC launched 24 new products under this category, raising its total revenue contribution to the Food Group to roughly 51%.

The acquisition in early-2015 of the La Pacita brand, a biscuit and flour-based snack business, likewise provided SMPFC's Milling business the opportunity to expand its portfolio of branded products. SMPFC also introduced a new category of powdered mixes with Wandah!, a condiments line. These initiatives are all in line with the Food Group's shift to more branded value-added products.

Agro-Industrial
The Agro-Industrial business composed of feeds, poultry and fresh meats generated revenues of P72.6 billion, 4% higher than the previous year. Strong growth in the Feeds segment and an improvement in poultry prices in the last quarter allowed the business to recover from a decline in profits experienced during the first three quarters of the year.

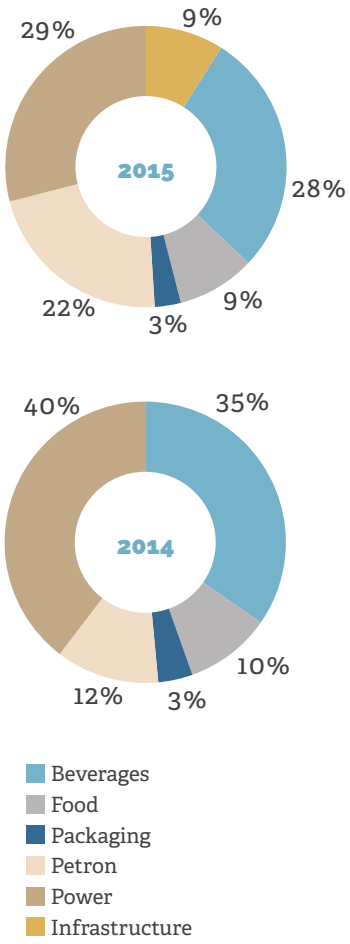
Flour Milling
A decline in global wheat prices resulted in lower flour selling prices, which weighed down SMPFC's Milling business. In addition, pressures coming from imports and new competitors, together with government's continued calls to lower the price of flour, further limited the segment's prospects for the year. Despite this, revenues increased by 3% to P10.3 billion due to higher volumes. Contributions from its grain terminal operations partly compensated for the drop in flour profits. Also cushioning the impact of weaker margins from basic flour was growing volumes for customized premixes and an expansion in the number of *Kambal Pandesal* outlets.

Value-Added Meats
Revenues from SMPFC's value-added processed meats business grew 8% to P16.3 billion over 2014. This was driven by core products such as hotdogs and nuggets and the seasonal surge in Christmas hams and cheese balls. The value-added meats business has been growing faster than the basic foods segment, reflecting the company's shifting focus to this segment.

Dairy and Others
The Dairy, Fats and Oils business achieved revenue growth of 13% to P8.8 billion, led by the strong performance of its core product lines—butter, margarine and cheese.

The Food Service business remained among the top suppliers of major fastfood chains, benefiting from increased out-of-home consumption. This made Food Service one of the key

CONTRIBUTION BY OPERATING INCOME



growth drivers of SMPFC, with combined revenues growing 9% to P12.5 billion.

Competition continued to weigh down the Coffee business. However, new product launches and the restructuring of the sales and distribution organization are seen to improve its performance moving forward.

International
Revenues from international operations declined due to the temporary closure of Feeds and Hogs operations in Vietnam and lower volumes in Indonesia. New marketing programs will be implemented to help grow the international business.

PACKAGING

The San Miguel Packaging Group continued to provide stable growth for the company in 2015. Revenues grew by 3% to P25.0 billion, the result of higher sales across all business categories. Operating income rose 2% to P2.3 billion.

In February 2015, the company acquired Vinocor, a leading supplier of corks for wine and customized bottles in Australia. As a result, Australian operations registered double-digit revenue growth.

Glass
The glass business achieved record performance in terms of revenue and operating income. Sales revenue reached P8.6 billion, 14% higher, on the back of strong demand from beverage and pharmaceutical companies.

Metals
Weaker demand from soft drink customers resulted in a decline for the metals business. However, greater domestic demand from beer and other beverage customers provided ample offset.

Plastics
Sales volumes for the plastics business grew 4% from 2014 as demand for crates and pallets continued to be strong. Revenues reached P1.9 billion from P2.1 billion in 2014.

Paper
The paper segment registered revenues of P2.3 billion, 3% higher than 2014, which resulted in a double-digit growth in net income.

Malaysia
Sales volumes from Malaysia grew as sales of woven products rose 4% and plastic films grew by 13%. Despite higher volumes, revenues decreased 6% to P3.3 billion.

Australia
Cospak, the packaging group's trading company for glass, plastics, cartons and wine corks in Australia, delivered higher profits resulting from higher sales to customers in the pharmaceutical and wine industries. Revenues grew 22% to P4.7 billion.

FUEL AND OIL

Petron Corporation was affected by the continued decline in oil prices. Even with robust volume growth, Petron registered lower sales revenues of P360.2 billion, 25% lower than the previous year. The benchmark Dubai crude dropped to $35/bbl in December 2015 with an annual average price of $50.84/bbl, 47% lower than the previous year.

Despite weak oil prices in 2015, the differential between crude and finished products remained strong. The mix of higher-value products also improved, supporting refining margins. As a result, Petron's operating income reached P18.1 billion last year, 138% higher from P7.6 billion in 2014.

Consolidated net income reached P6.3 billion in 2015, more than double the previous year's earnings of P3.0 billion. This was driven by a surge in sales volumes, better refining margins and effective risk management.

Philippines
Amidst the low price environment, demand for oil in the Philippines grew significantly. Supported by higher production from RMP-2 and strong industry growth, sales volumes hit 62 million barrels, 20% higher than 2014.

Production from RMP-2 continues to improve, with utilization levels reaching more than 90%. This resulted in increased production of high-margin products such as gasoline and petrochemicals. Commercial operations have started and the refinery has already passed performance tests, producing Euro-4 gasoline and diesel.

Malaysia
Volumes grew 3% mainly driven by an increase in sales to industrial accounts and higher LPG and retail gasoline sales. The completion of the rebranding and upgrading program supported an 11% growth in gasoline retail sales.



To sustain volume growth in the years to come, Petron continues to expand its network of service stations in both the Philippines and Malaysia. As of December 2015, the company has constructed 50 new service stations in the Philippines and 15 in Malaysia.

POWER

It was a challenging year as well for SMC Global Power. Consolidated offtake volume declined 3% from the previous year at 16,558 GWh. The main reasons being: the scheduled maintenance outage and supply restrictions of the Malampaya gas facility for the Ilijan power plant, and scheduled major maintenance of Unit 2 of the Sual power plant. This extended to over 90 days, resulting in lower volumes. Higher power generation from the San Roque Hydroelectric power plant and increased contribution from the Limay co-generation power plant partially offset the downtime of Sual and Ilijan.

Consolidated revenues and operating income amounted to P77.5 billion and P23.7 billion, respectively.

Despite the decline in average bilateral and WESM prices, revenues from the Sual power plant grew 2% to P33.3 billion, on account of higher bilateral volumes.

The San Roque power plant registered offtake volume of 1,589 GWh, 89% higher than the previous year. With additional contributions from ancillary services, revenues rose 32% to P8.55 billion.

Revenues from the Ilijan power plant declined 21% to P31.5 billion due to lower bilateral and WESM volumes and lower prices compared to the previous year.

The Limay co-generation power plant added 527 GWh in offtake volumes. Revenues increased by 29% amounting to P7.3 billion.

SMC Global Power continues to work on expanding its power portfolio. Construction for the new coal-fired power plants in Limay, Bataan and Malita, Davao remain on track. These power plants, set for completion by end-2016, will each provide an initial additional capacity of 300MW.

INFRASTRUCTURE

With the consolidation of SLEx and the Skyway system into San Miguel Holdings Corp. beginning March 2015, we started realizing higher contributions from our infrastructure business. On a full year result, San Miguel Holdings delivered P15.2 billion in revenues and P8.5 billion in operating income, a 19% and 15% increase respectively. Revenues and operating income consolidated into SMC reached P13.3 billion and P7.3 billion, respectively.

All operating tollroads posted good revenue growth with higher-than-expected traffic volume.

SLEx revenues amounted to P4.9 billion with average daily traffic reaching 273,978 vehicles. Skyway 1 and 2 delivered P8.1 billion in revenues, with registered average daily traffic of 241,906 vehicles. The rollout of the new electronic toll collection system using Radio Frequency Identification (RFID) on both tollways was well-received. The e-pass system was phased out early this year.

STAR Tollway posted double-digit growth in average daily vehicle count, reaching 41,148 vehicles. This resulted in revenues of P610 million. Traffic volume significantly improved since we completed its rehabilitation. Apart from offering better road quality and safety features, STAR Tollway is now able to accommodate more vehicles and enable faster traffic flow with additional lanes.

The Tarlac-Pangasinan-La Union Expressway's operating segments delivered P760 million in revenues, with daily traffic reaching 12,750 vehicles. The construction of Section 3A from Urdaneta to Pozorrubio is ongoing.

Construction of the NAIA Expressway is in the final stages, with virtually the entire 5.4-km stretch set to be completed by the second quarter of this year. The section fronting NAIA Terminal 3 is under construction until the third quarter of 2016.

The extension of the Boracay Airport runway to 1.8 km is now complete, with jet operations expected to begin by the second quarter of 2016. Construction of the new terminal is set to begin at around the same time, with completion set by early 2018. This will accommodate the projected increase in tourist arrivals.

Meanwhile, construction of the 14.82-km elevated Skyway Stage 3 which runs from Buendia to Balintawak is progressing well.

The infrastructure business has also lined up its next set of major projects. This includes MRT7, a 44-km rail and road project that will link to MRT3 and have a provision to connect to LRT1. With 14 stations, MRT7 will stretch from North Avenue, Quezon City to San Jose del Monte, Bulacan. With financing secured, construction is set to begin this year. Completion is estimated to take three-and-a-half years.

San Miguel Holdings is also preparing for the construction of the 57.59-km SLEx-TR4 project, which will extend SLEx from Sto. Tomas, Batangas all the way to Lucena City in Quezon.

Lastly, in February this year, the company acquired additional shares in Manila North Harbour Port, Inc. Taken together with Petron's existing stake, SMC now owns 78.3 percent of MNHPI.

PROPERTIES

San Miguel Properties Inc. generated P1.1 billion in total revenues in 2015, 48% higher than the previous year, due to higher contributions from its real estate segment.

The Makati Diamond Residences, the company's luxury, serviced apartments in Makati, opened its doors in April 2015. Occupancy rates have been consistently high.

Moving forward, SMPI is creating more synergies with its business units and is looking at developing new real estate projects. Among its upcoming projects are quality residential, commercial and industrial developments.

Milestones



MARCH 2015
SMC, through San Miguel Holdings Corp., increases its ownership in SLEx and the Skyway System.

Re-issues 279,406,667 SMC Series 1 Preferred Shares.

JULY 2015
Telecommunications subsidiary Vega Telecom, Inc. increases ownership in Liberty Telecom Holdings, Inc. to 97.46%.



SEPTEMBER 2015
Commemorates 125th anniversary of its founding; celebrations culminate in the unveiling of a historical marker at the company headquarters.

Lists SMC Series 2 Preferred Shares in subseries 2D, 2E and 2F worth P33 billion on the PSE.



DECEMBER 2015
Launches employee-volunteer program, *Team Malasakit*.

Wins public bidding for Bulacan Bulk Water Project.



JANUARY 2016
Awards contract for MRT7 project to the consortium of Hyundai Rotem and EEI Corp.

Signs Bulacan Bulk Water Project Concession Agreement.



FEBRUARY 2016
Acquires, through San Miguel Holdings Corp., additional shares in Manila North Harbor Port, Inc. With Petron's existing investment, ownership is currently at 78.3%.



MARCH 2016
Lists SMC Series 2 Preferred Shares in subseries 2G, 2H and 2I worth P30 billion on the PSE.



APRIL 2016
Breaks ground for the Bulacan Bulk Water project in San Jose Del Monte, Bulacan.



APRIL 2016
Breaks ground for the MRT7 project at Quezon Memorial Circle.

Financial Position

The company's consolidated total assets as of December 2015 amounted to P1.25 trillion, P28.5 billion higher than 2014. The increase mainly represents investments in property; plant and equipment, particularly that of Power and Petron, and project development costs for infrastructure projects, including the NAIAx, TPLEx, Skyway Stage 3, Boracay Airport, South Luzon Expressway and STAR Tollway. These additions were partly offset by a provision for depreciation and amortization during the year.

On the liabilities side, short-term debt decreased by about P33 billion to P146.9 billion with the lower short-term requirements of Petron. Long-term debt rose to P368.4 billion, an increase of P65.4 billion, P40.9 billion of which represents consolidation of the tollways group debt. Additional borrowings during the year include those for SMC Global Power and infrastructure projects. Total debt amounted to P515.2 billion, while consolidated net debt was at P334.5 billion.

Total equity amounted to P384.9 billion.

The Group financial ratios are as follows:

- Current ratio is 1.32x end-December 2015 from 1.50x as of December 31, 2014;
- Interest-bearing debt to equity ratio was 1.34x and 1.24x as of end-2015 and 2014, respectively;
- Net debt to EBITDA ended at 2.61x, way below the 5.5x net debt to EBITDA bank covenant ratio that we observe.

Corporate Governance

San Miguel Corporation is committed to the highest standards of corporate governance. Good governance is key in effective decision-making and in delivering on corporate strategy that translates to generating shareholder value and safeguarding the long-term interests of shareholders.

As a responsible corporate citizen, the Company has put in place sound policies and programs to ensure that we always do the right thing.

Our Board of Directors, led by our Chairman, Mr. Eduardo M. Cojuangco, Jr., believes in conducting our business affairs in a fair and transparent manner and in maintaining the highest ethical standards in all business dealings.

SHAREHOLDERS' RIGHTS

The Company recognizes that the most cogent proof of good corporate governance are those readily visible to investors.

Voting Rights
Each common share in the name of the shareholder entitles such shareholder to one vote, which may be exercised in person or by proxy at shareholders' meetings, including the Annual General Stockholders' Meeting (AGSM). Common shareholders have the right to elect, remove and replace directors as well as vote on certain corporate acts specified in the Corporation Code.

Preferred shareholders have the right to vote on matters involving certain corporate acts specified in the Corporation Code. They enjoy certain preferences over holders of common shares in terms of dividends and in the event of liquidation of the Company.

Among the corporate actions approved by the shareholders in 2015 was the approval of the reclassification of 810,000,000 Series 1 Preferred Shares of the Company, to Series 2 Preferred Shares; the amendment of the amended Articles of Incorporation of the Company to reflect such change in its authorized capital stock and the issuance of Series 2 Preferred Shares.

Pre-Emptive Rights
Under the Company's amended Articles of Incorporation, as approved by the shareholders in a meeting held May 17, 2009, and as approved by the Securities and Exchange Commission (SEC), shareholders do not have pre-emptive rights to the issuance of shares relating to equity-linked debt or other securities, any class of preferred shares, shares in payment of a previously contracted debt, or shares in exchange for property needed for corporate purposes. This is to give the Company greater flexibility in raising additional capital, managing its financial alternatives and issuing financing instruments.

On May 31, 2010, the shareholders of the Company approved to amend the Articles of Incorporation to deny pre-emptive rights to any issuance of common shares. Such amendment of the Articles of Incorporation was approved by the SEC on August 10, 2010.

Subject to certain conditions, shareholders also do not have pre-emptive rights to shares issued, sold or disposed of by the Company to its officers and/or employees, pursuant to a duly approved stock option, stock purchase, stock subscription or similar plans.

Right to Information
Shareholders are provided, through the Investor Relations Group headed by Ms. Reyna-Beth De Guzman, disclosures, announcements and, upon request, periodic reports filed with the SEC. All disclosures of the Company are likewise immediately available. Copies are downloadable at the Company's website upon disclosure to the Philippine Stock Exchange (PSE).

Dividends
Shareholders are entitled to receive dividends as the Board, in its discretion, may declare from time to time. However, the Company is required, subject to certain exceptions under the law, to declare dividends when the retained earnings equals to, or exceeds its paid-up capital stock.

Cash dividends declared by the Board of Directors of the Parent Company amounted to P1.40 per share both in 2015 and 2014.

Cash dividends declared by the Board of Directors of the Parent Company to Series 2 preferred shareholders in 2015 and 2014 are as follows:

	2014	2015
Subseries 2-A	P5.625	P2.8125
Subseries 2-B	P5.71875	P4.2890625
Subseries 2-C	P6.00	P4.50
Subseries 2-D	n.a.	P1.11433125
Subseries 2-E	n.a.	P1.18603125
Subseries 2-F	n.a.	P1.27635

STAKEHOLDER RELATIONS

San Miguel Corporation exercises transparency when dealing with shareholders, customers, employees, trade partners, creditors and all other stakeholders. The Company ensures that these transactions adhere to fair business practices in order to establish long-term and mutually-beneficial relationships.

Shareholder Meeting and Voting Procedures
Stockholders are informed at least 15 business days before the scheduled meeting of the date, time and place of the validation of proxies. In 2015, notices of the 2015 AGSM were sent to stockholders on May 20, 2015. Voting procedures on matters presented for approval of the stockholders in the AGSM are set out in the Definitive Information Statement distributed to all shareholders of the Company.

Shareholder and Investor Relations
San Miguel Corporation responds to information requests from the investing community and keeps shareholders informed through timely disclosures to the PSE and the SEC; regular quarterly briefings, AGSMs, investor briefings and conferences and the corporate website. The Company also responds to email and telephone queries. Disclosures and other filings with the SEC and PSE are available for viewing and download from the Company's website.

The Company, through the Investor Relations group under Corporate Finance, regularly holds briefings and meetings with investment and financial analysts.

DISCLOSURE AND TRANSPARENCY

San Miguel Corporation adheres to a high level of standard in its corporate disclosures and adopts transparency with respect to the Company's financial condition and state of corporate governance.

Ownership Structure
The top 20 shareholders of the Company, including shareholdings of certain record and beneficial owners who own more than 5% of its capital stock, its directors and key officers, are disclosed annually in the Definitive Information Statement distributed to shareholders prior to the AGSM.

Financial Reporting
San Miguel Corporation provides the investing community with regular updates on operating and financial information through adequate and timely disclosures filed with the SEC and the PSE.

Consolidated audited financial statements are submitted to the SEC and the PSE on or before the prescribed period and are distributed to the shareholders prior to the AGSM.

San Miguel Corporation's financial statements conform to Philippine Accounting Standards and Philippine Financial Reporting Standards, which are all in compliance with International Accounting Standards.

Quarterly financial results, on the other hand, are released and are duly disclosed to the SEC and PSE in accordance with the prescribed rules. The results are also presented to financial and investment analysts through a quarterly analysts' briefing. These disclosures are likewise posted on the Company's corporate website.

In addition to compliance with structural reportorial requirements, the Company discloses in a timely manner market-sensitive information such as dividend declarations, joint ventures and acquisitions and the sale and divestment of significant assets that materially affect the Company's share price performance.

Securities Dealings
The Company has adopted a policy that regulates the acquisition and disposal of Company shares by its directors, officers and employees, and the use and disclosure of price-sensitive information by such persons. Under the policy, directors, officers and employees who have knowledge or are in possession of material non-public information are prohibited from dealing in the Company's securities prior to disclosure of such information to the public. The policy likewise prescribes the periods before and after public disclosure of structured and non-structured reports, during which trading in the Company's securities by persons who—by virtue of their functions and responsibilities, are considered to have knowledge or are in possession of material non-public information—is not allowed.

ACCOUNTABILITY AND AUDIT

The Audit Committee has oversight functions with respect to the external and internal auditors. The role and responsibilities of the Audit Committee are clearly defined in the Company's Manual on Corporate Governance.

External Auditor
The accounting firm of R.G. Manabat & Company CPAs, accredited by the SEC, served as the Company's external auditors for the fiscal years 2014 and 2015.

The external auditor is selected and appointed by the shareholders upon the recommendation of the Board, subject to rotation every five years or earlier in accordance with SEC regulations. The external auditor's main function is to facilitate good corporate governance, as reflected in the Company's financial records and reports, through the conduct of an independent annual audit on the business. The external auditor then renders an objective opinion on the reasonableness of such records and reports.

The external auditors are expected to attend the AGSM of the Company and respond to appropriate questions during the meeting. They also have the opportunity to make a statement if they so desire. In instances when the external auditor suspects fraud or error during its conduct of audit, they are required to disclose and express their findings on the matter.

The Company paid the external auditor audit fees amounting to P10 million in 2014 and P12 million in 2015.

Internal Audit
San Miguel Group Audit (SMGA) carries out internal audit to help the organization accomplish its objectives. They bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. SMGA directly reports to the Audit Committee.

SMGA is responsible for identifying and evaluating significant risk exposures and contributes to the improvement of risk management and control systems by assessing adequacy and effectiveness of controls covering the organization's governance, operations and information systems. By evaluating their effectiveness and efficiency, and by promoting continuous improvement, the group maintains effective controls on responsibilities and functions.

BOARD OF DIRECTORS

Compliance with the principles of good corporate governance starts with the Company's Board of Directors. The Board is responsible for oversight of the business affairs and integrity of the Company; the determination of its mission, long-term strategy and objectives; management of risks through evaluation and ensuring the adequacy of internal controls and procedures.

It is the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness, consistent with its fiduciary responsibility and exercised in the best interest of the Company, its shareholders and other stakeholders.

Composition
The Board consists of 15 members, elected by the common stockholders during the AGSM. The Board members hold office for one year until their successors are duly elected and qualified in accordance with the amended by-laws of the Company.

The broad range of skills, expertise and experience of the directors in the fields of management, economics, business, finance, accounting and law ensure comprehensive evaluation of, and sound judgment on, matters relevant to the Company's businesses and related interests. The names, profiles and shareholdings of each director are found in the Definitive Information Statement, distributed prior to the AGSM.

The Board of Directors and the senior management of the Company have all undergone the requisite training on corporate governance.

Independent and Non-Executive Directors
San Miguel Corporation has three independent directors, which is more than the legal requirement of having at least two independent directors or 20% of its Board size, whichever is less, but in no case less than two. Currently, of the 15 directors, Mr. Winston F. Garcia, former Chief Justice Reynato S. Puno and Mr. Margarito B. Teves, sit as independent and non-executive directors of the Company.

The Company defines an independent director as a person who, apart from his fees and shareholdings, has no business or relationship with the Corporation which could, or could reasonably be perceived to, materially interfere with the exercise of his independent judgment in carrying out his responsibilities as a director. An Independent Director shall submit to the Corporate Secretary a certification confirming that he possesses all the qualifications and none of the disqualifications of an Independent Director at the time of his election and/or re-election as an Independent Director.

The Company strictly complies with SEC Memorandum Circular No. 9 on the term limits of independent directors.

Chairman/CEO and President/COO
The Chairman of the Board and Chief Executive Officer is Mr. Eduardo M. Cojuangco, Jr. while Mr. Ramon S. Ang holds the position of Vice Chairman, President and Chief Operating Officer. These positions are held by separate individuals with their respective roles clearly defined to ensure independence, accountability and responsibility in the discharge of their duties. The Chairman/CEO was unable to attend the AGSM for 2015 while the President/COO attended the AGSM for 2015.

Board Performance
The Board holds regular meetings. To assist the directors in the discharge of their duties, each director is given access to the Corporate Secretary and Assistant Corporate Secretary, who serve as counsel to the board of directors and at the same time communicate with the Board, management, the Company's shareholders and the investing public.

In 2015, the Board held 10 meetings. Set out below is the record of attendance of the directors at these meetings and at the AGSM.

	26 Mar	22 Apr	14 May	9 Jun*	14 Jul	11 Aug	20 Aug	17 Sep	10 Nov	10 Dec
Eduardo M. Cojuangco, Jr.	●	●	●	-	●	●	●	●	◙	●
Ramon S. Ang	●	●	●	●	●	●	●	●	●	●
Leo S. Alvez	●	●	●	●	●	●	●	●	●	●
Aurora T. Calderon	●	●	●	●	●	●	●	●	●	●
Joselito D. Campos	●	●	●	●	-	●	●	●	●	●
Ferdinand K. Constantino	●	●	●	●	●	●	●	●	●	●
Winston F. Garcia	●	●	●	●	-	●	●	-	-	-
Menardo R. Jimenez	●	●	●	●	●	●	●	●	●	●
Estelito P. Mendoza	-	-	●	●	●	●	-	●	●	●
Alexander J. Poblador	●	●	●	●	●	●	●	●	●	●
Reynato S. Puno	●	-	●	●	●	●	-	●	●	●
Horacio C. Ramos	●	●	●	●	●	●	●	●	●	●
Thomas A. Tan	●	●	●	●	●	●	●	●	●	●
Margarito B. Teves	●	●	●	●	●	●	●	●	●	●
Iñigo Zobel	●	●	●	●	●	◙	◙	●	●	●

* Annual General Stockholders Meeting and Organizational Board Meeting
● Present
◙ via teleconference

Board Remuneration
The amended by-laws of the Company provides that the Board of Directors shall receive as compensation no more than 2% of the profits obtained during the year, after deducting general expenses, remuneration to officers and employees, depreciation on buildings, machineries, transportation units, furniture and other properties. Such compensation shall be apportioned among the directors in such manner as the Board deems proper. In 2010, the Board of Directors approved the increase in the per diems for each Board meeting attended by the members from P10,000 to P50,000, and from P10,000 to P20,000 for each committee meeting attended.

Directors who are executive officers of the Company are likewise granted stock options under the Company's Long-Term Incentive Plan for Stock Options, which plan is administered by the Executive Compensation Committee.

Board Committees
To assist the Board in complying with the principles of good corporate governance, the Board created four committees.

Executive Committee. The Executive Committee is currently composed of six directors, which includes the Chairman of the Board and CEO, Vice-Chairman of the Board, President and COO. Mr. Eduardo M. Cojuangco, Jr. sits as Chairman of the Committee. The Committee acts within the power and authority granted upon it by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company. Exceptions include the power to appoint any entity as general managers or management or technical consultants; to guarantee obligations of other corporations in which the Company has lawful interest; to appoint trustees who, for the benefit of the Company, may receive and retain such properties of the Company or entities in which it has interests; to perform such acts as may be necessary to transfer ownership of such properties to trustees of the Company and such other powers as may be specifically limited by the Board or by law.

The Executive Committee did not hold a meeting in 2015.

Nomination and Hearing Committee. The Nomination and Hearing Committee is currently composed of six voting directors, one of whom, Mr. Reynato S. Puno, is independent. The committee

also has one non-voting member in the person of the Company's Corporate Human Resources Head. Atty. Estelito P. Mendoza is the Chairman of the Committee.

Among others, the Nomination and Hearing Committee screens and shortlists candidates for Board directorship in accordance with the qualifications and disqualifications for directors set out in the company's Manual on Corporate Governance, the amended articles of incorporation, amended by-laws of the company and applicable laws, rules and regulations.

In 2015, the Nomination and Hearing Committee held one meeting.

Executive Compensation Committee. Six directors currently comprise the Executive Compensation Committee, two of whom are independent, in the persons of Mr. Winston F. Garcia and Mr. Reynato S. Puno. Mr. Menardo R. Jimenez is Chairman of the Committee. The Executive Compensation Committee advises the Board in the establishment of formal and transparent policies and practices on directors and executive remuneration and provides oversight over remuneration of senior management and other key personnel–ensuring consistency with the company's culture, strategy and control environment. In two meetings in 2015, the Committee, among others, designated the amount of remuneration for directors and reviewed promotions of certain executive officers.

The Executive Compensation Committee has adopted its own charter which shall provide guidance as to its specific roles and objectives and their corresponding implementation.

Audit Committee. The Audit Committee is currently composed of five members with two independent directors as members, Mr. Margarito B. Teves, who also sits as Committee Chairman, and Mr. Winston F. Garcia.

The Audit Committee reviews and monitors, among others, the integrity of all financial reports and ensures their compliance with both the internal financial management manual and pertinent accounting standards, including regulatory requirements. It also performs oversight financial management functions and risk management, approves audit plans, directly interfaces with internal and external auditors and elevates to international standards the accounting and auditing processes, practices and methodologies of the company.

The Audit Committee held four meetings in 2015 wherein the Committee reviewed and approved, among others, the Company's 2014 Consolidated Audited Financial Statements as reviewed by the external auditors, and the company's unaudited financial statements for the first to the third quarters of the year.

The Audit Committee has adopted an Audit Committee Charter in accordance with the prescribed audit committee charter of the Securities and Exchange Commission.

Board Committee Members

The members of each Board Committee and their attendance at the Board Committee meetings in 2015 are set out in the table below. The Chairmen of each of the Board Committees attended the 2015 AGSM.

Executive Committee	Date of meeting
	No meeting held in 2015
Eduardo M. Cojuangco, Jr. (C)	N/A
Ramon S. Ang	N/A
Estelito P. Mendoza	N/A
Menardo R. Jimenez	N/A
Ferdinand K. Constantino	N/A
Iñigo Zobel	N/A

Nomination and Hearing Committee	Date of meeting
	January 20
Estelito P. Mendoza (C)	●
Ramon S. Ang	●
Leo S. Alvez	●
Ferdinand K. Constantino	●
Alexander J. Poblador	●
Reynato S. Puno	●

Executive Compensation Committee	Date of meeting	
	June 9	November 10
Menardo R. Jimenez (C)	●	●
Winston F. Garcia	●	-
Reynato S. Puno	●	●
Joselito D. Campos, Jr.	●	●
Ferdinand K. Constantino	●	●
Aurora T. Calderon	●	●

Audit Committee	Date of meeting			
	Mar 26	May 14	Aug 11	Nov 10
Margarito B. Teves (C)	●	●	●	●
Estelito P. Mendoza	-	●	●	●
Winston F. Garcia	●	●	●	-
Ferdinand K. Constantino	●	●	●	●
Leo S. Alvez	●	●	●	●

MANAGEMENT

Management is primarily responsible for the day-to-day operations and business of the Company. The annual compensation of the Chairman/CEO and the top senior executives of the company are set out in the Definitive Information Statement distributed to shareholders.

EMPLOYEE RELATIONS

Employees are provided an Employee Handbook and Code of Ethics, which contain policies and guidelines on the duties and responsibilities of an employee of San Miguel Corporation.

Through internal newsletters and company e-mails all facilitated by the Human Resources Department and the Corporate Affairs Office, employees are updated on material developments within the organization.

The Company provides opportunities for career advancement and development through numerous training programs and seminars. The company has also initiated activities centered on the safety, health and welfare of its employees. Benefits and privileges accruing to all regular employees are similarly discussed in the Employee Handbook.

CODE OF ETHICS

The Company's Code of Ethics sets out the fundamental standards of conduct and values consistent with the principles of good governance and business practices that shall guide and define the actions and decisions of the directors, officers and employees of the Company. The principles and standards prescribed in the Code of Ethics apply to all directors, senior managers and employees of the Company.

Procedures are well established for the communication and investigation of concerns regarding the Company's accounting, internal accounting controls, auditing and financial reporting matters to the Audit Committee to uphold the Code of Ethics.

Whistle-blowing policy
The Company has an established whistle-blowing policy aimed at encouraging employees to speak out and call Management's attention to any suspected wrong doing that is contrary to the principles of the Code of Ethics and is in violation of the Company's rules and regulations. The policy aims to protect the whistle blower from retribution or retaliation and provides a disincentive to passively allowing the commission of wrongful conduct.

These policies are available on the Company's website.

COMPLIANCE MONITORING

The Compliance Officer, Atty. Virgilio S. Jacinto, is responsible for monitoring compliance by the Company with the provisions and requirements of good corporate governance.

On April 14, 2010, the Board of Directors amended its Manual of Corporate Governance in compliance with the Revised Code of Corporate Governance issued by the Securities and Exchange Commission under its Memorandum Circular No. 6, Series of 2009. On March 27, 2014, the Board of Directors approved further amendments to the Manual to reflect the requirements of the SEC on the annual training requirement of directors and key officers of the Company and the requirements on the reporting of compliance with the Manual.

WEBSITE

Up-to-date information on the Company's corporate structure, products and services, results of business operations, financial statements, career opportunities and other relevant information on the Company may be found at its website www.sanmiguel.com.ph.

The Board of Directors
San Miguel Corporation

REPORT OF THE AUDIT COMMITTEE
For the year ended December 31, 2015

The Audit Committee assists the Board of Directors in its corporate governance and oversight responsibilities in relation to financial reporting, risk management, internal controls and internal and external audit processes and methodologies. In fulfillment of these responsibilities, the Audit Committee performed the following in 2015:

- endorsed for approval by the stockholders, and the stockholders approved the appointment of R.G. Manabat & Co. CPAs as the Company's independent external auditors for 2015.
- reviewed and approved the terms of engagement of the external auditors, including the audit, audit-related and any non-audit services provided by the external auditors to the Company and the fees for such services, and ensured that the same did not impair the external auditors' independence and objectivity;
- reviewed and approved the scope of the audit and audit programs of the external auditor as well as the internal audit group of the Company, and have discussed the results of their audit processes and their findings and assessment of the Company's internal controls and financial reporting systems;
- reviewed, discussed and recommended for approval of the Board of Directors the Company's annual and quarterly consolidated financial statements, and the reports required to be submitted to regulatory agencies in connection with such consolidated financial statements, to ensure that the information contained in such statements and reports presents a true and balanced assessment of the Company's position and condition and comply with the regulatory requirements of the Securities and Exchange Commission; and
- reviewed the effectiveness and sufficiency of the Company's financial and internal controls, risk management systems, and control and governance processes, and ensured that, where applicable, necessary measures are taken to address any concern or issue arising therefrom.
- reported compliance to the Securities and Exchange Commission on the results of the accomplishment by the members of the Audit Committee of the Audit Committee Self-Rating Form in accordance with the Audit Committee Charter and in compliance with the requirements of the SEC Memorandum Circular No. 4, Series of 2012.

All the five members of the Audit Committee, two of whom are independent directors, are satisfied with the scope and appropriateness of the Committee's mandate and that the Committee substantially met its mandate in 2015.

Margarito B. Teves
Chairman - Independent Director

Estelito P. Mendoza
Member

Winston F. Garcia
Member – Independent Director

Leo S. Alvez
Member

Ferdinand K. Constantino
Member

CORPORATE SOCIAL RESPONSIBILITY

Small acts, big hearts

Whether it's picking up a paintbrush or simply reading to a child, volunteerism has always been part of San Miguel life. Our employees are passionate about supporting causes close to their hearts, donating time to communities to help improve lives. While there has never been a formally organized volunteer program in SMC, the willingness to take action for social good has always been a trait among San Miguel employees.

For instance, whenever calamities strike, a few phone calls is all it takes to mobilize employees across the Group to lend a helping hand for disaster response efforts.

With support from the San Miguel Foundation and Corporate Human Resources, groups of volunteers would fan out to barangays or shelters to prepare hot food and organize soup kitchens for calamity victims.

Others would give and help re-pack donations, with the more intrepid venturing into hard-hit areas to distribute relief goods. A small but growing corps of employees have also gone as far as to actually help out in search and rescue missions.

Perhaps it's the sense of community and family and company values such as *pakikisama* and *malasakit* that have been so ingrained in the San Miguel culture that helping out in times of need has become instinctive to many employees.

In 2015, Corporate Human Resources, the San Miguel Foundation and the Corporate Affairs Office officially launched *Team Malasakit*, a group-wide program that harnesses this spirit of volunteerism.

First on *Team Malasakit*'s agenda last year was the "Libreng Sakay" project, which kicked off our 125th anniversary celebrations. From September to December 2015, the company commissioned 16 air-conditioned, wifi-enabled buses to provide free rides for commuters plying the 25-km Malanday-EDSA-Ayala-Pasay route.

Unannounced, *Team Malasakit* volunteers consisting of employees and San Miguel's basketball stars surprised bus riders with free coffee, sandwiches, water and gift bags to make rush hour traffic more bearable.

The project was such a success that it was scaled up to include free rush hour rides on the LRT-2. On pre-selected days, members of *Team Malasakit* descended on the Cubao station to distribute preloaded stored-value cards to commuters making their way home.

Team Malasakit is the coming to fruition of a long-held vision to empower more employees to be part of causes that reflect our company's larger aspirations for our country and people.







More than an anniversary activation, the project sought to communicate our company's new slogan, "Your World Made Better," directly to those whose lives we hope to affect through our businesses—by simply making their day a little bit better.

Soon after, *Team Malasakit* mounted its main initiative for the year: helping underprivileged school children. Select public schools were adopted by groups of volunteers who then led various activities for students every Saturday from September to December.

These included repairs to the classrooms, painting murals, tutoring, conducting kids' camps, medical missions, and a school supplies drive. Volunteers also organized a health awareness day and an educational trip.

True to the spirit of volunteerism, *Team Malasakit* members were encouraged to organize activities themselves.

Team Malasakit capped off the year with Christmas parties for the school children. For the most underprivileged students, a trip to Kidzania—a theme park that lets children experience different careers—was organized.

The spirit of volunteerism is fast catching on. With more volunteers, *Team Malasakit* has already conducted a number of activities this year, including a tree-planting activity in Angat, Bulacan and a house build with Habitat for Humanity in Sto. Tomas, Batangas. More activities and outreach programs are planned for the rest of the year.

Employees are also encouraged to promote their own community projects with the support of the Foundation.

Through the cumulative effect of employees giving back to their community, *Team Malasakit* is about sparking a relay of good deeds and is in keeping with our corporate mission of bringing about positive change and providing our employees a greater sense of purpose.

500 SMC VOLUNTEERS ORGANIZED ACTIVITIES FOR **600** STUDENT BENEFICIARIES

LIBRENG SAKAY

150,000+ COMMUTERS RECEIVED FREE BUS RIDES

5,000 STORED VALUE CARDS GIVEN TO LRT PASSENGERS



ONGOING PROGRAMS

In the same way that our company has built and positioned its businesses to enable them to spur economic growth, the San Miguel Foundation continues to execute on its strategies to bring more people to a level where they can participate in their community's development. Focusing on the key pillars of our social development agenda—education, housing, health and nutrition, environmental stewardship, disaster management, capacity-building and volunteerism—the San Miguel Foundation, in 2015, made considerable headway in reaching more people in need.

COMMUNITY PROJECTS

23,144
BENEFICIARIES OF MEDICAL MISSIONS

2,765
CHILDREN FROM 49 SCHOOLS RECEIVED NUTRITIOUS MEALS

6,410
HOUSES COMMITTED FOR SURVIVORS OF TYPHOONS YOLANDA AND SENDONG

247
CLASSROOMS DONATED

11 areas rehabilitated
- TREES BREW LIFE (LAS PIÑAS, PAMPANGA, LAGUNA)
- TULONG-TULONG PARA SA TULLAHAN II (VALENZUELA)
- TREE PLANTING & CLEAN UP (CAVITE)
- SMC GLOBAL POWER TREE PLANTING (SUAL, MALITA, LIMAY)

54,950 trees planted

8,000 families aided

475 individuals received livelihood support

Board of Directors

Eduardo M. Cojuangco, Jr.
Chairman and CEO
Chairman, Executive Committee

Ramon S. Ang
Vice Chairman, President and COO
Member, Executive Committee
Member, Nomination and Hearing Committee

Leo S. Alvez
Member, Audit Committee
Member, Nomination and Hearing Committee

Aurora T. Calderon
Member, Executive Compensation Committee

Joselito D. Campos, Jr.
Member, Executive Compensation Committee

Ferdinand K. Constantino
Member, Executive Committee
Member, Audit Committee
Member, Executive Compensation Committee
Member, Nomination and Hearing Committee

Menardo R. Jimenez
Chairman, Executive Compensation Committee
Member, Executive Committee

Estelito P. Mendoza
Chairman, Nomination and Hearing Committee
Member, Executive Committee
Member, Audit Committee

Alexander J. Poblador
Member, Nomination and Hearing Committee

Horacio C. Ramos

Thomas A. Tan

Iñigo Zobel
Member, Executive Committee

Winston F. Garcia
Independent Director
Member, Audit Committee
Member, Executive Compensation Committee

Reynato S. Puno
Independent Director
Member, Executive Compensation Committee
Member, Nomination and Hearing Committee

Margarito B. Teves
Independent Director
Chairman, Audit Committee

Key Executives

Eduardo M. Cojuangco, Jr.
Chairman and Chief Executive Officer

Ramon S. Ang
Vice Chairman, President and Chief Operating Officer

Ferdinand K. Constantino
Chief Finance Officer and Treasurer

Virgilio S. Jacinto
Corporate Secretary and General Counsel

SAN MIGUEL BREWERY INC.
Roberto N. Huang
President

SAN MIGUEL BREWING INTERNATIONAL LTD.
Carlos Antonio M. Berba
Managing Director

GINEBRA SAN MIGUEL INC.
Bernard D. Marquez
President

SAN MIGUEL PURE FOODS COMPANY, INC.
Francisco S. Alejo III
President

SAN MIGUEL YAMAMURA PACKAGING CORP.
Ferdinand A. Tumpalan
President

PETRON CORPORATION
Lubin B. Nepomuceno
General Manager

SMC GLOBAL POWER HOLDINGS CORPORATION
Alan T. Ortiz
President

Elenita D. Go
Senior Vice President and General Manager

SAN MIGUEL HOLDINGS CORP.
INFRASTRUCTURE BUSINESS
Lorenzo G. Formoso III
Senior Vice President and Head

SAN MIGUEL PROPERTIES, INC.
Karen V. Ramos
Vice President and General Manager

SAN MIGUEL CORPORATION AND SUBSIDIARIES

SELECTED FINANCIAL DATA

DECEMBER 31, 2015, 2014 AND 2013

(In Millions, Except Per Share and Statistical Data)

	2015	2014	2013
For the Year			
Sales	**P673,925**	P773,723	P747,303
Net Income	**P28,993**	P28,578	P51,193
Net Income Excluding Losses on Foreign Exchange	**P38,196**	P30,262	P65,839
Net Income Attributable to Equity Holders of the Parent Company	**P12,448**	P15,137	P38,517
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company [A]	**P2.53**	P3.80	P13.63
Taxes	**P125,771**	P115,923	P108,844
Property Dividends	**P -**	P -	P42,299
Cash Dividends	**P8,325**	P9,435	P10,962
Cash Dividends Per Common Share [B]	**P1.40**	P1.40	P1.40
Cash Dividends Per Preferred Share [B]			
SMC2A	**P2.8125**	P5.625	P7.03125
SMC2B	**P4.2890625**	P5.71875	P7.1484375
SMC2C	**P4.50**	P6.00	P7.50
SMC2D	**P1.11433125**	P -	P -
SMC2E	**P1.18603125**	P -	P -
SMC2F	**P1.27635**	P -	P -
SMCP1	**P 3.167725**	P -	P -
At Year-End			
Working Capital	**P102,892**	P176,039	P144,675
Total Assets	**P1,246,022**	P1,217,489	P1,169,703
Property, Plant and Equipment-net	**P497,352**	P455,323	P426,759
Equity Attributable to Equity Holders of the Parent Company	**P238,137**	P240,900	P237,324
Equity Per Share Attributable to Equity Holders of the Parent Company			
Common	**P66.32**	P67.65	P66.18
Preferred	**P75.00**	P75.00	P75.00
Number of Common Shares Outstanding - Net of Treasury Shares	**2,378,524,978**	2,378,145,134	2,376,994,783
Number of Preferred Shares Outstanding	**1,072,061,267**	1,067,000,000	1,067,000,000
Number of Common Stockholders	**36,718**	37,194	37,892
Number of Preferred Stockholders	**705**	935	860
Number of Employees	**18,586**	18,538	18,095
Financial Statistics			
% Return on Average Equity Attributable to Equity Holders of the Parent Company	**5.20%**	6.33%	15.74%
Current Ratio	**1.32**	1.50	1.43
Debt to Equity Ratio [C]	**2.24**	2.12	2.20
Market Price			
Common Shares			
High	**P81.00**	P87.00	P125.00
Low	**P43.50**	P54.50	P57.30
Series "2" Preferred Shares			
Subseries 2-A			
High	**P76.85**	P77.00	P80.50
Low	**P74.00**	P74.20	P74.50
Subseries 2-B			
High	**P89.50**	P79.00	P82.00
Low	**P76.00**	P74.50	P74.50
Subseries 2-C			
High	**P90.00**	P82.50	P84.00
Low	**P78.00**	P75.00	P74.50
Subseries 2-D			
High	**P85.00**	P -	P -
Low	**P76.00**	P -	P -
Subseries 2-E			
High	**P80.10**	P -	P -
Low	**P76.00**	P -	P -
Subseries 2-F			
High	**P80.90**	P -	P -
Low	**P77.10**	P -	P -

[A] *Based on the weighted average number of shares outstanding during the year*

[B] *Based on the number of shares outstanding at the date of each declaration*

[C] *Total debt to equity, where total debt represents total liabilities*

SAN MIGUEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

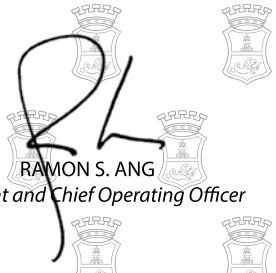
The management of San Miguel Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015, 2014 and 2013, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders of the Company.

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders has expressed its opinion on the fairness of presentation upon completion of such audits.



EDUARDO M. COJUANGCO, JR.
Chairman and Chief Executive Officer



RAMON S. ANG
President and Chief Operating Officer



FERDINAND K. CONSTANTINO
Senior Vice President and
Chief Finance Officer / Treasurer

Signed this 17th day of March 2016.

INSPIRE CHANGE

KPMG

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Makati City 1226, Metro Manila, Philippines

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Branches • Subic • Cebu • Bacolod • Iloilo

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Corporation

We have audited the accompanying consolidated financial statements of San Miguel Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

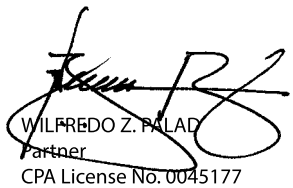
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of San Miguel Corporation and Subsidiaries as at December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2015, in accordance with Philippine Financial Reporting Standards.



WILFREDO Z. PALAD
Partner
CPA License No. 0045177
SEC Accreditation No. 0027-AR-4, Group A, valid until August 24, 2018
Tax Identification No. 106-197-186
BIR Accreditation No. 08-001987-6-2013
Issued May 9, 2013; valid until May 8, 2016
PTR No. 5321509MD
Issued January 4, 2016 at Makati City

March 17, 2016
Makati City, Metro Manila

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015, 2014 AND 2013

(In Millions)

	Note	2015	2014 As restated	2013 As restated
ASSETS				
Current Assets				
Cash and cash equivalents	*5, 9, 41, 42*	**P180,758**	P258,606	P191,613
Trade and other receivables - net	*4, 5, 6, 10, 34, 36, 40, 41, 42*	**100,727**	129,238	163,337
Inventories	*4, 5, 11*	**64,148**	85,846	83,315
Current portion of biological assets - net	*17*	**3,319**	3,320	3,427
Prepaid expenses and other current assets	*4, 5, 12, 14, 35, 41, 42*	**73,659**	52,886	38,516
		422,611	529,896	480,208
Assets held for sale	*8, 13*	**-**	554	13
Total Current Assets		**422,611**	530,450	480,221
Noncurrent Assets				
Investments and advances - net	*4, 5, 13*	**26,929**	46,651	69,055
Available-for-sale financial assets	*4, 14, 41, 42*	**41,546**	41,459	42,048
Property, plant and equipment - net	*4, 5, 15, 35*	**497,352**	455,323	426,759
Investment property - net	*4, 16*	**4,746**	3,643	4,176
Biological assets - net of current portion	*4, 17*	**2,177**	1,973	1,911
Goodwill - net	*4, 5, 18, 39*	**58,603**	41,211	41,752
Other intangible assets - net	*4, 5, 18, 39*	**139,969**	45,114	36,032
Deferred tax assets	*4, 5, 24*	**16,441**	14,651	15,608
Other noncurrent assets - net	*4, 5, 19, 34, 35, 36, 40, 41, 42*	**35,648**	37,014	52,141
Total Noncurrent Assets		**823,411**	687,039	689,482
		P1,246,022	P1,217,489	P1,169,703
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	*5, 20, 31, 34, 41, 42*	**P146,859**	P180,059	P143,226
Accounts payable and accrued expenses	*4, 5, 21, 34, 35, 36, 41, 42*	**102,836**	121,844	117,257
Finance lease liabilities - current portion	*4, 5, 31, 35, 41, 42*	**16,567**	16,219	15,654
Income and other taxes payable	*5*	**13,907**	13,303	13,058
Dividends payable	*5, 34, 37*	**1,996**	3,134	3,544
Current maturities of long-term debt - net of debt issue costs	*5, 22, 31, 34, 41, 42*	**37,554**	19,852	42,807
Total Current Liabilities		**319,719**	354,411	335,546
Noncurrent Liabilities				
Long-term debt - net of current maturities and debt issue costs	*5, 22, 31, 34, 41, 42*	**330,823**	283,136	264,690
Deferred tax liabilities	*5, 24*	**15,329**	7,820	11,061
Finance lease liabilities - net of current portion	*4, 5, 31,35, 41, 42*	**162,713**	170,111	179,394
Other noncurrent liabilities	*4, 5, 23, 34, 35, 36, 41, 42*	**32,561**	12,091	13,619
Total Noncurrent Liabilities		**541,426**	473,158	468,764
Equity	*25, 37, 38, 40*			
Equity Attributable to Equity Holders of the Parent Company				
Capital stock - common		**16,417**	16,415	16,414
Capital stock - preferred		**10,187**	10,187	10,187
Additional paid-in capital		**177,871**	178,101	178,085
Reserve for retirement plan		**(3,546)**	(1,216)	790
Equity reserve	*6*	**(798)**	761	764
Cumulative translation adjustments		**725**	3,874	4,081
Retained earnings:				
Appropriated		**48,927**	52,088	28,230
Unappropriated		**127,855**	120,571	138,727
Treasury stock		**(139,501)**	(139,881)	(139,954)
		238,137	240,900	237,324
Non-controlling Interests	*2, 5, 6*	**146,740**	149,020	128,069
Total Equity		**384,877**	389,920	365,393
		P1,246,022	P1,217,489	P1,169,703

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(In Millions, Except Per Share Data)

	Note	2015	2014 As restated	2013 As restated
SALES	*7, 26, 34*	**P673,925**	P773,723	P747,303
COST OF SALES	*27*	**532,923**	660,913	630,892
GROSS PROFIT		**141,002**	112,810	116,411
SELLING AND ADMINISTRATIVE EXPENSES	*28*	**(62,319)**	(57,035)	(60,690)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*12, 20, 22, 31, 34, 35*	**(32,521)**	(29,710)	(30,970)
INTEREST INCOME	*32*	**4,315**	4,012	3,539
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES	*13*	**(386)**	1,701	(502)
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	*6, 8, 13, 15, 16, 18, 19*	**(81)**	777	41,192
OTHER INCOME (CHARGES) - Net	*5, 13, 14, 22, 33, 41, 42*	**(4,073)**	6,307	(14,087)
INCOME BEFORE INCOME TAX		**45,937**	38,862	54,893
INCOME TAX EXPENSE	*24, 43*	**16,944**	10,284	3,700
NET INCOME		**P28,993**	P28,578	P51,193
Attributable to:				
Equity holders of the Parent Company		**P12,448**	P15,137	P38,517
Non-controlling interests	*6*	**16,545**	13,441	12,676
		P28,993	P28,578	P51,193
Earnings Per Common Share Attributable to Equity Holders of the Parent Company	*38*			
Basic		**P2.53**	P3.80	P13.63
Diluted		**2.53**	3.78	13.55

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(In Millions)

	Note	**2015**	2014 As restated	2013 As restated
NET INCOME		**P28,993**	P28,578	P51,193
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Equity reserve for retirement plan	*36*	**(4,529)**	(4,109)	1,985
Income tax benefit (expense)		**1,320**	1,233	(592)
Share in other comprehensive income (loss) of associates and joint ventures - net	*13*	**(121)**	552	(1,253)
		(3,330)	(2,324)	140
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations		**(4,884)**	(522)	219
Net gain (loss) on available-for-sale financial assets	*14*	**75**	(810)	1,767
Income tax benefit (expense)		**(13)**	17	(10)
		(4,822)	(1,315)	1,976
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**(8,152)**	(3,639)	2,116
TOTAL COMPREHENSIVE INCOME - Net of tax		**P20,841**	P24,939	P53,309
Attributable to:				
Equity holders of the Parent Company		**P6,969**	P12,924	P38,614
Non-controlling interests	*6*	**13,872**	12,015	14,695
		P20,841	P24,939	P53,309

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(In Millions)

		Equity Attributable to Equity Holders of the Parent Company													
		Capital Stock		Additional Paid-in Capital	Reserve for Retirement Plan	Equity Reserve	Cumulative Translation Adjustments		Retained Earnings		Treasury Stock		Total	Non-controlling Interests	Total Equity
	Note	Common	Preferred				Translation Reserve	Fair Value Reserve	Appro-priated	Unappro-priated	Common	Preferred			
As of January 1, 2015, As previously reported		**P16,415**	**P10,187**	**P178,101**	**(P1,115)**	**P761**	**P4,071**	**P180**	**P52,088**	**P119,655**	**(P67,093)**	**(P72,788)**	**P240,462**	**P149,019**	**P389,481**
Adjustments due to reclassification of an asset held for sale to investment in an associate	*13*	-	-	-	**(101)**	-	**(13)**	**(364)**	-	**916**	-	-	**438**	**1**	**439**
As of January 1, 2015, As restated		**16,415**	**10,187**	**178,101**	**(1,216)**	**761**	**4,058**	**(184)**	**52,088**	**120,571**	**(67,093)**	**(72,788)**	**240,900**	**149,020**	**389,920**
Loss on exchange differences on translation of foreign operations		-	-	-	-	-	**(3,111)**	-	-	-	-	-	**(3,111)**	**(1,773)**	**(4,884)**
Share in other comprehensive loss of associates and joint ventures - net	*13*	-	-	-	**(40)**	-	-	**(66)**	-	-	-	-	**(106)**	**(15)**	**(121)**
Net gain on available-for-sale financial assets	*14*	-	-	-	-	-	-	**28**	-	-	-	-	**28**	**34**	**62**
Equity reserve for retirement plan	*36*	-	-	-	**(2,290)**	-	-	-	-	-	-	-	**(2,290)**	**(919)**	**(3,209)**
Other comprehensive loss		-	-	-	**(2,330)**	-	**(3,111)**	**(38)**	-	-	-	-	**(5,479)**	**(2,673)**	**(8,152)**
Net income		-	-	-	-	-	-	-	-	**12,448**	-	-	**12,448**	**16,545**	**28,993**
Total comprehensive income (loss)		-	-	-	**(2,330)**	-	**(3,111)**	**(38)**	-	**12,448**	-	-	**6,969**	**13,872**	**20,841**
Issuance of common shares	*25*	**2**	-	**25**	-	-	-	-	-	-	-	-	**27**	-	**27**
Reissuance of treasury shares		-	-	-	-	-	-	-	-	-	-	**54,456**	**54,456**	-	**54,456**
Redemption of Subseries "2-A" preferred shares		-	-	**(255)**	-	-	-	-	-	-	-	**(54,076)**	**(54,331)**	-	**(54,331)**
Net reduction to non-controlling interests and others	*5, 6, 13*	-	-	-	-	**(1,559)**	-	-	-	-	-	-	**(1,559)**	**(1,968)**	**(3,527)**
Appropriations - net	*25*	-	-	-	-	-	-	-	**(3,161)**	**3,161**	-	-	-	-	-
Cash dividends and distributions:	*37*														
Common		-	-	-	-	-	-	-	-	**(3,330)**	-	-	**(3,330)**	**(7,544)**	**(10,874)**
Preferred		-	-	-	-	-	-	-	-	**(4,995)**	-	-	**(4,995)**	**(1,582)**	**(6,577)**
Undated subordinated capital securities		-	-	-	-	-	-	-	-	-	-	-	-	**(5,058)**	**(5,058)**
As of December 31, 2015	*25*	**P16,417**	**P10,187**	**P177,871**	**(P3,546)**	**(P798)**	**P947**	**(P222)**	**P48,927**	**P127,855**	**(P67,093)**	**(P72,408)**	**P238,137**	**P146,740**	**P384,877**

Forward

		Equity Attributable to Equity Holders of the Parent Company													
		Capital Stock		Additional Paid-in Capital	Reserve for Retirement Plan	Equity Reserve	Cumulative Translation Adjustments		Retained Earnings		Treasury Stock		Total	Non-controlling Interests	Total Equity
	Note	Common	Preferred				Translation Reserve	Fair Value Reserve	Appro-priated	Unappro-priated	Common	Preferred			
As of January 1, 2014,															
As previously reported		P16,414	P10,187	P178,085	P862	P764	P4,079	P784	P28,230	P138,256	(P67,166)	(P72,788)	P237,707	P128,070	P365,777
Adjustments due to reclassification of an asset held for sale to investment in an associate	*13*	-	-	-	(72)	-	(10)	(772)	-	471	-	-	(383)	(1)	(384)
As of January 1, 2014, As restated		16,414	10,187	178,085	790	764	4,069	12	28,230	138,727	(67,166)	(72,788)	237,324	128,069	365,393
Loss on exchange differences on translation of foreign operations		-	-	-	-	-	(8)	-	-	-	-	-	(8)	(514)	(522)
Share in other comprehensive income (loss) of associates and joint ventures - net	*13*	-	-	-	(29)	-	(3)	590	-	-	-	-	558	(6)	552
Net loss on available-for-sale financial assets	*14*	-	-	-	-	-	-	(786)		-	-	-	(786)	(7)	(793)
Equity reserve for retirement plan	*36*	-	-	-	(1,977)	-	-	-	-	-	-	-	(1,977)	(899)	(2,876)
Other comprehensive loss		-	-	-	(2,006)	-	(11)	(196)	-	-	-	-	(2,213)	(1,426)	(3,639)
Net income		-	-	-	-	-	-	-	-	15,137	-	-	15,137	13,441	28,578
Total comprehensive income (loss)		-	-	-	(2,006)	-	(11)	(196)	-	15,137	-	-	12,924	12,015	24,939
Issuance of common shares	*25*	1	-	6	-	-	-	-	-	-	-	-	7	-	7
Conversion of exchangeable bonds from treasury shares	*25*	-	-	10	-	-	-	-	-	-	73	-	83	-	83
Net addition to non-controlling interests and others	*5, 6, 13*	-	-	-	-	(3)	-	-	-	-	-	-	(3)	23,363	23,360
Appropriations - net	*25*	-	-	-	-	-	-	-	23,858	(23,858)	-	-	-	-	-
Cash dividends and distributions:	*37*														
Common		-	-	-	-	-	-	-	-	(3,329)	-	-	(3,329)	(7,810)	(11,139)
Preferred		-	-	-	-	-	-	-	-	(6,106)	-	-	(6,106)	(2,314)	(8,420)
Undated subordinated capital securities		-	-	-	-	-	-	-	-	-	-	-	-	(4,303)	(4,303)
As of December 31, 2014	*25*	P16,415	P10,187	P178,101	(P1,216)	P761	P4,058	(P184)	P52,088	P120,571	(P67,093)	(P72,788)	P240,900	P149,020	P389,920

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company												Non-controlling Interests	Total Equity
		Capital Stock		Additional Paid-in Capital	Reserve for Retirement Plan	Equity Reserve	Cumulative Translation Adjustments		Retained Earnings		Treasury Stock		Total		
		Common	Preferred				Translation Reserve	Fair Value Reserve	Appro-priated	Unappro-priated	Common	Preferred			
As of January 1, 2013, As previously reported		P16,408	P10,187	P177,762	(P176)	P1,467	P5,522	(P491)	P27,219	P154,475	(P67,336)	(P72,788)	P252,249	P96,688	P348,937
Adjustments due to reclassification of an asset held for sale to investment in an associate	*13*	-	-	-	-	-	-	(81)	-	7	-	-	(74)	(2)	(76)
As of January 1, 2013, As restated		16,408	10,187	177,762	(176)	1,467	5,522	(572)	27,219	154,482	(67,336)	(72,788)	252,175	96,686	348,861
Gain (loss) on exchange differences on translation of foreign operations		-	-	-	-	-	(1,443)	-	-	-	-	-	(1,443)	1,662	219
Share in other comprehensive income (loss) of associates and joint ventures - net	*13*	-	-	-	(72)	-	(10)	(1,172)	-	-	-	-	(1,254)	1	(1,253)
Net gain on available-for-sale financial assets	*14*	-	-	-	-	-	-	1,756	-	-	-	-	1,756	1	1,757
Equity reserve for retirement plan	*36*	-	-	-	1,038	-	-	-	-	-	-	-	1,038	355	1,393
Other comprehensive income (loss)		-	-	-	966	-	(1,453)	584	-	-	-	-	97	2,019	2,116
Net income		-	-	-	-	-	-	-	-	38,517	-	-	38,517	12,676	51,193
Total comprehensive income (loss)		-	-	-	966	-	(1,453)	584	-	38,517	-	-	38,614	14,695	53,309
Issuance of common shares	*25*	6	-	63	-	-	-	-	-	-	-	-	69	-	69
Conversion of exchangeable bonds from treasury shares	*25*	-	-	183	-	-	-	-	-	-	485	-	668	-	668
Cancellation of Employee Stock Purchase Plan reverted to treasury shares	*40*	-	-	-	-	-	-	-	-	-	(315)	-	(315)	-	(315)
Stock options	*40*	-	-	77	-	-	-	-	-	-	-	-	77	-	77
Net addition to non-controlling interests and others	*5, 6, 13*	-	-	-	-	(703)	-	-	-	-	-	-	(703)	27,186	26,483
Appropriations - net	*25*	-	-	-	-	-	-	-	1,011	(1,011)	-	-	-	-	-
Property dividends	*13, 33*	-	-	-	-	-	-	-	-	(42,299)	-	-	(42,299)	-	(42,299)
Cash dividends and distributions:	*37*														
Common		-	-	-	-	-	-	-	-	(3,329)	-	-	(3,329)	(6,671)	(10,000)
Preferred		-	-	-	-	-	-	-	-	(7,633)	-	-	(7,633)	(2,153)	(9,786)
Undated subordinated capital securities		-	-	-	-	-	-	-	-	-	-	-	-	(1,674)	(1,674)
As of December 31, 2013	*25*	P16,414	P10,187	P178,085	P790	P764	P4,069	P12	P28,230	P 138,727	(P67,166)	(P72,788)	P237,324	P128,069	P365,393

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(In Millions)

	Note	2015	2014 As restated	2013 As restated
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P45,937**	P38,862	P54,893
Adjustments for:				
Depreciation, amortization and others - net	*7, 29*	**37,510**	25,224	43,825
Interest expense and other financing charges	*31*	**32,521**	29,710	30,970
Interest income	*32*	**(4,315)**	(4,012)	(3,539)
Equity in net losses (earnings) of associates and joint ventures	*13*	**386**	(1,701)	502
Loss (gain) on sale of investments and property and equipment	*13, 15*	**81**	(777)	(41,192)
Operating income before working capital changes		**112,120**	87,306	85,459
Changes in noncash current assets, certain current liabilities and others	*39*	**(6,147)**	(14,852)	(5,005)
Cash generated from operations		**105,973**	72,454	80,454
Interest and other financing charges paid		**(24,409)**	(21,735)	(21,423)
Income taxes paid		**(14,525)**	(11,287)	(11,832)
Net cash flows provided by operating activities		**67,039**	39,432	47,199
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	*39*	**(7,633)**	(302)	(512)
Cash and cash equivalents acquired from business combination, net of cash paid	*39*	**14,415**	-	-
Additions to investments and advances and available-for-sale financial assets	*13, 14*	**(3,544)**	(6,314)	(26,814)
Additions to property, plant and equipment	*7, 15*	**(59,973)**	(38,951)	(65,865)
Increase in other noncurrent assets and others		**(8,833)**	(7,359)	(11,783)
Proceeds from sale of investments and property and equipment	*6, 8, 13, 14, 15, 16, 19*	**2,607**	66,945	72,962
Interest received		**4,136**	3,481	3,476
Dividends received from associates	*13*	**7**	5	3,857
Net cash flows provided by (used in) investing activities		**(58,818)**	17,505	(24,679)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		**760,238**	827,018	853,769
Long-term borrowings		**77,070**	47,591	146,370
Payments of:				
Short-term borrowings		**(794,373)**	(789,191)	(865,777)
Long-term borrowings		**(73,092)**	(54,309)	(80,225)
Proceeds from reissuance of treasury shares	*25*	**54,201**	-	-
Net proceeds from issuance of preferred shares and undated subordinated capital securities of subsidiaries	*6*	**28,708**	23,008	30,546
Proceeds from issuance of capital stock	*25*	**27**	7	69
Redemption of Series "2A" preferred shares	*25*	**(54,076)**	-	-
Redemption of preferred shares of subsidiaries	*6*	**(40,642)**	-	-
Payments of finance lease liabilities		**(22,296)**	(20,152)	(19,168)
Cash dividends paid	*37*	**(9,802)**	(9,702)	(10,951)
Cash dividends and distributions paid to non-controlling shareholders		**(13,847)**	(14,571)	(10,454)
Increase (decrease) in non-controlling interests		**(369)**	205	(1,616)
Net cash flows provided by (used in) financing activities		**(88,253)**	9,904	42,563
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**2,184**	152	1,023
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(77,848)**	66,993	66,106
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**258,606**	191,613	125,507
CASH AND CASH EQUIVALENTS AT END OF YEAR	*9*	**P180,758**	P258,606	P191,613

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

San Miguel Corporation (SMC or the Parent Company), a subsidiary of Top Frontier Investment Holdings, Inc. (Top Frontier or the Ultimate Parent Company), was incorporated on August 21, 1913. On March 16, 2012, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Articles of Incorporation and By-Laws of the Parent Company to extend the corporate term of the Parent Company for another fifty (50) years from August 21, 2013, as approved on the March 14, 2011 and June 7, 2011 meetings of the Parent Company's Board of Directors (BOD) and stockholders, respectively.

The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries (collectively referred to as the "Group") and the Group's interests in associates and joint ventures.

The Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on The Philippine Stock Exchange, Inc. (PSE).

The Group is engaged in various businesses, including beverage, food and packaging, energy, mining, fuel and oil, infrastructure, telecommunications and real estate property management and development.

The registered office address of the Parent Company is No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

2. Basis of Preparation

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the BOD on March 17, 2016.

Basis of Measurement
The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Available-for-sale (AFS) financial assets	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information are rounded off to the nearest million (000,000), except when otherwise indicated.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. The major subsidiaries include the following:

	Percentage of Ownership		Country of Incorporation
	2015	2014	
Beverage Business:			
San Miguel Brewery Inc. (SMB) and subsidiaries [including Iconic Beverages, Inc. (IBI), Brewery Properties Inc. (BPI) and subsidiary, San Miguel Brewing International Ltd. and subsidiaries {including San Miguel Brewery Hong Kong Limited and subsidiaries, PT Delta Djakarta Tbk [(a)] and subsidiary, San Miguel (Baoding) Brewery Company Limited (SMBB) [(a)], San Miguel Brewery Vietnam Limited [(a)], San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited}]	**51.17**	51.17	Philippines

Forward

	Percentage of Ownership		Country of Incorporation
	2015	2014	
Ginebra San Miguel Inc. (GSMI) and subsidiaries [including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc. (EPSBPI), Ginebra San Miguel International, Ltd. (GSMIL), GSM International Holdings Limited (GSMIHL), Global Beverage Holdings Ltd. and Siam Holdings Ltd.(SHL)]	**78.27**	78.27	Philippines
Food Business:			
San Miguel Pure Foods Company Inc. (SMPFC) [(a)] and subsidiaries [including San Miguel Foods, Inc. (SMFI), San Miguel Mills, Inc. and subsidiaries {including Golden Avenue Corp. and Golden Bay Grain Terminal Corporation (GBGTC)}, The Purefoods-Hormel Company, Inc., Magnolia, Inc. and subsidiaries {including Golden Food & Dairy Creamery Corporation and Sugarland Corporation}, San Miguel Super Coffeemix Co., Inc., PT San Miguel Pure Foods Indonesia and San Miguel Pure Foods International, Limited (SMPFIL) and subsidiaries {including San Miguel Pure Foods Investment (BVI) Limited (SMPFI Limited) and subsidiary, San Miguel Pure Foods (VN) Co., Ltd., formerly San Miguel Hormel (VN) Co. Ltd. (SMHVN)}] [(a)]	**85.37**	85.37	Philippines
Packaging Business:			
San Miguel Yamamura Packaging Corporation (SMYPC) and subsidiaries, SMC Yamamura Fuso Molds Corporation and Can Asia, Inc. (CAI)	**65.00**	65.00	Philippines
San Miguel Yamamura Packaging International Limited (SMYPIL) and subsidiaries [including San Miguel Yamamura Phu Tho Packaging Company Limited [(a)], Zhaoqing San Miguel Yamamura Glass Co. Ltd., Foshan San Miguel Yamamura Packaging Company Limited, San Miguel Yamamura Packaging & Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd., Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd., San Miguel Yamamura Australasia Pty. Ltd. (SMYA) [(a)] and subsidiaries and San Miguel Yamamura Glass (Vietnam) Limited and subsidiary]	**65.00**	65.00	British Virgin Islands (BVI)
Mindanao Corrugated Fibreboard, Inc.	**100.00**	100.00	Philippines
San Miguel Yamamura Asia Corporation (SMYAC)	**60.00**	60.00	Philippines
Energy Business:			
SMC Global Power Holdings Corp. (SMC Global) and subsidiaries [including San Miguel Energy Corporation (SMEC) and subsidiaries, South Premiere Power Corp. (SPPC), Strategic Power Devt. Corp. (SPDC), San Miguel Electric Corp. (SMELC), SMC PowerGen Inc. (SPI) and subsidiary, SMC Power Generation Corp., PowerOne Ventures Energy Inc. (PVEI), Albay Power and Energy Corp. (APEC), SMC Consolidated Power Corporation (SCPC) and San Miguel Consolidated Power Corporation (SMCPC)]	**100.00**	100.00	Philippines
Fuel and Oil Business:			
SEA Refinery Corporation and subsidiary, Petron Corporation (Petron) and subsidiaries [including Petron Marketing Corporation, Petron Freeport Corporation, Petrogen Insurance Corporation (Petrogen), Overseas Ventures Insurance Corporation Ltd. (Ovincor) [(a)], Limay Energen Corporation, New Ventures Realty Corporation (NVRC) and subsidiaries, Petron Singapore Trading Pte., Ltd. (PSTPL), Petron Global Limited (PGL), Petron Oil & Gas International Sdn. Bhd. including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Berhad (PMRMB) (collectively Petron Malaysia) [(a)], Petron Finance (Labuan) Limited, and Petrochemical Asia (HK) Limited (PAHL) and subsidiaries]	**100.00**	100.00	Philippines
Infrastructure Business:			
San Miguel Holdings Corp. (SMHC) [(a)] and subsidiaries [including Rapid Thoroughfares Inc. (Rapid) [(a)] and subsidiary, Private Infra Dev Corporation (PIDC) [(a)], Trans Aire Development Holdings Corp. (TADHC) [(a)], Optimal Infrastructure Development, Inc. (Optimal) [(a)], Vertex Tollways Devt. Inc. (Vertex) [(a)], Universal LRT Corporation (BVI) Limited (ULC) [(a)], Terramino Holdings, Inc. (THI) [(a)] and subsidiary, Alloy Manila Toll Expressways Inc. (AMTEX) [(a)], Manila North Harbour Port, Inc. (MNHPI) [(b)] and Sleep International (Netherlands) Cooperatief U.A. (Sleep) [(a)] and Wiselink Investment Holdings, Inc. (Wiselink) [(a)] {collectively own Cypress Tree Capital Investments, Inc. (Cypress) including Star Infrastructure Development Corporation (SIDC) and Star Tollway Corporation (collectively the Cypress Group)} [(a)], Atlantic Aurum Investments B.V. (AAIBV) [(a)] and subsidiaries{including Stage 3 Connector Tollways Holding Corporation (S3CTH) and subsidiary, Citra Central Expressway Corp. (CCEC), Atlantic Aurum Investments Philippines Corporation (AAIPC) and subsidiary, Citra Metro Manila Tollways Corporation (CMMTC) and subsidiary, Skyway O&M Corp., MTD Manila Expressways Inc. (MTDME) and subsidiaries, Manila Toll Expressway Systems Inc. (MATES) and South Luzon Tollway Corporation (SLTC)} [(a, c)]]	**100.00**	100.00	Philippines

Forward

	Percentage of Ownership		Country of Incorporation
	2015	2014	
Telecommunications Business:			
Vega Telecom, Inc. (Vega) and subsidiaries [including Two Cassandra-CCI Conglomerates, Inc. (TCCI), Perchpoint Holdings Corp. (PHC), Power Smart Capital Ltd. (PSCL) [(a)] {collectively own Bell Telecommunication Philippines, Inc. (BellTel) and subsidiaries}, Trans Digital Excel Inc. (TDEI) and subsidiary, CobaltPoint Telecom, Inc. (CTI), formerly, Express Telecommunications Company, Inc. [(d)], A.G.N. Philippines, Inc. and San Miguel Equity Securities Inc. {collectively own Eastern Telecommunications Philippines, Inc. (ETPI) and subsidiary, Telecommunications Technologies Phils., Inc. (TTPI)}, Liberty Telecoms Holdings, Inc. (LTHI) and subsidiaries, wi-tribe Telecoms, Inc. (wi-tribe) and Skyphone Logistics Inc. [(e)]]	**100.00**	100.00	Philippines
Real Estate Business:			
San Miguel Properties, Inc. (SMPI) [(a)] and subsidiaries [including Excel Unified Land Resources Corporation, SMPI Makati Flagship Realty Corp. (SMPI Flagship), Bright Ventures Realty, Inc. and Carnell Realty, Inc.] [(a)]	**99.70**	99.70	Philippines
Others:			
San Miguel Foods and Beverage International Limited [(a)] and subsidiaries [including PT San Miguel Indonesia Foods & Beverages and San Miguel (Guangdong) Foods & Beverages Co. Ltd. (SMGFB)] [(a)]	**100.00**	100.00	BVI
SMC Shipping and Lighterage Corporation (SMCSLC) and subsidiaries [including SL Harbour Bulk Terminal Corporation, MG8 Terminal Inc., SMC Cebu Shipyard Land, Inc. and Mactan Shipyard Corporation]	**70.00**	70.00	Philippines
Anchor Insurance Brokerage Corporation (AIBC)	**58.33**	58.33	Philippines
SMC Stock Transfer Service Corporation	**100.00**	100.00	Philippines
ArchEn Technologies Inc.	**100.00**	100.00	Philippines
SMITS, Inc. and subsidiaries [(a)]	**100.00**	100.00	Philippines
San Miguel Equity Investments Inc. (SMEII) and subsidiaries [including South Western Cement Corporation (SWCC)] [(f)]	**100.00**	100.00	Philippines

(a) The financial statements of these subsidiaries were audited by other auditors.
(b) Consolidated to SMHC effective December 9, 2015 (Note 5).
(c) Consolidated to SMHC effective March 5, 2015 (Note 5).
(d) Consolidated to Vega effective December 4, 2015 (Note 5).
(e) Consolidated to Vega effective September 2, 2015 (Note 5).
(f) Acquired by SMEII from Clariden Holdings, Inc. (Clariden) on October 15, 2014 (Note 5).

A subsidiary is an entity controlled by the Group. The Group controls an entity if, and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses 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.

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

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in its subsidiaries as follows: SMB, GSMI, SMPFC, SMYPC, SMYPIL, SMYAC, Petron, TADHC, ULC, ETPI, SMPI, AIBC, SMCSLC, PIDC and AMTEX in 2015 and 2014; AAIBV, MNHPI, LTHI and CTI in 2015; and Sleep, Cypress and Wiselink in 2014 (Notes 5 and 6).

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statements of income; and (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New and Amended Standards and Interpretation
The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

Amendments to Standards and Interpretation Adopted in 2015

The Group has adopted the following PFRS effective January 1, 2015 and accordingly, changed its accounting policies in the following areas:

- *Annual Improvements to PFRS Cycles 2010-2012 and 2011-2013* contain 11 changes to nine standards with consequential amendments to other standards and interpretations, of which only the following are applicable to the Group:

  - Meaning of 'Vesting Condition' *(Amendment to PFRS 2, Share-based Payment)*. PFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies the following: (i) how to distinguish between a market and a non-market performance condition; and (ii) the basis on which a performance condition can be differentiated from a non-vesting condition. The adoption of the amendment did not have an effect on the consolidated financial statements.

  - Scope Exclusion for the Formation of Joint Arrangements *(Amendment to PFRS 3, Business Combinations)*. PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in PFRS 11, *Joint Arrangements* - i.e., including joint operations - in the financial statements of the joint arrangements themselves. The adoption of the amendment did not have an effect on the consolidated financial statements.

  - Disclosures on the Aggregation of Operating Segments *(Amendments to PFRS 8, Operating Segments)*. PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: (i) a brief description of the operating segments that have been aggregated; and (ii) the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, the amendments clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. The adoption of the amendments did not have an effect on the consolidated financial statements.

  - Scope of Portfolio Exception *(Amendment to PFRS 13, Fair Value Measurement)*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis (portfolio exception) applies to contracts within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities under PAS 32, *Financial Instruments: Presentation* - e.g., certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument. The adoption of the amendment did not have an effect on the consolidated financial statements.

  - Definition of 'Related Party' *(Amendments to PAS 24, Related Party Disclosures)*. The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g., loans. The adoption of the amendments did not have an effect on the consolidated financial statements.

  - Inter-relationship of PFRS 3 and PAS 40, *Investment Property (Amendment to PAS 40)*. PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3. The adoption of the amendment did not have an effect on the consolidated financial statements.

  - Classification and Measurement of Contingent Consideration *(Amendments to PFRS 3)*. The amendments clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to PAS 32, rather than to any other PFRS. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in the consolidated statements of income. Consequential amendments are also made to PAS 39 and PFRS 9 to prohibit contingent consideration from subsequently being measured at amortized cost. In addition, PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is amended to exclude provisions related to contingent consideration. The adoption of the amendments did not have an effect on the consolidated financial statements.

Additional disclosures required by the amended standards were included in the consolidated financial statements, where applicable.

New and Amended Standards and Interpretation Not Yet Adopted

A number of new and amended standards and interpretation are effective for annual periods beginning after January 1, 2015 and have not been applied in preparing these consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new and amended standards and interpretation on the respective effective dates:

- Disclosure Initiative *(Amendments to PAS 1, Presentation of Financial Statements*). The amendments clarify the following: (i) the materiality requirements in PAS 1; (ii) that specific line items in the consolidated statements of income, consolidated statements of comprehensive income and the consolidated statements of financial position may be disaggregated; (iii) that entities have flexibility as to the order in which they present the notes to the consolidated financial statements; and (iv) that share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statements of financial position, the consolidated statements of income and consolidated statements of comprehensive income. The amendments are required to be applied for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- Accounting for Acquisitions of Interests in Joint Operations *(Amendments to PFRS 11)*. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured. The amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- Clarification of Acceptable Methods of Depreciation and Amortization *(Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets)*. The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated, or when the intangible asset is expressed as a measure of revenue. The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early application is permitted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Amendments to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates)*. The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business whether it is housed in a subsidiary or not. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Annual Improvements to PFRS Cycles 2012-2014* contain changes to four standards, of which the following are applicable to the Group:

    - Changes in Method for Disposal *(Amendments to PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations)*. PFRS 5 is amended to clarify that: (a) if an entity changes the method of disposal of an asset or disposal group - i.e., reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale, or vice versa, without any time lag - the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value of the asset or disposal group, less costs to sell or distribute; and (b) if an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting. Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed. The amendments to PFRS 5 are applied prospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* to changes in methods of disposal that occur on or after January 1, 2016.

- PFRS 9 (2014) replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment of all financial assets that are not measured at FVPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset, and supplements the new general hedge accounting requirements published in 2013. The new model on hedge accounting requirements provides significant improvements by aligning hedge accounting more closely with risk management. The new standard is required to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and

targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced. PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted PFRS 15. The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date once adopted locally.

- IFRS 15, *Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 18, *Transfer of Assets from Customers* and Standard Interpretation Committee - 31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange nonmonetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry. If approved, the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate* applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sale of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11 or PAS 18 and the timing of revenue recognition. The SEC issued a notice dated August 5, 2011 that defers the adoption of this interpretation indefinitely.

Financial Assets and Financial Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs.

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

Financial Assets

The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at FVPL, loans and receivables, AFS financial assets and held-to-maturity (HTM) investments. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group has no financial assets classified as HTM investments as of December 31, 2015 and 2014.

Financial Assets at FVPL. A financial asset is classified as at FVPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVPL if the Group manages such investments and makes purchase and sale decisions based on their fair values in accordance with the documented risk management or investment strategy of the Group. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

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

Financial assets may be designated by management at initial recognition as at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;

- the assets are part of a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Fair value changes and realized gains or losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest earned is recognized as part of "Interest income" account in the consolidated statements of income. Any dividend income from equity securities classified as at FVPL is recognized in the consolidated statements of income when the right to receive payment has been established.

The Group's derivative assets and financial assets at FVPL are classified under this category (Notes 12, 41 and 42).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the consolidated statements of income on an accrual basis. 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. The periodic amortization is also included as part of "Interest income" account in the consolidated statements of income. Gains or losses are recognized in the consolidated statements of income when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Group's cash and cash equivalents, trade and other receivables, option deposit, noncurrent receivables and deposits, and restricted cash are included under this category (Notes 9, 10, 12, 19, 41 and 42).

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the "Fair value reserve" account in the consolidated statements of changes in equity. The effective yield component of AFS debt securities is reported as part of "Interest income" account in the consolidated statements of income. Dividends earned on holding AFS equity securities are recognized as dividend income when the right to receive the payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in the consolidated statements of changes in equity are transferred to and recognized in the consolidated statements of income.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

The Group's investments in equity and debt securities are classified under this category (Notes 12, 14, 41 and 42).

Financial Liabilities

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in profit or loss. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities are classified under this category (Notes 21, 41 and 42).

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statements of income. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

The Group's liabilities arising from its trade or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, finance lease liabilities and other noncurrent liabilities are included under this category (Notes 20, 21, 22, 23, 35, 41 and 42).

Derivative Financial Instruments and Hedging
Freestanding Derivatives
For the purpose of hedge accounting, hedges are classified as either:

(a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk);

(b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or

(c) hedges of a net investment in foreign operations.

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

Fair Value Hedge. Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in the consolidated statements of income. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in the consolidated statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

The Group discontinues fair value hedge accounting if:

(a) the hedging instrument expires, is sold, is terminated or is exercised;

(b) the hedge no longer meets the criteria for hedge accounting; or

(c) the Group revokes the designation.

The Group has no outstanding derivatives accounted for as a fair value hedge as of December 31, 2015 and 2014.

Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. The ineffective portion is immediately recognized in the consolidated statements of income.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in the consolidated statements of changes in equity are transferred and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in the consolidated statements of changes in equity are transferred to the consolidated statements of income in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects the consolidated statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in the consolidated statements of changes in equity is retained until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in the consolidated statements of changes in equity is recognized in the consolidated statements of income.

The Group has no outstanding derivatives accounted for as a cash flow hedge as of December 31, 2015 and 2014.

Net Investment Hedge. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated statements of income. On disposal of a foreign operation, the cumulative value of any such gains and losses recorded in the consolidated statements of changes in equity is transferred to and recognized in the consolidated statements of income.

The Group has no hedge of a net investment in a foreign operation as of December 31, 2015 and 2014.

Changes in fair values of derivatives that do not qualify for hedge accounting are recognized directly in the consolidated statements of income.

Embedded Derivatives
The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

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.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Group has not bifurcated any embedded derivatives as of December 31, 2015 and 2014.

Derecognition of Financial Assets and Financial Liabilities
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When 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. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Impairment of Financial Assets
The Group assesses, at the reporting date, whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group 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 the collective impairment assessment.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the period is recognized in the consolidated statements of income. 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 statements of income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. For equity instruments carried at fair value, the Group assesses, at each reporting date, whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' is evaluated against the period in which the fair value has been below its original cost. The Group generally regards fair value decline as being significant when the decline exceeds 25%. A decline in a quoted market price that persists for 12 months is generally considered to be prolonged.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of changes in equity, is transferred to the consolidated statements of income. Impairment losses in respect of equity instruments classified as AFS financial assets are not reversed through the consolidated statements of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

For debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. If, in subsequent period, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statements of income.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of 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. Such impairment loss shall not be reversed.

Classification of Financial Instruments between Liability and Equity
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Debt Issue Costs
Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the consolidated statements of income.

Offsetting Financial Instruments
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 assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Inventories
Finished goods, goods in process, materials and supplies, raw land inventory and real estate projects are valued at the lower of cost and net realizable value (NRV).

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

Finished goods and goods in process	-	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; finished goods also include unrealized gain (loss) on fair valuation of agricultural produce; costs are determined using the moving-average method.
Petroleum products (except lubes and greases, waxes and solvents), crude oil, and other products	-	at cost, which includes duties and taxes related to the acquisition of inventories; costs are determined using the first-in, first-out method.
Lubes and greases, waxes and solvents	-	at cost, which includes duties and taxes related to the acquisition of inventories; costs are determined using the moving-average method.
Raw land inventory	-	at cost, which includes acquisition costs of raw land intended for sale or development and other costs and expenses incurred to effect the transfer of title of the property; costs are determined using the specific identification of individual costs.
Real estate projects	-	at cost, which includes acquisition costs of property and other costs and expenses incurred to develop the property; costs are determined using the specific identification of individual costs.
Materials, supplies and others	-	at cost, using the moving-average method.
Coal	-	at cost, using the first-in, first-out method.

Finished Goods. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Goods in Process. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Petroleum Products, Crude Oil, and Tires, Batteries and Accessories. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and/or market and distribute.

Materials and Supplies, including Coal. Net realizable value is the current replacement cost.

Containers (i.e., Returnable Bottles and Shells). These are stated at deposit values less any impairment in value. The excess of the acquisition cost of the containers over their deposit value is presented as "Deferred containers" under "Other noncurrent assets" account in the consolidated statements of financial position and is amortized over the estimated useful lives of two to ten years. Amortization of deferred containers is included under "Selling and administrative expenses" account in the consolidated statements of income.

Real Estate Projects. Net realizable value is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Raw Land Inventory. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Biological Assets and Agricultural Produce

The Group's biological assets include breeding stocks, growing hogs, cattle and poultry livestock and goods in process which are grouped according to their physical state, transformation capacity (breeding, growing or laying), as well as their particular stage in the production process.

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

The Group's agricultural produce, which consists of grown broilers and marketable hogs and cattle harvested from the Group's biological assets, are measured at their fair value less estimated costs to sell at the point of harvest. The fair value of grown broilers is based on the quoted prices for harvested mature grown broilers in the market at the time of harvest. For marketable hogs and cattle, the fair value is based on the quoted prices in the market at any given time.

The Group, in general, does not carry any inventory of agricultural produce at any given time as these are either sold as live broilers, hogs and cattle or transferred to the different poultry or meat processing plants and immediately transformed into processed or dressed chicken and carcass.

Amortization is computed using the straight-line method over the following estimated productive lives of breeding stocks:

	Amortization Period
Hogs - sow	3 years or 6 births, whichever is shorter
Hogs - boar	2.5 - 3 years
Cattle	2.5 - 3 years
Poultry breeding stock	40 - 44 weeks

Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date. 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 interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Selling and administrative expenses" account in the consolidated statements of income.

When the 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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of income.

- *Goodwill in a Business Combination*
  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
  - is not larger than an operating segment determined in accordance with PFRS 8.

  Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

- *Intangible Assets Acquired in a Business Combination*
  The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

  Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

  An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

Transactions under Common Control
Transactions under common control entered into in contemplation of each other and business combination under common control designed to achieve an overall commercial effect are treated as a single transaction.

Transfers of assets between commonly controlled entities are accounted for using book value accounting.

Non-controlling Interests
The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

Investments in Shares of Stock of Associates and Joint Ventures
An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of the investee, but is not control or joint control over those policies.

A joint venture 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 is similar to those necessary to determine control over subsidiaries.

The Group's investments in shares of stock of associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in shares of stock of an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of an associate or joint venture is recognized as "Equity in net earnings (losses) of associates and joint ventures" account in the consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate or joint venture arising from changes in the associate or joint venture's other comprehensive income. The Group's share on these changes is recognized as "Share in other comprehensive income (loss) of associates and joint ventures" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss with respect to the Group's net investment in the shares of stock of an associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in shares of stock of an associate or joint venture is impaired. If there is such evidence, the Group recalculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in shares of stock of an associate or joint venture. Such impairment loss is recognized as part of "Equity in net earnings (losses) of associates and joint ventures" account in the consolidated statements of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in shares of stock of an 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 statements of income.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Property, Plant and Equipment
Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 50
Buildings and improvements	2 - 50
Power plants	10 - 43
Refinery and plant equipment	5 - 33
Service stations and other equipment	3 - 33
Equipment, furniture and fixtures	2 - 40
Leasehold improvements	5 - 50 or term of the lease, whichever is shorter

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income in the period of retirement and disposal.

Investment Property

Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 50
Buildings and improvements	2 - 50
Machinery and equipment	3 - 40

The useful lives, residual values and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the consolidated statements of income in the period of retirement and disposal.

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

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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the following estimated useful lives of other intangible assets with finite lives:

	Number of Years
Toll road concession rights	25 - 35 or unit of usage
Leasehold and land use rights	20 - 50 or term of the lease, whichever is shorter
Mineral rights and evaluation assets	19 - 30
Airport concession right	25
Power concession right	25
Port concession right	25
Computer software and licenses	2 - 10

The Group assessed the useful lives of licenses and trademarks and brand names to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

Service Concession Arrangements
Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group can provide with the infrastructure, to whom it can provide them, and at what price; and (b) the grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement are accounted for under Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of the Interpretation if the conditions in (a) are met.

The Interpretation applies to both: (a) infrastructure that the entities in the Group construct or acquire from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entities in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of the Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of the contractual arrangements within the scope of the Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PAS 11 and PAS 18 for the services it performs. If an entity performs more than one service under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered when the amounts are separately identifiable.

When an entity provides construction or upgrade services, the consideration received or receivable by the entity is recognized at fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PAS 11. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to estimated total costs for each contract. The applicable entities account for revenue and costs relating to operation services in accordance with PAS 18.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entity has contractual obligations to fulfill as a condition of its license: (a) to maintain the infrastructure to a specified level of serviceability; or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures the contractual obligations in accordance with PAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date.

In accordance with PAS 23, *Borrowing Costs*, borrowing costs attributable to the arrangement are recognized as expenses in the period in which they are incurred unless the applicable entities have a contractual right to receive an intangible asset (a right to charge users of the public service). In this case, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement.

Intangible Asset - Airport Concession Right. The Group's airport concession right pertains to the right granted by the Republic of the Philippines (ROP) to TADHC: (a) to operate the Caticlan Airport (the Airport Project or the Boracay Airport); (b) to design and finance the Airport Project; and (c) to operate and maintain the Boracay Airport during the concession period. This also includes the present value of the annual franchise fee, as defined in the Concession Agreement, payable to the ROP over the concession period of 25 years. Except for the portion that relates to the annual franchise fee, which is recognized immediately as intangible asset, the right is earned and recognized by the Group as the project progresses (Note 4).

The airport concession right is carried at cost less accumulated amortization and any accumulated impairment losses.

The airport concession right is amortized using the straight-line method over the concession period and assessed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and method are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible asset.

The airport concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the airport concession right 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 income.

Intangible Assets - Toll Road Concession Rights. The Group's toll road concession rights represent the costs of construction and development, including borrowing costs, if any, during the construction period of the following projects:

- South Luzon Expressway (SLEX);
- Ninoy Aquino International Airport (NAIA) Expressway Project (NAIA Expressway Project);
- Metro Manila Skyway (Skyway);
- Tarlac-Pangasinan-La Union Toll Expressway (TPLEX) Project (TPLEX Project); and
- Stage 1 and Stage 2 Phase I of the Southern Tagalog Arterial Road (STAR).

In exchange for the fulfillment of the Group's obligations under the Concession Agreement, the Group is given the right to operate the toll road facilities over the concession period. Toll road concession rights are recognized initially at the fair value of the construction services. Following initial recognition, the toll road concession rights are carried at cost less accumulated amortization and any impairment losses. Subsequent expenditures or replacement of part of it are normally charged to profit or loss as these are incurred to maintain the expected future economic benefits embodied in the toll road concession rights. Expenditures that will contribute to the increase in revenue from toll operations are recognized as an intangible asset.

The toll road concession rights are amortized using the straight-line method over the term of the Concession Agreement. The toll road concession rights are assessed for impairment whenever there is an indication that the toll road concession rights may be impaired.

The amortization period and method are reviewed at least at each reporting date. Changes in the terms of the Concession Agreement or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible asset.

The toll road concession rights will be derecognized upon turnover to the ROP. There will be no gain or loss upon derecognition of the toll road concession rights as these are expected to be fully amortized upon turnover to the ROP.

Intangible Asset - Power Concession Right. The Group's power concession right pertains to the right granted by the ROP to SMC Global to operate the Albay Electric Cooperative (ALECO). The power concession right is carried at cost less accumulated amortization and any accumulated impairment losses.

The power concession right is amortized using the straight-line method over the concession period and assessed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and method are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible asset.

The power concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the power concession right 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 income.

Intangible Asset - Port Concession Right. The Group's port concession right pertains to the right granted by the ROP to MNHPI to manage, operate, develop and maintain the Manila North Harbor for 25 years reckoning on the first day of the commencement of operations renewable for another 25 years under such terms and conditions as the parties may agree. Port concession right is recognized initially at cost. Following initial recognition, the port concession right is carried at cost less accumulated amortization and any impairment losses. Subsequent expenditures related to port facility arising from the concession contracts or that increase future revenues are recognized as additions to the intangible asset and are stated at cost.

The port concession right is amortized using the straight-line method over the concession period and assessed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and method are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible asset.

The port concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the port concession right 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 income.

Intangible Asset - Mineral Rights and Evaluation Assets. The Group's mineral rights and evaluation assets have finite lives and are carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in the consolidated statements of income as incurred.

Amortization of mineral rights and evaluation assets is recognized in the consolidated statements of income on a straight-line basis over the estimated useful lives. The estimated useful lives of mineral rights and evaluation assets pertain to the period from commercial operations to the end of the operating contract. Amortization method and useful lives are reviewed at each reporting date and adjusted as appropriate.

Gain or loss from derecognition of mineral rights and evaluation assets 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 income.

Deferred Exploration and Development Costs
Deferred exploration and development costs comprise expenditures which are directly attributable to:

- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Deferred exploration and development costs also include expenditures incurred in acquiring mineral rights and evaluation assets, entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration assets are reassessed on a regular basis and tested for impairment provided that at least one of the following conditions is met:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

If the project proceeds to development stage, the amounts included within deferred exploration and development costs are transferred to property, plant and equipment.

Impairment of Non-financial Assets
The carrying amounts of investments and advances, property, plant and equipment, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. 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.

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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment

loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Cylinder Deposits
The Group purchased liquefied petroleum gas cylinders which are loaned to dealers upon payment by the latter of an amount equivalent to 80% of the acquisition cost of the cylinders.

The Group maintains the balance of cylinder deposits at an amount equivalent to three days worth of inventory of its biggest dealers, but in no case lower than P200 at any given time, to take care of possible returns by dealers.

At the end of each reporting date, cylinder deposits, shown under "Other noncurrent liabilities" account in the consolidated statements of financial position, are reduced for estimated non-returns. The reduction is recognized directly in the consolidated statements of income.

Fair Value Measurements
The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the 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.

Provisions
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (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 of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and 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.

Capital Stock and Additional Paid-in Capital
Common Shares
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares
Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Parent Company's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

Additional Paid-in Capital
When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Treasury Shares
Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. 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.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Sale of Goods
Revenue from sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery, and the amount of revenue can be measured reliably.

Revenue from Power Generation and Trading
Revenue from power generation and trading is recognized in the period when actual capacity is generated and/or transmitted to the customers, net of related discounts.

Revenue from Toll Operations
Revenue from toll operations is recognized upon the use of the toll road and the toll is paid by way of cash or charges against an E-Pass or RFID account.

Construction revenue is recognized by reference to the stage of completion of the construction activity at the reporting date. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Revenue from Airport Operations
Landing, take-off and parking fees are recognized upon rendering of the service which is the period from landing to take-off of aircrafts.

Terminal fees are recognized upon receipt of fees charged to passengers on departure.

Construction revenue related to the Group's recognition of intangible asset on the right to operate the Boracay Airport, which is the consideration receivable from the ROP relative to the Airport Project, is earned and recognized as the Airport Project progresses. The Group recognizes the corresponding amount as intangible asset as it recognizes the construction revenue. The Group assumes no profit margin in earning the right to operate the Boracay Airport.

The Group uses the cost to cost percentage-of-completion method to determine the appropriate amount of revenue to be recognized in a given period. The stage of completion is measured by reference to the costs incurred related to the Airport Project up to the end of the reporting period as a percentage of total estimated cost of the Airport Project.

Revenue from Agricultural Produce
Revenue from initial recognition of agricultural produce is measured at fair value less estimated costs to sell at the point of harvest. Fair value is based on the relevant market price at the point of harvest.

Revenue from Shipping and Port Operations
Revenue from terminal fees is recognized based on the quantity of items declared by vessels entering the port multiplied by a predetermined rate.

Revenue from freight services is recognized upon completion of every voyage contracted with customers during the period multiplied by a predetermined rate.

Revenue from port services is recognized based on the actual quantity of items handled during the period multiplied by a predetermined rate.

Revenue from Sale of Real Estate
Revenue from sale of real estate projects is recognized under the full accrual method. Under this method, revenue and cost is recognized in full when 10% or more of the contract price is received and development of the real estate property (i.e., lot or house and lot) has reached 100% completion at which point the buyer may already occupy and use the property.

Payments received from buyers which do not meet the revenue recognition criteria are presented under "Accounts payable and accrued expenses" account in the consolidated statements of financial position.

Revenue and cost relative to forfeited or back-out sales are reversed in the current year as they occur.

Revenue from Sale of Raw Land
Revenue from sale of undeveloped land or raw land is recognized under the full accrual method. Under this method, the Group recognizes in full the revenue and cost from sale of undeveloped land when 10% or more of the contract price is received.

Payments received from buyers which do not meet the revenue recognition criteria are presented under "Accounts payable and accrued expenses" account in the consolidated statements of financial position.

Revenue from Telecommunications Services
Revenue from telecommunications services is recognized when earned and includes the value of all services provided, net of the share of other telecommunications administrations, if any, under existing correspondence and interconnection agreements.

Inbound revenue represents settlements from telecommunications providers who sent traffic to the Group's network. Inbound revenue is based on agreed payment accounting rates with other carriers. Interconnection charges are based on the rates agreed with other carriers.

Both the inbound revenue and interconnection charges are accrued based on actual volume of traffic. Adjustments are made on the recorded amount for discrepancies between the traffic volume based on the Group's records and the records of the other carriers. These adjustments are recognized as they are determined and agreed with the other carriers.

Installation fees received from landline subscribers are also credited to operating revenues. The related labor costs on installation are recognized in the consolidated statements of income.

Others
Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

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

Rent income from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Revenue from customer loyalty programme is allocated between the customer loyalty programme and the other component of the sale. The amount allocated to the customer loyalty programme is deferred, and is recognized as revenue when the Group has fulfilled its obligations to supply the discounted products under the terms of the programme or when it is no longer probable that the points under the programme will be redeemed.

Gain or loss on sale of investments in shares of stock is recognized when the Group disposes of its investment in shares of stock of a subsidiary, associate and joint venture, AFS financial assets and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Share-based Payment Transactions
Under the Group's Long-term Incentive Plan for Stock Options (LTIP) and Employee Stock Purchase Plan (ESPP), executives and employees of the Group receive remuneration in the form of share-based payment transactions, whereby the executives and employees render services as consideration for equity instruments of the Parent Company. Such transactions are handled centrally by the Parent Company.

Share-based transactions in which the Parent Company grants option rights to its equity instruments directly to the Group's employees are accounted for as equity-settled transactions.

The cost of LTIP is measured by reference to the option fair value at the date when the options are granted. The fair value is determined using Black-Scholes option pricing model. In valuing LTIP transactions, any performance conditions are not taken into account, other than conditions linked to the price of the shares of the Parent Company. ESPP is measured by reference to the market price at the time of the grant less subscription price.

The cost of share-based payment transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expenses recognized for share-based payment transactions at each reporting date until the vesting date reflect the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. Where the terms of a share-based 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 modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as 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.

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 the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

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

Finance Lease

Finance leases, which transfer to the 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. Obligations arising from plant assets under finance lease agreement are classified in the consolidated statements of financial position as finance lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are recognized in the consolidated statements of income.

Capitalized leased assets are depreciated over the estimated useful lives of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating Lease

Group as Lessee. Leases which do not transfer to the Group 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 statements of income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, 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 economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:
- Service costs
- Net interest on the defined benefit retirement liability or asset
- Remeasurements of defined benefit retirement 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 statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

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

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of income. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and nonmonetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Nonmonetary items in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of AFS financial assets, a financial liability designated as an effective hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognized in other comprehensive income.

Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statements of income as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the consolidated statements of income.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

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

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

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Income and other taxes payable" accounts in the consolidated statements of financial position.

Non-cash Distribution to Equity Holders of the Parent Company, Assets Held for Sale and Discontinued Operations

The Group classifies noncurrent assets, or disposal groups comprising assets and liabilities as held for sale or distribution, if their carrying amounts will be recovered primarily through sale or distribution rather than through continuing use. The assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell or distribute, except for some assets which are covered by other standards. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognized in the consolidated statements of income. Gains are not recognized in excess of any cumulative impairment losses.

The criteria for held for sale or distribution is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale or distribution in its present condition. Actions required to complete the sale or distribution should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn.

The Group recognizes a liability to make non-cash distributions to equity holders of the Parent Company when the distribution is authorized and no longer at the discretion of the Parent Company. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurements recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets to be distributed is recognized in the consolidated statements of income.

Intangible assets, property, plant and equipment and investment property once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

Assets and liabilities classified as held for sale or distribution are presented separately as current items in the consolidated statements of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as "Profit or loss after tax from discontinued operations" in the consolidated statements of income.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Basic and Diluted Earnings Per Common Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of the shares issuable to employees and executives under the LTIP of the Parent Company, which are assumed to be exercised at the date of grant.

Where the effect of the assumed conversion of shares issuable to employees and executives under the stock purchase and option plans of the Parent Company would be anti-dilutive, diluted EPS is not presented.

Operating Segments
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 7 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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

Measurement of Biological Assets. Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, cattle and poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets or any similar assets prior to point of harvest have no active market available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.

Finance Lease - Group as Lessee. In accounting for its Independent Power Producer Administration (IPPA) Agreements with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group's management has made a judgment that the IPPA Agreements are agreements that contain a lease.

SMYA also entered into leases of equipment needed for business operations.

The Group's management has made a judgment that it has substantially acquired all the risks and rewards incidental to the ownership of the power plants and equipment. Accordingly, the Group accounted for the agreements as finance lease and recognized the power plants, equipment and finance lease liabilities at the present value of the agreed monthly payments (Notes 15 and 35).

Finance lease liabilities recognized in the consolidated statements of financial position amounted to P179,280 and P186,330 as of December 31, 2015 and 2014, respectively (Note 35).

The combined carrying amounts of power plants and equipment under finance lease amounted to P183,042 and P188,155 as of December 31, 2015 and 2014, respectively (Notes 15 and 35).

Operating Lease Commitments - Group as Lessor/Lessee. The Group has entered into various lease agreements either as a lessor or a lessee. The Group had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases while the significant risks and rewards for property leased from third parties are retained by the lessors.

Rent income recognized in the consolidated statements of income amounted to P1,258, P1,672 and P1,428 in 2015, 2014 and 2013, respectively (Note 35).

Rent expense recognized in the consolidated statements of income amounted to P3,904, P3,673 and P3,347 in 2015, 2014 and 2013, respectively (Notes 27, 28 and 35).

Applicability of Philippine Interpretation IFRIC 12. In accounting for the Group's transactions in connection with its Concession Agreement with the ROP, significant judgment was applied to determine the most appropriate accounting policy to use.

Management used Philippine Interpretation IFRIC 12 as guide and determined that the Concession Agreement is within the scope of the interpretation since it specifically indicated that the ROP will regulate what services the Group must provide and at what prices those will be offered, and that at the end of the concession period, the entire infrastructure, as defined in the Concession Agreement, will be turned over to the ROP (Note 35).

Management determined that the consideration receivable from the ROP, in exchange for the fulfillment of the Group's obligations under the Concession Agreement, is an intangible asset in the form of a right (license) to charge fees to users. Judgment was further exercised by management in determining the components of cost of acquiring the right. Further reference to the terms of the Concession Agreement (Note 35) was made to determine such costs.

a. *Airport Concession Right.* The Group's airport concession right consists of: (i) total Airport Project cost; (ii) present value of infrastructure retirement obligation (IRO); and (iii) present value of total franchise fees over 25 years and its subsequent amortization.

   (i) The Airport Project cost is recognized as part of intangible assets as the construction progresses. The cost to cost method was used as management believes that the actual cost of construction is most relevant in determining the amount that should be recognized as cost of the intangible asset at each reporting date as opposed to the percentage-of-completion approach.

   (ii) The present value of the IRO will be recognized as part of intangible assets upon completion of the Airport Project because only at that time will significant maintenance of the Boracay Airport also commence. It will be amortized simultaneously with the cost related to the Airport Project. However, since the Group had already started the maintenance of the rehabilitated Boracay Airport, the entire present value of the annual estimated costs had already been recognized in CIP - airport concession arrangements, portion of which representing the actual amount incurred in the current year for the maintenance of the Boracay Airport, had been recognized as part of the cost of intangible assets, subjected to amortization.

   (iii) The present value of the obligation to pay annual franchise fees over 25 years has been immediately recognized as part of intangible assets because the right related to it has already been granted and is already being enjoyed by the Group as evidenced by its taking over the operations of the Boracay Airport during the last quarter of 2010. Consequently, management has started amortizing the related value of the intangible asset and the corresponding obligation has likewise been recognized.

b. *Toll Road Concession Rights*. The Group's toll road concession rights represent the costs of construction and development, including borrowing costs, if any, during the construction period of the following projects: (i) SLEX; (ii) NAIA Expressway Project; (iii) Skyway; (iv) TPLEX Project; and (v) STAR.

   Pursuant to the Concession Agreement, any stage or phase or ancillary facilities thereof, of a fixed and permanent nature, shall be owned by the ROP.

c. *Port Concession Right.* The Group's port concession right represents the right to manage, operate, develop and maintain the Manila North Harbor.

d. *Power Concession Right.* The Group's power concession right represents the right to operate ALECO; i.e., license to charge fees to users. At the end of the concession period, all assets and improvements shall be returned to ALECO and any additions and improvements to the system shall be transferred to ALECO.

Difference in judgment in respect to the accounting treatment of the transactions would materially affect the assets, liabilities and operating results of the Group.

Recognition of Profit Margin on the Airport and Toll Road Concession Arrangements. The Group has not recognized any profit margin on the construction of the airport and toll road projects as it believes that the fair value of the intangible asset reasonably approximates the cost. The Group also believes that the profit margin of its contractors on the rehabilitation of the existing airport and its subsequent upgrade is enough to cover any difference between the fair value and the carrying amount of the intangible asset.

Recognition of Revenue from Sale of Real Estate and Raw Land. The Group recognizes its revenue from sale of real estate projects and raw land in full when 10% or more of the total contract price is received and when development of the real estate property is 100% completed. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history from customers and number of back-out sales in prior years. Buyer's interest in the property is considered to have vested when the payment of at least 10% of the contract price has been received from the buyer and the Group ascertained the buyer's commitment to complete the payment of the total contract price.

Distinction Between Investment Property and Owner-occupied Property. The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in marketing or administrative functions. Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portion can be sold separately (or leased out separately under finance lease), the Group accounts for this portion separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Classification of Redeemable Preferred Shares. Based on the features of TADHC's preferred shares, particularly mandatory redemption, management determined that the shares are, in substance, a financial liability. Accordingly, it was classified as part of "Other noncurrent liabilities" account in the consolidated statements of financial position (Note 23).

Evaluating Control over its Investees. Determining whether the Group has control in an investee requires significant judgment. Although the Group owns less than 50% of the voting rights of BPI, NVRC and PAHL, management has determined that the Group controls these entities by virtue of its exposure and rights to variable returns from its involvement in these investees and its ability to affect those returns through its power over the investees.

The Group receives substantially all of the returns related to the BPI's operations and net assets and has the current ability to direct BPI's activities that most significantly affect the returns. The Group controls BPI since it is exposed, and has rights, to variable returns from its involvement with BPI and has the ability to affect those returns through such power over BPI.

The Group has the power, in practice, to govern the financial and operating policies of NVRC, to appoint or remove the majority of the members of the BOD of NVRC and to cast majority votes at meetings of the BOD of NVRC. The Group controls NVRC since it is exposed, and has rights, to variable returns from its involvement with NVRC and has the ability to affect those returns through its power over NVRC.

The Group assessed it has control over PAHL by virtue of the extent of the Group's participation in the BOD and management of PAHL, of which the Group established it has: (i) power over PAHL; (ii) it is exposed and has rights to variable returns from its involvement with PAHL; and (iii) it has ability to use its power over PAHL to affect the amount of PAHL's returns. Accordingly, the Group considered PAHL a subsidiary beginning January 1, 2013.

Classification of Joint Arrangements. The 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, the Group classified its joint arrangements in Thai San Miguel Liquor Co. Ltd. (TSML), Thai Ginebra Trading (TGT), Angat Hydropower Corporation (Angat Hydro) and KWPP Holdings Corporation (KWPP) as joint ventures (Note 13).

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (Note 45).

Estimates and Assumptions

The key estimates and assumptions used in the 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 estimates.

Fair Value Measurements. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 11, 13, 16, 18, 36, 41 and 42.

Allowance for Impairment Losses on Trade and Other Receivables, and Noncurrent Receivables and Deposits. Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded selling and administrative expenses and decrease current and noncurrent assets.

The allowance for impairment losses on trade and other receivables, and noncurrent receivables and deposits, included as part of "Other noncurrent assets" account in the consolidated statements of financial position, amounted to P10,297 and P8,511 as of December 31, 2015 and 2014, respectively.

The carrying amount of trade and other receivables, and noncurrent receivables and deposits amounted to P110,116 and P144,205 as of December 31, 2015 and 2014, respectively (Notes 10 and 19).

Write-down of Inventory. The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The write-down of inventories amounted to P2,190 and P2,310 as of December 31, 2015 and 2014, respectively.

The carrying amount of inventories amounted to P64,148 and P85,846 as of December 31, 2015 and 2014, respectively (Note 11).

Impairment of AFS Financial Assets. AFS financial assets are assessed as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

No impairment loss was recognized in 2015 and 2014.

The carrying amount of AFS financial assets amounted to P41,616 and P41,890 as of December 31, 2015 and 2014, respectively (Notes 12 and 14).

Estimated Useful Lives of Property, Plant and Equipment, Investment Property and Deferred Containers. The Group estimates the useful lives of property, plant and equipment, investment property and deferred containers based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment property and deferred containers are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, investment property and deferred containers is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, investment property and deferred containers would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation and amortization amounted to P509,966 and P465,550 as of December 31, 2015 and 2014, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P190,032 and P171,397 as of December 31, 2015 and 2014, respectively (Note 15).

Investment property, net of accumulated depreciation and amortization amounted to P4,754 and P3,651 as of December 31, 2015 and 2014, respectively. Accumulated depreciation and amortization of investment property amounted to P1,122 and P780 as of December 31, 2015 and 2014, respectively (Note 16).

Deferred containers, net of accumulated amortization, included as part of "Other noncurrent assets" account in the consolidated statements of financial position amounted to P7,014 and P6,916 as of December 31, 2015 and 2014, respectively. Accumulated amortization of deferred containers amounted to P11,260 and P9,637 as of December 31, 2015 and 2014, respectively (Note 19).

Estimated Useful Lives of Intangible Assets. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives amounted to P113,888 and P37,862 as of December 31, 2015 and 2014, respectively (Note 18).

Estimated Useful Lives of Intangible Assets - Airport, Toll Road, Power and Port Concession Rights. The Group estimates the useful lives of airport, toll road, power and port concession rights based on the period over which the assets are expected to be available for use. The Group has not included any renewal period on the basis of uncertainty of the probability of securing renewal contract at the end of the original contract term as of the reporting date.

The amortization period and method are reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset.

The combined carrying amounts of airport, toll road, power and port concession rights amounted to P110,128 and P34,061 as of December 31, 2015 and 2014, respectively (Note 18).

Impairment of Goodwill, Licenses and Trademarks and Brand Names with Indefinite Useful Lives. The Group determines whether goodwill, licenses and trademarks and brand names are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the licenses and trademarks and brand names. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the licenses and trademarks and brand names and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P58,603 and P41,211 as of December 31, 2015 and 2014, respectively (Note 18).

The combined carrying amounts of licenses and trademarks and brand names amounted to P26,081 and P7,252 as of December 31, 2015 and 2014 (Note 18).

Acquisition Accounting. The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The Group, however, is currently completing the purchase price allocation exercise on the acquisition of MNHPI, LTHI and CTI in 2015. The identifiable assets and liabilities at fair value are based on provisionary amounts as at the acquisition date, which is allowed under PFRS 3, within 12 months from the acquisition date.

The carrying amount of goodwill arising from business combinations amounted to P18,918 and P7 in 2015 and 2014, respectively (Notes 5, 18 and 39).

Estimating Mineral Reserves and Resources. Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holders and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans. Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revisions once additional information becomes available.

Pursuant to the Philippine Mineral Reporting Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves which was adopted by the PSE, SEC and Department of Environment and Natural Resources (DENR) Administrative Order No. 2010-09 (Providing for the Classification and Reporting Standards of Exploration Results, Mineral Resources and Ore Reserves), all mineral resources and mineral/ ore reserves report is prepared and signed by a person accredited by the relevant professional organization as a Competent Person.

Recoverability of Deferred Exploration and Development Costs. A valuation allowance is provided for estimated unrecoverable deferred exploration and development costs based on the Group's assessment of the future prospects of the mining properties, which are primarily dependent on the presence of economically recoverable reserves in those properties.

The Group's mining activities are all in the exploratory stages as of December 31, 2015 and 2014. All related costs and expenses from exploration are currently deferred as mine exploration and development costs to be amortized upon commencement of commercial operations. The Group has not identified any facts and circumstances which suggest that the carrying amount of the deferred exploration and development costs exceeded the recoverable amounts as of December 31, 2015 and 2014.

Deferred exploration and development costs included as part of "Other noncurrent assets" account in the consolidated statements of financial position amounted to P690 and P673 as of December 31, 2015 and 2014, respectively (Notes 19 and 35).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P16,441 and P14,651 as of December 31, 2015 and 2014, respectively (Note 24).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on property, plant and equipment and investment property amounted to P12,622 and P10,235 as of December 31, 2015 and 2014, respectively (Notes 15 and 16).

The combined carrying amounts of investments and advances, property, plant and equipment, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets amounted to P653,990 and P553,826 as of December 31, 2015 and 2014, respectively (Notes 13, 15, 16, 17, 18 and 19).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 36 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's defined benefit retirement obligation.

The present value of defined benefit retirement obligation amounted to P28,056 and P26,925 as of December 31, 2015 and 2014, respectively (Note 36).

Asset Retirement Obligation. The Group has ARO arising from refinery, leased service stations, depots, blending plant and franchised store. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of the ARO by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 6.23% to 9.81% depending on the life of the capitalized costs. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P1,839 and P1,659 as of December 31, 2015 and 2014, respectively (Note 23).

Present Value of Annual Franchise Fee and IRO - Airport Concession Arrangement. Portion of the amount recognized as airport concession right as of December 31, 2015 and 2014 pertains to the present value of the annual franchise fee payable to the ROP over the concession period. The recognition of the present value of the IRO is temporarily lodged in CIP - airport concession arrangements until the completion of the Airport Project.

The present values of the annual franchise fee and IRO were determined based on the future value of the obligations discounted at the Group's internal borrowing rate at 9% which is believed to be a reasonable approximation of the applicable credit-adjusted risk-free market borrowing rate.

A significant change in such internal borrowing rate used in discounting the estimated cost would result in a significant change in the amount of liabilities recognized with a corresponding effect in profit or loss.

The present value of the annual franchise fees payable to the ROP over 25 years is discounted using the 9% internal borrowing rate, included as part of "Airport concession right" under "Other intangible assets" account amounted to P86 as of December 31, 2015 and 2014 (Note 18).

The cost of infrastructure maintenance and restoration represents the present value of TADHC's IRO recognized and is presented as part of IRO under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts amounting to P26 and P42 in 2015 and P21 and P44 in 2014, respectively (Notes 21 and 23).

Percentage-of-Completion - Airport and Toll Road Concession Arrangements. The Group determines the percentage-of-completion of the contract by computing the proportion of actual contract costs incurred to date, to the latest estimated total airport and toll road project cost. The Group reviews and revises, when necessary, the estimate of airport and toll road project cost as it progresses, to appropriately adjust the amount of construction cost and revenue recognized at the end of each reporting period (Notes 12, 18 and 33).

Accrual for Repairs and Maintenance - Toll Road Concession Arrangements. The Group recognizes accruals for repairs and maintenance based on estimates of periodic costs, generally estimated to be every five to eight years or the expected period to restore the toll road facilities to a level of serviceability and to maintain its good condition before the turnover to the ROP. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation, discounted using a pre-tax discount rate that reflects the current market assessment of the time value of money.

The accrual for repairs and maintenance, included as part of "IRO" under "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P641 and P24 as of December 31, 2015 and 2014, respectively (Note 23).

The current portion included as part of "Accounts payable and accrued expenses" account amounted to P344 as of December 31, 2015 (Note 21).

5. Business Combinations

The significant acquisitions made by the Group are as follows:

Infrastructure

- AAIBV

On March 5, 2015, a Notarial Deed of Transfer of Shares was executed in accordance with the requirements of the laws of the Netherlands whereby Padma Fund L.P. (Padma) transferred to SMHC the following: (i) 44% additional equity interest in AAIBV; and (ii) 4.47% equity interest in AAIBV following the exercise by SMHC of its option in compliance with the terms and conditions of the Option Agreement. The total consideration for the additional 48.47% equity interest amounted to US$224 or P9,893.

With the transfer of the additional 48.47% equity interest, SMHC has 95% ownership interest in AAIBV as of March 5, 2015. As such, AAIBV became a subsidiary and is consolidated by SMHC effective March 5, 2015.

AAIBV has shareholdings in the companies that hold the concession rights to operate and maintain the SLEX, the Skyway Stages 1 and 2 and Skyway Stage 3 which will connect the North Luzon Expressway and SLEX.

SMHC has elected to measure non-controlling interest at proportionate interest in identifiable net assets.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	2015
Assets		
Cash and cash equivalents		**P21,595**
Trade and other receivables - net		**5,956**
Inventories		**22**
Prepaid expenses and other current assets		**2,713**
Property, plant and equipment - net	*15*	**189**
Other intangible assets - net	*18*	**55,166**
Deferred tax assets		**120**
Other noncurrent assets - net		**163**
Liabilities		
Accounts payable and accrued expenses		**(15,689)**
Income and other taxes payable		**(717)**
Dividends payable		**(373)**
Current maturities of long-term debt - net of debt issue costs		**(3,684)**
Long-term debt - net of debt issue costs		**(43,951)**
Deferred tax liabilities		**(4,642)**
Other noncurrent liabilities		**(6,608)**
Total Identifiable Net Assets at Fair Value	*39*	**P10,260**

The fair value of trade and other receivables amounted to P5,956. The gross amount of the receivables is P6,622 of which P666 is expected to be uncollectible as at the acquisition date (Note 10).

Goodwill was recognized as a result of the acquisition as follows:

	Note	2015
Total consideration transferred		**P9,893**
Equity interest held before business combination	*13*	**9,295**
Non-controlling interest measured at proportionate interest in identifiable net assets		**9,435**
Total identifiable net asset at fair value		**(10,260)**
Goodwill	*18, 39*	**P18,363**

Goodwill arising from the acquisition of AAIBV is attributable to the benefit of expected synergies with the Group's infrastructure business, revenue growth and future development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

- MNHPI

On December 9, 2015, SMHC subscribed to 13,000,000 common shares of MNHPI equivalent to 43.33% equity interest for a total consideration of P13,000.

MNHPI holds the concession rights to manage, operate, develop and maintain the Manila North Harbor and other port facilities.

With the 43.33% ownership interest of SMHC and the 35% equity interest held by Petron, the Group obtained control and consolidated MNHPI effective December 9, 2015.

The Group has elected to measure non-controlling interest at proportionate interest in identifiable net assets.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	2015
Assets		
Cash and cash equivalents		**P1,394**
Trade and other receivables - net		**597**
Inventories		**303**
Prepaid expenses and other current assets		**745**
Property, plant and equipment - net	*15*	**30**
Other intangible assets	*18*	**9,818**
Deferred tax assets		**33**
Other noncurrent assets - net		**264**
Liabilities		
Loans payable		**(2,345)**
Accounts payable and accrued expenses		**(554)**
Long-term debt - net of debt issue costs		**(2,251)**
Finance lease liabilities		**(75)**
Other noncurrent liabilities		**(3,821)**
Total Identifiable Net Assets at Fair Value	*39*	**P4,138**

The fair value of trade and other receivables amounted to P597. The gross amount of the receivables is P676, of which P79 is expected to be uncollectible as at the acquisition date (Note 10).

Goodwill was recognized as a result of the acquisition as follows:

	Note	2015
Total consideration transferred		**P1,300**
Equity interest held before business combination		**1,807**
Non-controlling interest measured at proportionate interest in identifiable net assets		**1,356**
Total identifiable net asset at fair value		**(4,138)**
Goodwill	*18, 39*	**P325**

Telecommunications

- LTHI

On July 14, 2015, the BOD of the Parent Company authorized Vega to acquire the entire interest and participation of West Bay Holding S.P.C. Company, formerly Qtel West Bay Holdings S.P.C., wi-tribe Asia Limited, and White Dawn Solutions Holdings, Inc. (collectively, the "Sellers") in LTHI. In compliance with the Securities Regulation Code, Vega conducted a tender offer of the common shares of LTHI held by the public.

A total of 57,271,369 common shares or 4.43% of the outstanding common shares of LTHI were tendered, and subsequently crossed at the PSE on September 2, 2015. After completion of the tender offer, Vega held 87.18% of the common shares of LTHI.

On September 2, 2015, Vega acquired beneficial ownership in LTHI in a separate share sale transactions from the Sellers for a total of 426,800,168 common shares and 2,907,768,174 preferred shares.

Upon completion of the tender offer and share purchases, Vega effectively owned 97.46% of the total outstanding capital stock of LTHI, inclusive of the common and preferred shares. As such, Vega obtained control and consolidated LTHI effective September 2, 2015.

LTHI is a holding company and owns 100% of shares of stock in wi-tribe. It operates its business through wi-tribe which provides data communications services primarily through broadband internet services. wi-tribe is also authorized to lease capacity from other telecommunication companies and to operate as a virtual network operator and/or as a reseller in the provisioning of its telecommunication services.

On January 28, 2016, the SEC approved the amendment to the articles of incorporation of wi-tribe to change its corporate name to Tori Spectrum Telecom Inc. (Tori Spectrum).

Vega has elected to measure non-controlling interest at proportionate interest in identifiable net assets.

The Group recognized gain on remeasurement on step acquisition of LTHI upon consolidation on September 2, 2015 (Note 33).

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	2015
Assets		
Cash and cash equivalents		**P32**
Trade and other receivables - net		**60**
Inventories		**43**
Prepaid expenses and other current assets		**486**
Property, plant and equipment - net	*15*	**1,687**
Other intangible assets - net	*18*	**11,933**
Other noncurrent assets - net		**88**
Liabilities		
Accounts payable and accrued expenses		**(1,892)**
Deferred tax liabilities		**(152)**
Other noncurrent liabilities		**(180)**
Total Identifiable Net Assets at Fair Value	*39*	**P12,105**

The fair value of trade and other receivables amounted to P60. The gross amount of the receivables is P514, of which P454 is expected to be uncollectible as at the acquisition date (Note 10).

Total identifiable net assets at fair value is equal to the consideration transferred, the equity interest held before business combination and non-controlling interest measured at proportionate interest in identifiable net assets.

The Group remeasured it's equity interest held before business combination resulting in the recognition of gain amounting to P3,540, included as part of "Other income (charges)" account in the 2015 consolidated statements of income (Note 33).

- CTI

On December 4, 2015, Vega acquired 88.17% ownership in CTI through the acquisition of 100% equity interest in TDEI, which holds 78.45% equity interest in the total outstanding capital stock of CTI and direct acquisition of 9.72% equity interest for a total consideration of P5,180.

CTI is primarily engaged in the operations and maintenance of a nationwide cellular mobile telephone system using analog advance mobile phone service system. CTI is also authorized to lease capacity from other telecommunication companies and to operate as a virtual network operator and/or as a reseller in the provisioning of its telecommunication services.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	2015
Assets		
Cash and cash equivalents		**P3**
Trade and other receivables - net		**3**
Prepaid expenses and other current assets		**20**
Property, plant and equipment - net	*15*	**28**
Other intangible assets - net	*18*	**6,202**
Other noncurrent assets - net		**3**
Liabilities		
Accounts payable and accrued expenses		**(46)**
Other noncurrent liabilities		**(1,170)**
Total Identifiable Net Assets at Fair Value	*39*	**P5,043**

The fair value of trade and other receivables amounted to P3. The gross amount of the receivables is P225, of which P222 is expected to be uncollectible as at the acquisition date (Note 10).

Total identifiable net assets at fair value is equal to the consideration transferred, the amounts deposited for future stock subscription and non-controlling interest measured at proportionate interest in identifiable net assets.

- Somete Logistics & Development Corporation (SLDC) and Dominer Pointe Inc. (DPI)

In May and June 2014, BellTel acquired 100% of the outstanding shares of stock of SLDC and DPI, respectively, for a total consideration of P1,264.

SLDC and DPI are engaged in the business of conceptualization, construction, installation, establishment, operation, leasing, sale and maintenance, and rendering of specialty technical services for tower infrastructures to be utilized by telecommunication companies.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	2014
Assets		
Cash and cash equivalents		P1,017
Trade and other receivables		81
Prepaid expenses and other current assets		135
Property, plant and equipment - net	*15*	1,072
Deferred tax assets		8
Other noncurrent assets - net		1
Liabilities		
Accounts payable and accrued expenses		(1,055)
Income and other taxes payable		(2)
Total Identifiable Net Assets at Fair Value	*39*	P1,257

The fair value of the trade and other receivables amounts to P81. None of the receivables has been impaired and it is expected that the full amount can be collected.

Goodwill was recognized as a result of the acquisition as follows:

	Note	2014
Total cash consideration transferred		P1,264
Total identifiable net asset at fair value		(1,257)
Goodwill	*18, 39*	P7

Others

- SWCC

On October 15, 2014, the Parent Company through SMEII, as buyer, and Clariden, as seller, executed the following: (i) the Deed of Absolute Sale of Shares covering 100% of the outstanding and issued shares of stock of SWCC for a total consideration of P61; and (ii) the Deed of Assignment of Receivables covering the receivables of Clariden in SWCC amounting to P209.

SWCC is primarily engaged in the business of manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale, of cement and other goods of similar nature, and any and all equipment, materials, supplies, used or employed in or related to the manufacture of such finished goods.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	2014
Assets		
Cash		P1
Land		104
Deferred tax assets		1
Other intangible assets - mineral rights and evaluation assets	*18*	165
Other noncurrent asset		1
Liabilities		
Accounts payable and accrued expenses		(211)
Total Identifiable Net Assets at Fair Value		P61

Total identifiable net assets at fair value is equal to the consideration of the purchase made by SMEII.

On December 5, 2014, the Parent Company through SMEII subscribed to additional 110,000 common shares of SWCC for P16. The said subscription was fully paid, and the subject shares of stock were issued to SMEII on February 24, 2015.

On April 1, 2015, the Parent Company through SMEII subscribed to additional 770,000 common shares of SWCC for P116. The said subscription was fully paid, and the subject shares of stock were issued to SMEII on April 15, 2015.

As discussed in Note 4, the Group is currently completing the purchase price allocation exercise on acquisition of MNHPI, LTHI and CTI in 2015. The identifiable assets and liabilities are based on provisionary amounts as at the acquisition date, which is allowed under PFRS 3, within 12 months from the acquisition date.

If the foregoing acquisitions have occurred on January 1, 2015, management estimates that consolidated revenue would have been P678,743 and consolidated net income for the period would have been P28,728. In determining these amounts, management assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2015.

6. Investments in Shares of Stock of Subsidiaries

The following are the developments relating to the Parent Company's investments in shares of stock of subsidiaries:

Fuel and Oil

- Petron

a) Issuance of Series 2 Preferred Shares

On October 17, 2014, the SEC issued in favor of Petron a Permit to Sell for the public offering and sale of 7,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 3,000,000 preferred shares (collectively, the "Series 2 Preferred Shares") with a P1.00 par value per share.

On November 3, 2014, Petron issued and listed in the PSE 10,000,000 Series 2 Preferred Shares at an offer price of P1,000.00 per share. The Series 2 Preferred Shares were issued in two subseries, (i) 7,122,320 Series 2A Preferred Shares (the "Series 2A Preferred Shares") and (ii) 2,877,680 Series 2B Preferred Shares (the "Series 2B Preferred Shares").

The Series 2A Preferred Shares may be redeemed by Petron starting on the fifth anniversary from the listing date while the Series 2B Preferred Shares may be redeemed starting on the seventh anniversary from the listing date. Series 2A and Series 2B Preferred Shares have dividend rates of 6.3000% and 6.8583%, respectively. Cash dividends are payable quarterly every February 3, May 3, August 3 and November 3 of each year, as and if declared by the BOD.

All shares rank equally with regard to Petron's residual assets, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

b) Redemption of the Preferred Shares issued in 2010

On March 5, 2015, Petron redeemed the preferred shares issued in 2010 at P100.00 per share, which were delisted by the PSE on March 6, 2015 in line with the latter's rule on the delisting of redeemed shares which are not re-issuable at the time of redemption under the issuing company's Articles of Incorporation. On July 6, 2015, the SEC approved the amendment of the Articles of Incorporation of Petron to provide a re-issuability feature on its preferred shares.

- PGL

As of December 31, 2014, PGL has issued an aggregate of 73,559,188 common shares with a par value of US$1.00 per share to Petron and 150,000,000 cumulative, non-voting, non-participating and non-convertible preferred shares Series A and 200,000,000 cumulative, non-voting, non-participating and non-convertible preferred shares 2B at an issue price equal to the par value of each share of US$1.00 to a third party investor. The said preferred shares were redeemed on May 13, 2015 at US$1.00 per share.

On various dates in 2015, the Parent Company through Petron, acquired additional PGL common shares of 12,131,829 for US$1.00 per share or for a total consideration of US$12.

As of December 31, 2015, Petron held a total of 85,691,017 common shares in PGL representing 100% of the voting capital stock of PGL.

Infrastructure

- SMHC

On January 21, 2014, SEC approved the application for the Amendment of the Articles of Incorporation for the increase in authorized capital stock of SMHC from P5,000 divided into 5,000,000 common shares to P35,000 divided into 35,000,000 common shares, both with par value of P1,000.00 per share. The amendment was approved by the BOD and stockholders of SMHC on May 29, 2013

and filed with the SEC on December 27, 2013. Of the total increase in authorized capital stock, the Parent Company subscribed to 10,500,000 common shares for a total subscription price of P15,750 of which P15,422 was paid in 2013 while the remaining balance of P328 was paid in 2014.

On various dates in 2014, the Parent Company entered into Subscription Agreements with SMHC for the subscription of additional 9,500,000 common shares for a total subscription price of P14,250 or P1,500.00 per common share of which P9,874 was paid. The balance of the subscription amounting to P4,376 was paid by the Parent Company in 2015.

On August 6, 2015, the Parent Company subscribed to an additional 9,100,000 common shares of SMHC for a total subscription price of P13,650 or P1,500.00 per common share of which P7,716 was paid.

a) THI

On December 17, 2014, the BOD and stockholders of THI approved the increase in authorized capital stock from P3 divided into 30,000 common shares to P850 divided into 8,501,550 common shares, both with a par value of P100.00 per share. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was approved by the SEC on February 18, 2015.

b) CMMTC

On September 27, 2013, the Parent Company through THI, a wholly-owned subsidiary of SMHC, sold to AAIPC the 25,409,482 common shares of CMMTC representing 37.33% of its outstanding capital stock for a total consideration of P13,759. The Group derecognized the assets (including goodwill) and liabilities, and the carrying amount of non-controlling interest as a result of the sale.

The Group recognized a net loss amounting to P654, included as part of "Gain on sale of investments and property and equipment" account in the 2013 consolidated statement of income.

c) Vertex and Optimal

On September 1, 2014, SMHC entered into Subscription Agreements with the following: (a) Vertex - for the subscription of 1,335,268,279 common shares for a total subscription price of P2,003 or P1.50 per share and initially paid P733; and (b) Optimal - for the subscription of 2,000 common shares out of the unissued capital stock for a total subscription price of P2 or P1,000.00 per share.

d) Rapid

On various dates in 2014, SMHC entered into Subscription Agreements with Rapid for the subscription of 14,000,000 common shares for a total subscription price of P2,100 or P150.00 per share.

On various dates in 2014, SMHC made additional deposits for future stock subscription amounting to P579. In 2015, SMHC subscribed to 12,500,000 common shares of Rapid at P150.00 per share for a total consideration of P1,875. As payment for the subscription, SMHC applied its P579 deposit for future stock subscription and paid P531. The balance amounting to P765 remained unpaid as of December 31, 2015.

On December 19, 2014, the BOD and stockholders of Rapid approved the increase in authorized capital stock from P1,800 divided into 18,000,000 common shares to P3,050 divided into 30,500,000 common shares, both with a par value of P100.00 per share. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on December 29, 2014 and was approved on April 21, 2015.

On September 21, 2015, Rapid and DMCI Holdings, Inc. and D.M. Consuji, Inc. (collectively, "DMCI") entered into a Deed of Sale of Shares wherein Rapid acquired the shares of DMCI in PIDC for a consideration of P1,827.

As of December 31, 2015, Rapid effectively and beneficially owns 70.11% ownership interest in PIDC.

e) TADHC

On March 5, 2014, SMHC executed a Subscription Agreement with TADHC for the subscription of additional 2,714,420 common shares at P100.00 per share.

On November 7, 2014, the BOD and stockholders of TADHC approved the increase in the authorized capital stock from P1,520 divided into 15,000,000 common shares and 200,000 preferred shares to P1,720 divided into 17,000,000 common shares and 200,000 preferred shares, both with a par value of P100.00 per share. Of the total increase in authorized capital stock, SMHC subscribed to 1,965,580 common shares at P100.00 per share or a total subscription price of P197. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on December 29, 2014 and was approved on April 29, 2015.

On November 18, 2015, SMHC executed a Subscription Agreement with TADHC for the subscription of 34,420 common shares at P100.00 per share or a total subscription price of P3.

On December 9, 2015, the BOD and stockholders of TADHC resolved and approved the increase in authorized capital stock from P1,720 divided into 17,000,000 common shares and 200,000 preferred shares to P2,520 divided into 25,000,000 common shares and 200,000 preferred shares, both with a par value of P100.00 per share of the total increase in authorized capital stock.

Of the total increase in authorized capital stock, SMHC subscribed to 3,250,000 common shares at P150.00 per share or a total subscription price of P488. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on December 22, 2015.

Food

- SMPFC

a) Redemption of Outstanding Preferred Shares

On February 3, 2015, SMPFC's BOD approved the redemption of the 15,000,000 outstanding preferred shares issued on March 3, 2011 at the redemption price of P1,000.00 per share or a total redemption price of P15,000.

The redemption price and all accumulated unpaid cash dividends were paid on March 3, 2015 to relevant stockholders of record as at February 17, 2015. The redeemed preferred shares thereafter became part of SMPFC's treasury shares.

b) Issuance of Series "2" Perpetual Preferred Shares

On March 12, 2015, SMPFC issued 15,000,000 cumulative, non-voting, non-participating, and non-convertible peso-denominated perpetual Series "2" Preferred Shares with a par value of P10.00 per share at the offer price of P1,000.00 per share. The Series "2" Preferred Shares were issued with a dividend rate set at 5.6569% per annum payable once for every dividend period as follows: (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year calculated on a 30/360-day basis, as and if declared by the BOD of SMPFC.

The Series "2" Preferred Shares are redeemable in whole and not in part, in cash, at the sole option of SMPFC, on the third anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The Series "2" Preferred Shares may also be redeemed in whole and not in part, under certain conditions. Unless the Series "2" Preferred Shares are redeemed by SMPFC on the 5th year anniversary of the listing date, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 5.6569% or the three-day average of the seven-year PDST-R2 plus 3.75%.

On March 12, 2015, the SMPFC Series "2" Preferred Shares were listed on the PSE.

The proceeds from the issuance of the Series "2" Perpetual Preferred Share, net of transaction costs amounted to P15,000.

The proceeds of the issuance were used to refinance the redemption of the outstanding 15,000,000 Preferred Shares issued on March 3, 2011 at the redemption price of P1,000.00 per share plus any and all accumulated unpaid cash dividends to relevant stockholders of record as of February 17, 2015.

c) Acquisition of the 49% ownership interest in San Miguel Pure Foods Investment (BVI) Limited (SMPFI Limited)

In January 2015, SMPFIL, a wholly-owned subsidiary of SMPFC, signed an agreement for the purchase from Hormel Netherlands B.V. (Hormel) of the latter's 49% of the issued share capital of SMPFI Limited. SMPFIL already owned 51% interest in SMPFI Limited prior to the acquisition. SMPFI Limited is the sole investor in SMHVN, a company incorporated in Vietnam, which is licensed to engage in live hog farming and the production of feeds and fresh and processed meats.

Following the acquisition, SMPFI Limited became a wholly-owned subsidiary of SMPFIL. Consequently, Hormel's non-controlling interest amounting to P126 as of January 2015 was derecognized. As part of the agreement, Hormel paid its share of the cash requirement to settle SMHVN's obligations, including estimated contingent liabilities and costs to temporarily close the farm and feedmill operations. This resulted in the recognition of equity reserves amounting to P384 presented as part of "Equity reserve" account in the 2015 consolidated statement of financial position.

With the divestment made by Hormel, SMHVN changed its corporate name to San Miguel Pure Foods (VN) Co., Ltd., in June 2015 following the issuance of the Binh Duong People's Committee of the amended business license of SMHVN.

Energy

- SMC Global

Issuance of Undated Subordinated Capital Securities

On May 7, 2014, the Parent Company through SMC Global, issued and listed on the Singapore Stock Exchange (SGX-ST), US$300 undated subordinated capital securities (the "Securities") at an issue price of 100% of the face value of the Securities, at the rate of 7.50% per annum with a step-up date on November 7, 2019.

On August 26, 2015, SMC Global issued and listed in the SGX-ST a Reg S, Unrated Perpetual Non-Call 5.5 years US$300 Undated Subordinated Capital Securities. SMC Global priced the deal at 6.75% per annum with a step-up date on February 26, 2021.

The holders of the Securities are conferred a right to receive distributions on a semi-annual basis from their issue date at the initial rate of distribution, subject to the step-up rate. SMC Global has a right to defer this distribution under certain conditions.

The Securities have no fixed redemption date and are redeemable in whole, but not in part, at the option of SMC Global on step-up date, or any distribution payment date thereafter or upon the occurrence of certain other events.

The proceeds were used by SMC Global to finance investments in power-related assets and other general corporate purposes.

Packaging

- CAI

On January 15, 2013, the Parent Company through SMYPC, sold its 35% equity interest in CAI to Can Pack S.A., a foreign corporation duly organized and existing under the laws of Poland, for P420. CAI is 65% owned by SMYPC as of December 31, 2015 and 2014.

CAI is a company primarily engaged in trade or operation as a manufacturer, buyer, importer, exporter, contractor, dealer, broker, commission merchant, agent or representative of all kinds of packaging products, and to render services to its clients and customers as may be necessary for the assembling, packaging and/or repacking of their respective products, particularly aluminum cans and ends which started commercial operations in 2013.

Real Estate

- The BOD and stockholders of SMPI, in their meetings held on November 5, 2015 and December 17, 2015, respectively, approved to increase its authorized capital stock from P1,280 divided into 128,000,000 common shares to P15,000 divided into 1,500,000,000 common shares, both with a par value of P10.00 per share. Of the total increase in authorized capital stock, the Parent Company subscribed to 450,000,000 common shares for a total subscription price of P9,000. As of December 31, 2015, the Parent Company paid P692 as deposit for subscription of the shares. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on February 2, 2016 and was approved on March 11, 2016.

- SMPI Flagship

On October 20, 2014, the BOD and stockholders of SMPI Flagship approved to amend its articles of incorporation to change its primary purpose to allow SMPI Flagship to engage in the development, management and administration of condominiums, hotels, condominium hotels, service apartments, residential or buildings, and other horizontal or vertical developments. The amendment was approved by the SEC on November 3, 2014.

In 2015, SMPI Flagship completed the Makati Diamond Residence, a first class, high-rise serviced apartment, open to the general public, located in Makati City.

Telecommunications

- Vega

On January 24, 2014, the SEC approved the application for the amendment of articles of incorporation for the increase in authorized capital stock of Vega from P1 divided into 10,000 common shares to P655, divided into 6,550,000 common shares, both with a par value of P100.00 per share. Of the said increase, the Parent Company subscribed to 4,350,000 common shares for a total subscription price of P653 or P150.00 per share.

On December 1, 2014, the BOD and stockholders of Vega approved to further increase its authorized capital stock from P655 divided into 6,550,000 common shares with a par value of P100.00 per share to P25,000 consisting of 30,000,000 common shares with a par value of P100.00 per share and 22,000,000 preferred shares with a par value of P1,000.00 per share. The Parent Company, in a Deed of Subscription executed on the same date, subscribed to 9,147,500 common shares at P150.00 per share and 13,500,000 preferred shares at P1,500.00 per share or a total subscription price of P21,622. The application for the amendment of articles of incorporation for the increase in authorized capital stock was filed with the SEC on December 29, 2014 and was approved on April 6, 2015.

- BellTel

In December 2014, Vega subscribed to 8,408,000 common shares from the unissued common shares of BellTel for P3,100 equivalent to 45.68% direct ownership interest in BellTell.

In December 2015, Vega made an additional subscription in BellTel of 1,592,000 unissued common shares amounting to P587 thereby increasing direct ownership interest to 50%.

BellTel is a grantee of a franchise to install, operate and maintain local exchange networks and Wireless Local Loop (WLL) in several areas including special economic zones, inter-exchange networks, nationwide VSAT network, international gateway facilities, and cellular mobile telecommunications network (Note 35).

As a result of the subscription, Vega owns 100% equity interest in BellTel, consisting of 45.68% direct ownership interest and 54.32% indirect ownership interest through TCCI, PHC and PSCL.

Mining

- Clariden

On August 12, 2013, the BOD of the Parent Company authorized the sale of 100% of the outstanding and issued shares of stock of Clariden and all of the rights and interests therein, followed by the execution of the Share Purchase Agreement (the Agreement) between the Parent Company and Top Frontier on August 15, 2013.

On August 30, 2013 (the Closing Date), the Parent Company and Top Frontier executed the following: (i) the Deed of Absolute Sale of Shares covering 100% of the Clariden shares for a total consideration of P2,135; and (ii) the Deed of Assignment of Receivables covering the Parent Company's receivables in Clariden and its subsidiaries amounting to P725. On September 6, 2013, the Parent Company and Top Frontier, with the conformity of Clariden, executed the Deed of Assignment of Subscription Rights for P604.

Pursuant to the Agreement, the consideration for the sale of the Clariden shares and the assignment of subscription rights are collectible as follows: (i) P427 on September 9, 2013; and (ii) the remaining balance of P2,312 is collectible in two parts: (a) P1,099, inclusive of 5.75% interest per annum, is collectible at the end of the 5th year from Closing Date; and (b) P1,213, inclusive of 6.00% interest per annum, is to be collected at the end of the 7th year from Closing Date.

The consideration for the assignment of receivables is collectible in five equal installments beginning from the 1st anniversary of commercial operations of the Nonoc Project, a project primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte. These amounts are subject to 5.75% interest per annum and shall accrue upon commencement of commercial operations.

The remaining balance of the consideration amounting to P3,037 is presented as part of "Noncurrent receivables and deposits" under "Other noncurrent assets" account in the consolidated statements of financial position (Note 19).

As a result of the sale, Clariden ceased to be a subsidiary of the Group and accordingly derecognized the assets and liabilities, and the carrying amount of noncontrolling interests.

The Group recognized a gain amounting to P866, included as part of "Gain on sale of investments and property and equipment" account in the 2013 consolidated statement of income.

The details of the Group's material non-controlling interests are as follows:

	December 31, 2015			December 31, 2014		
	Petron	**SMB**	**SMPFC**	Petron	SMB	SMPFC
Percentage of non-controlling interests	**31.74%**	**48.83%**	**14.63%**	31.74%	48.83%	14.63%
Carrying amount of non-controlling interests	**P54,235**	**P20,477**	**P19,759**	P81,621	P18,729	P19,397
Net income attributable to non-controlling interests	**P5,335**	**P6,588**	**P1,710**	P3,947	P7,018	P1,553
Other comprehensive income (loss) attributable to non-controlling interests	**P2,363**	**P170**	**P21**	(P1,556)	P201	(P6)
Dividends paid to non-controlling interests	**P4,970**	**P4,836**	**P1,453**	P6,027	P4,570	P2,858

The following are the audited condensed financial information of investments in subsidiaries with material non-controlling interest:

	December 31, 2015			December 31, 2014		
	Petron	**SMB**	**SMPFC**	Petron	SMB	SMPFC
Current assets	**P115,725**	**P25,935**	**P40,032**	P219,029	P20,413	P48,192
Noncurrent assets	**178,542**	**67,156**	**21,005**	172,295	68,135	18,463
Current liabilities	**(126,579)**	**(10,263)**	**(21,150)**	(202,587)	(9,105)	(29,782)
Noncurrent liabilities	**(84,588)**	**(40,837)**	**(871)**	(75,045)	(41,189)	(910)
Net assets	**P83,100**	**P41,991**	**P39,016**	P113,692	P38,254	P35,963
Sales	**P360,178**	**P82,374**	**P106,860**	P482,535	P79,005	P102,999
Net income	**P6,270**	**P13,518**	**P4,752**	P3,009	P13,515	P3,843
Other comprehensive income (loss)	**(5,932)**	**(73)**	**(44)**	(4,758)	443	(40)
Total comprehensive income (loss)	**P338**	**P13,445**	**P4,708**	(P1,749)	P13,958	P3,803
Cash flows provided by (used in) operating activities	**P8,468**	**P18,522**	**P11,995**	(P737)	P15,457	P5,739
Cash flows provided by (used in) investing activities	**(14,592)**	**(3,052)**	**(5,704)**	(3,659)	(3,501)	11,535
Cash flows provided by (used in) financing activities	**(66,343)**	**(9,713)**	**(11,220)**	44,488	(16,290)	(10,089)
Effects of exchange rate changes on cash and cash equivalents	**746**	**207**	**(3)**	112	22	-
Net increase (decrease) in cash and cash equivalents	**(P71,721)**	**P5,964**	**(P4,932)**	P40,204	(P4,312)	P7,185

7. Segment Information

Operating Segments
The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's reportable segments are beverage, food, packaging, energy, fuel and oil, infrastructure and telecommunications.

The beverage segment produces and markets alcoholic and non-alcoholic beverages.

The food segment includes, among others, poultry operations, livestock farming, and processing and selling of meat products, processing and marketing of refrigerated and canned meat products, manufacturing and marketing of feeds and flour products, cooking oil, biscuits, breadfill desserts and dairy-based products, importation and marketing of coffee and coffee-related products and grain terminal handling.

The packaging segment is involved in the production and marketing of packaging products including, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene, kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in crate and plastic pallet leasing, PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

The energy segment is engaged in power generation, distribution and trading and coal mining. The power generation assets supply electricity to a variety of customers, including Manila Electric Company (Meralco), electric cooperatives, industrial customers and the Philippine Wholesale Electricity Spot Market (WESM).

The fuel and oil segment is engaged in refining and marketing of petroleum products.

The infrastructure segment is engaged in the business of construction and development of various infrastructure projects such as airports, roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges.

The telecommunications segment is engaged in rendering all types of domestic and international telecommunications services.

Segment Assets and Liabilities
Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of accounts payable and accrued expenses and other noncurrent liabilities, excluding interest payable. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions
Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transactions are eliminated in consolidation.

Major Customer
The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Operating Segments

Financial information about reportable segments follows:

	For the Years Ended December 31, 2015, 2014 and 2013																													
	Beverage			Food			Packaging			Energy			Fuel and Oil			Infrastructure			Telecommunications			Others			Eliminations			Consolidated		
	2015	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013
Sales																														
External sales	**P98,386**	P94,230	P88,936	**P106,845**	P102,976	P99,754	**P19,751**	P19,365	P18,559	**P68,704**	P77,586	P72,212	**P356,813**	P475,425	P459,102	**P13,288**	P922	P5,503	**P1,743**	P1,515	P1,347	**P8,395**	P1,704	P1,890	**P -**	P -	P -	**P673,925**	P773,723	P747,303
Inter-segment sales	**616**	286	516	**15**	23	19	**5,299**	4,861	6,628	**8,803**	6,708	1,832	**3,365**	7,110	4,536	**-**	-	-	**33**	-	-	**14,900**	5,820	4,369	**(33,031)**	(24,808)	(17,900)	**-**	-	-
Total sales	**P99,002**	P94,516	P89,452	**P106,860**	P102,999	P99,773	**P25,050**	P24,226	P25,187	**P77,507**	P84,294	P74,044	**P360,178**	P482,535	P463,638	**P13,288**	P922	P5,503	**P1,776**	P1,515	P1,347	**P23,295**	P7,524	P6,259	**(P33,031)**	(P24,808)	(P17,900)	**P673,925**	P773,723	P747,303
Result																														
Segment result	**P23,252**	P22,437	P20,476	**P7,644**	P6,463	P5,510	**P2,198**	P2,078	P1,589	**P23,703**	P25,899	P20,541	**P13,984**	P2,211	P10,887	**P7,272**	(P373)	P3,868	**(P1,806)**	(P463)	(P239)	**P1,850**	(P2,956)	(P7,213)	**P586**	P479	P302	**P78,683**	P55,775	P55,721
Interest expense and other financing charges																												**(32,521)**	(29,710)	(30,970)
Interest income																												**4,315**	4,012	3,539
Equity in net earnings (losses) of associates and joint ventures																												**(386)**	1,701	(502)
Gain (loss) on sale of investments and property and equipment																												**(81)**	777	41,192
Other income (charges) - net																												**(4,073)**	6,307	(14,087)
Income tax expense																												**(16,944)**	(10,284)	(3,700)
Net income																												**P28,993**	P28,578	P51,193
Attributable to:																														
Equity holders of the Parent Company																												**P12,448**	P15,137	P38,517
Non-controlling interests																												**16,545**	13,441	12,676
Net Income																												**P28,993**	P28,578	P51,193

	December 31, 2015, 2014 and 2013																													
	Beverage			Food			Packaging			Energy			Fuel and Oil			Infrastructure			Telecommunications			Others			Eliminations			Consolidated		
	2015	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013
Other Information																														
Segment assets	**P75,289**	P72,346	P78,069	**P56,365**	P62,494	P68,398	**P34,611**	P31,959	P33,132	**P318,022**	P300,520	P292,344	**P284,140**	P380,435	P346,524	**P168,207**	P60,734	P41,186	**P41,550**	P14,144	P11,432	**P234,832**	P250,806	P258,556	**(P111,397)**	(P100,985)	(P128,866)	**P1,101,619**	P1,072,453	P1,000,775
Investments in and advances to associates and joint ventures	**525**	659	720	**-**	-	-	**3,949**	3,782	3,636	**10,613**	10,612	6,012	**1,811**	1,169	892	**(624)**	10,769	7,465	**-**	8,873	7,515	**10,655**	10,787	42,815	**-**	-	-	**26,929**	46,651	69,055
Goodwill and trademarks and brand names																												**59,278**	41,454	41,995
Other assets																												**41,755**	41,726	42,257
Assets held for sale																												**-**	554	13
Deferred tax assets																												**16,441**	14,651	15,608
Consolidated Total Assets																												**P1,246,022**	P1,217,489	P1,169,703
Segment liabilities	**P22,558**	P21,243	P23,574	**P17,233**	P16,220	P15,854	**P5,688**	P5,318	P6,383	**P28,197**	P23,519	P16,941	**P31,756**	P65,165	P72,522	**P40,487**	P16,811	P31,141	**P22,320**	P25,361	P21,062	**P79,431**	P75,555	P76,109	**(P114,718)**	(P117,636)	(P135,125)	**P132,952**	P131,556	P128,461
Loans payable																												**146,859**	180,059	143,226
Long-term debt																												**368,377**	302,988	307,497
Finance lease liabilities																												**179,280**	186,330	195,048
Income and other taxes payable																												**13,907**	13,303	13,058
Dividends payable and others																												**4,441**	5,513	5,959
Deferred tax liabilities																												**15,329**	7,820	11,061
Consolidated Total Liabilities																												**P861,145**	P827,569	P804,310

	For the Years Ended December 31, 2015, 2014 and 2013																													
	Beverage			Food			Packaging			Energy			Fuel and Oil			Infrastructure			Telecommunications			Others			Eliminations			Consolidated		
	2015	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013
Capital expenditures	**P1,319**	P1,138	P1,278	**P3,128**	P647	P1,978	**P2,150**	P2,092	P2,383	**P31,105**	P17,447	P4,123	**P13,474**	P13,038	P51,412	**P243**	P34	P69	**P4,209**	P1,599	P1,231	**P4,345**	P2,956	P3,391	**P** -	P -	P -	**P59,973**	P38,951	P65,865
Depreciation and amortization of property, plant and equipment (Note 29)	**1,837**	2,153	2,295	**945**	1,057	932	**1,580**	1,468	1,415	**6,513**	6,171	5,404	**5,364**	5,494	5,253	**148**	54	28	**523**	378	428	**1,185**	1,132	1,012	**-**	-	-	**18,095**	17,907	16,767
Noncash items other than depreciation and amortization of property, plant and equipment	**1,670**	1,185	2,106	**2,171**	2,089	1,959	**218**	299	1,057	**7,930**	973	9,724	**3,701**	738	3,558	**3,621**	366	1,303	**(3,417)**	35	15	**828**	570	5,701	**-**	-	-	**16,722**	6,255	25,423
Loss on impairment of goodwill, property, plant and equipment, and other noncurrent assets	**1,098**	-	1,539	-	245	-	-	19	-	-	-	-	**262**	798	-	-	-	-	**1,333**	-	-	**-**	-	96	-	-	-	**2,693**	1,062	1,635

8. Assets Held for Sale

a) Indophil Resources NL (Indophil)

On December 18, 2014, the shareholders of Indophil qualified to vote, approved the scheme of arrangement proposed by Alsons Prime Investments Corporations to purchase all the shares of current shareholders of Indophil, inclusive of the shares held by Coastal View Exploration Corporation (Coastal View) for Australian dollar (A$) 30 cents per share.

Accordingly, the carrying amount of the investment in Indophil, amounting to P527 as of December 31, 2014 was reclassified to "Assets held for sale" account in the 2014 consolidated statement of financial position.

On January 30, 2015, Coastal View received the payment on the sale of investment in shares of stock of Indophil amounting to A$14 (P493).

b) Petron Mega Plaza

During the second quarter of 2013, Petron sold its remaining office units located at Petron Megaplaza covering the 28th to 44th floors and parking spaces, and recognized a gain amounting to P580, included as part of "Gain on sale of investments and property and equipment" account in the 2013 consolidated statement of income.

9. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**2015**	2014
Cash in banks and on hand		**P33,011**	P32,363
Short-term investments		**147,747**	226,243
	41, 42	**P180,758**	P258,606

Cash in banks earn interest at the respective bank deposit rates. Short-term investments include demand deposits which can be withdrawn at anytime depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates (Note 32).

10. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**2015**	2014
Trade		**P55,573**	P57,872
Non-trade	*18, 40*	**40,535**	57,585
Amounts owed by related parties	*34, 36*	**14,544**	22,034
		110,652	137,491
Less allowance for impairment losses	*4, 5, 28*	**9,925**	8,253
	4, 41, 42	**P100,727**	P129,238

Trade receivables are non-interest bearing and are generally on a 30 to 45-day term.

Non-trade receivables include claims from the Government, interest receivable, claims receivable, contracts receivable, subscription receivable and others. Claims from the Government pertain to duty drawback, VAT and specific tax claims as well as subsidy receivables from the Government of Malaysia under the Automatic Pricing Mechanism.

The movements in the allowance for impairment losses are as follows:

	Note	**2015**	2014
Balance at beginning of year		**P8,253**	P8,450
Charges for the year	*28*	**189**	848
Amounts written off		**(84)**	(348)
Acquisition of subsidiaries	*5*	**1,421**	-
Translation adjustments and others		**146**	(697)
Balance at end of year		**P9,925**	P8,253

The aging of receivables is as follows:

December 31, 2015	Trade	Non-trade	Amounts owed by related parties	Total
Current	**P42,829**	**P29,740**	**P14,544**	**P87,113**
Past due:				
1 - 30 days	**5,613**	**3,637**	**-**	**9,250**
31 - 60 days	**1,440**	**582**	**-**	**2,022**
61 - 90 days	**866**	**1,136**	**-**	**2,002**
Over 90 days	**4,825**	**5,440**	**-**	**10,265**
	P55,573	**P40,535**	**P14,544**	**P110,652**

December 31, 2014	Trade	Non-trade	Amounts owed by related parties	Total
Current	P46,001	P30,251	P22,034	P98,286
Past due:				
1 - 30 days	5,441	3,642	-	9,083
31 - 60 days	1,671	281	-	1,952
61 - 90 days	604	181	-	785
Over 90 days	4,155	23,230	-	27,385
	P57,872	P57,585	P22,034	P137,491

Various collaterals for trade receivables such as bank guarantees, time deposit and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality (Note 41).

11. Inventories

Inventories consist of:

	2015	2014
At NRV:		
Finished goods and goods in process (including petroleum products)	**P37,901**	P60,850
Materials and supplies (including coal)	**20,431**	19,529
Containers	**1,482**	1,212
At Cost:		
Raw land inventory and real estate projects	**4,334**	4,255
	P64,148	P85,846

The cost of finished goods and goods in process amounted to P38,629 and P61,750 as of December 31, 2015 and 2014, respectively.

If the Group used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other petroleum products would have increased by P2,798 and P618 as of December 31, 2015 and 2014, respectively.

The cost of materials and supplies amounted to P21,295 and P20,372 as of December 31, 2015 and 2014, respectively.

Containers at cost amounted to P2,080 and P1,779 as of December 31, 2015 and 2014, respectively.

The fair value of agricultural produce less costs to sell, which formed part of finished goods inventory, amounted to P649 and P553 as of December 31, 2015 and 2014, respectively, with corresponding costs at point of harvest amounting to P621 and P509, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P29 and P44 as of December 31, 2015 and 2014, respectively.

The fair values of marketable hogs and cattle, and grown broilers, which comprise the Group's agricultural produce, have been categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs and cattle; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

The net realizable value of raw land inventory and real estate projects is higher than the carrying amount as of December 31, 2015 and 2014, based on management's assessment.

The fair value of raw land inventory amounted to P9,740 and P7,318 as of December 31, 2015 and 2014, respectively. The fair value has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

In estimating the fair value of the raw land inventory, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's raw land inventory is its current use.

The Level 3 fair value of raw land inventory was derived using the observable recent transaction prices for similar raw land inventory in nearby locations adjusted for differences in key attributes such as property, size, zoning and accessibility. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value (Note 4).

12. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	**2015**	2014
Prepaid taxes and licenses		**P60,227**	P41,345
Restricted cash - current	*41, 42*	**4,230**	1,604
Advances to contractors and suppliers		**1,720**	3,673
CIP - airport concession arrangements	*4, 35*	**974**	857
Prepaid insurance		**603**	453
Catalyst		**454**	-
Prepaid rent		**426**	318
Derivative assets	*41, 42*	**391**	360
Financial assets at FVPL	*41, 42*	**147**	136
AFS financial assets - current portion	*4, 14, 41, 42*	**70**	431
Option deposit	*41, 42*	**-**	1,118
Others		**4,417**	2,591
		P73,659	P52,886

The CIP - airport concession arrangement of the Group includes the accumulated costs incurred on the design of the upgrade component of the Boracay Airport Project. It also includes the cost of a parcel of land earmarked for such upgrade, capitalized borrowing cost and the present value of the obligation to maintain and restore the Boracay Airport prior to its transfer to the ROP at the end of the concession period. The cost included in CIP that relates to the upgrade component of the Project was recognized as construction cost upon commencement of the upgrade (Note 4). The interest expense related to the accretion of the IRO amounting to P4 in 2015, 2014 and 2013, was recognized as part of "Other financing charges" under "Interest expense and other financing charges" account in the consolidated statements of income (Note 31).

"Others" consist of prepayments for various operating expenses and payments for professional services relating to the loan that SCPC is applying for in 2015.

The methods and assumptions used to estimate the fair values of restricted cash, option deposit, financial assets at FVPL, derivative assets and AFS financial assets are discussed in Note 42.

13. Investments and Advances

Investments and advances consist of:

	Note	2015	2014 As restated
Investments in Shares of Stock of Associates and Joint Ventures - at Equity			
Acquisition Cost			
Balance at beginning of year		**P27,129**	P50,946
Additions		**700**	3,578
Disposal		**-**	(21,506)
Reclassification to investments in shares of stock of subsidiaries	*5*	**(13,096)**	-
Others		**-**	(5,889)
Balance at end of year		**14,733**	27,129
Accumulated Equity in Net Earnings (Losses)			
Balance at beginning of year		**1,709**	(6,240)
Disposal		**-**	5,712
Equity in net earnings (losses)		**(386)**	1,701
Share in other comprehensive income (loss)		**(121)**	552
Reclassification to investments in shares of stock subsidiaries	*5*	**(695)**	-
Dividends		**(7)**	(5)
Others		**-**	(11)
Balance at end of year		**500**	1,709
		15,233	28,838
Advances		**11,696**	17,813
		P26,929	P46,651

The following are the developments relating to the Group's investments in shares of stock of associates and joint ventures:

Investments in Shares of Stock of Associates

a. Trustmark Holdings Corporation (Trustmark), Zuma Holdings and Management Corporation (Zuma) and Fortunate Star Limited (Fortunate Star)

On October 23, 2014, the Group received from the Lucio Tan Group, a total of US$874 or an equivalent of P38,616 from the sale of the 49% equity interest in Trustmark and Zuma, including indirect ownership interests of 43.23% and 48.98% in Philippine Airlines, Inc. and Air Philippines Corporation, respectively, and the sale of the equity interest and cancellation of subscription rights on the shares of stock of Fortunate Star. As a result, a gain of P491 was recognized in the 2014 consolidated statement of income, included as part of "Gain on sale of investments and property and equipment" account.

b. Investment in Bank of Commerce (BOC)

In 2012, the Parent Company through SMPI, started the negotiation for the sale of 44,817,164 common shares of BOC, representing 39.93% equity ownership interest. Accordingly, the investment in BOC with a carrying amount of P8,785, which includes the accumulated share in BOC's total comprehensive income of P983, was reclassified from "Investments and advances" account to "Assets held for sale" account in the 2012 consolidated statements of financial position.

In 2015, SMPI's management determined that there are no active buyers of its investment. Consequently, SMPI ceased to classify the investment as part of "Assets held for sale". As a result, the Group restated the comparative consolidated financial statements to appropriately recognize and bring back the investment in BOC to its carrying value, using equity method, as if the reclassification did not occur.

The effect of the restatement on the affected assets and equity components is shown below:

	December 31, 2014		
	As Previously Reported	Prior Period Adjustments	As Restated
Changes in assets:			
Investment and advances	P37,427	P9,224	P46,651
Asset held for sale	9,339	(8,785)	554
Total	P46,766	P439	P47,205
Changes in components of equity:			
Cumulative translation adjustment	P4,251	(P377)	P3,874
Reserve for retirement plan	(1,115)	(101)	(1,216)
Unappropriated retained earnings	119,655	916	120,571
Non-controlling interests	149,019	1	149,020
Total	P271,810	P439	P272,249

	December 31, 2013		
	As Previously Reported	Prior Period Adjustments	As Restated
Changes in assets:			
Investment and advances	P60,654	P8,401	P69,055
Asset held for sale	8,798	(8,785)	13
Total	P69,452	(P384)	P69,068
Changes in components of equity:			
Cumulative translation adjustment	P4,863	(P782)	P4,081
Reserve for retirement plan	862	(72)	790
Unappropriated retained earnings	138,256	471	138,727
Non-controlling interests	128,070	(1)	128,069
Total	P272,051	(P384)	P271,667

The effects of the prior year adjustments on the statements of comprehensive income in 2014 and 2013 are shown below.

	December 31, 2014		
	As Previously Reported	Prior Period Adjustments	As Restated
Profit or loss:			
Equity in net earnings of associates and joint ventures	P1,255	P446	P1,701
Changes in other comprehensive income:			
Share in other comprehensive income of associatesand joint ventures	175	377	552
Net income attributable to:			
Equity holders of the Parent Company	14,692	445	15,137
Non-controlling interest	13,440	1	13,441
	P28,132	P446	P28,578

	December 31, 2013		
	As Previously Reported	Prior Period Adjustments	As Restated
Profit or loss:			
Equity in net earnings (losses) of associates and joint ventures	(P967)	P465	(P502)
Changes in other comprehensive income:			
Share in other comprehensive loss of associates and joint ventures	(480)	(773)	(1,253)
Net income attributable to:			
Equity holders of the Parent Company	38,053	464	38,517
Non-controlling interest	12,675	1	12,676
	P50,728	P465	P51,193

The prior year adjustments did not have a material impact on the consolidated statements of cash flows in 2014 and 2013.

c. AAIBV

Upon the execution of a Notarial Deed of Transfer of Shares, Padma transferred to SMHC an additional 48.47% equity interest in AAIBV resulting in the increase in SMHC's ownership to 95%. As such, SMHC gained control and consolidated AAIBV effective March 5, 2015 (Note 5).

d. Northern Cement Corporation (NCC)

SMC through SMYPC, has 35% equity interest in NCC representing 104,500,000 common shares.

NCC is primarily engaged in manufacturing, developing, processing, exploiting, buying and selling cement and/or other products derived therefrom.

e. LTHI

Upon completion of the tender offer and share purchases, Vega effectively owns 97.46% of the total outstanding capital stock of LTHI. As such, Vega gained control and consolidated LTHI effective September 2, 2015 (Note 5).

f. Top Frontier

On October 17, 2013, the BOD of the Parent Company approved the declaration, by way of property dividends, of 240,196,000 common shares of Top Frontier to the SMC common shareholders of record (the "Receiving Shareholders") as of November 5, 2013. The SEC approved the property dividend declaration on November 19, 2013, and the Certificate Authorizing Registration was issued by the Bureau of Internal Revenue (BIR) on December 26, 2013.

The Receiving Shareholder received one common share of Top Frontier for every ten common shares of the Parent Company. Fractional shares below ten were dropped. The fair value of the Top Frontier shares is P178.00 per share, based on the Valuation and Fairness Opinion rendered by an independent advisor.

The property dividend distribution resulted in the Parent Company's public shareholders owning about 11.8% of Top Frontier as of December 31, 2013.

As a result of the property dividend distribution, the Group recognized a remeasurement gain on property dividends amounting to P4,812, included as part of "Other income (charges)" account in the 2013 consolidated statement of income (Note 33). Also, the remaining investment in 2,561,031 common shares and 1,904,540 preferred shares of Top Frontier amounting to P35,829 as of December 31, 2013 were reclassified to "Available-for-sale financial assets" account (Note 14). As a result of the reclassification, the Group recognized a remeasurement gain of P51, included as part of "Other income (charges)" account in the 2013 consolidated statement of income (Note 33).

g. Meralco

On July 19, 2013, the Parent Company sold 64,333,330 shares of common stock in Meralco at P270.00 per share.

On September 30, 2013, the Parent Company, together with SMPFC and SMC Global, entered into a Share Purchase Agreement with JG Summit Holdings, Inc., for the sale of the remaining 305,689,397 shares of stock of Meralco for P71,837.

As a result of the sale, the Group recognized a gain of P40,423, included as part of "Gain on sale of investments and property and equipment" account in the 2013 consolidated statement of income.

Investments in Shares of Stock of Joint Ventures

a. TSML

The Parent Company through GSMI's subsidiary, GSMIL, has an existing Joint Venture (JV) with Thai Life Group of Companies (Thai Life) covering the ownership and operations of TSML. TSML is a limited company organized under the laws of Thailand in which GSMIL owns 40% ownership interest. TSML holds a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets.

Through the acquisition by SHL, a subsidiary of GSMI, of the 49% ownership interest in Siam Wine Liquor Co., Ltd. (SWL) and SWL's acquisition of shares representing 10% ownership of the outstanding capital stock of TSML, the Group's share in TSML increased from 40% to 44.9%.

b. TGT

The Parent Company through GSMI's subsidiary, GSMIHL, also has an existing 40% ownership interest in TGT, which was formed as another JV with Thai Life. TGT functions as the selling and distribution arm of TSML.

Through the acquisition of SWL of the 10% ownership interest in TGT, the Group's share in TGT increased from 40% to 44.9%.

c. Angat Hydro and KWPP

PVEI, a subsidiary of SMC Global, and Korea Water Resources Corporation (K-Water) entered into a joint venture partnership for the acquisition, rehabilitation, operation and maintenance of the 218 Megawatt (MW) Angat Hydroelectric Power Plant (Angat Power Plant) awarded by PSALM to K-Water.

On November 18, 2014, PVEI acquired from the individual stockholders and K-Water, 2,817,270 shares or 60% of the outstanding capital stock of Angat Hydro and from the individual stockholders, 75 shares representing 60% of KWPP outstanding capital stock. Accordingly, PVEI paid K-Water and the individual stockholders a total of US$39 as full payment of the share purchase price.

In accordance with the entry of PVEI in Angat Hydro and KWPP, K-Water and PVEI are jointly in control of the management and operation of Angat Hydro and KWPP.

Further, PVEI agreed to pay K-Water a support fee amounting to 3% of the total amount of the bridge loan facility which was obtained for the acquisition by Angat Hydro of the Angat Power Plant. This was subsequently reduced to 1.5% of the amount of the bridge loan facility effective August 4, 2015.

Advances:

a. SMPI made deposits to Primeria Commercio Holdings, Inc. (PCHI) amounting to P804 as of December 31, 2015 and 2014. The deposits will be applied against future stock subscriptions of SMPI to the shares of stock of PCHI.

b. The deposits made by Vega amounting to P5,959 as of December 31, 2014 were applied against the acquisition of 88.17% equity interest in CTI in 2015 (Note 5).

c. SMC Global and SMEC made deposits to certain land holding companies for future stock subscriptions amounting to P9,131 and P8,602, as of December 31, 2015 and 2014, respectively.

d. Other advances pertain to deposits made to certain companies which will be applied against future stock subscriptions.

The details of the Group's material investments in shares of stock of associates and joint ventures which are accounted for using the equity method are as follows:

	December 31, 2015						December 31, 2014								
	Angat Hydro and KWPP	NCC	BOC	TGT and TSML	Others	Total	AAIBV	LTHI	NCC	TGT and TSML	Angat Hydro and KWPP	BOC	MNHPI	Others	Total
Country of incorporation	**Philippines**	**Philippines**	**Philippines**	**Thailand**			Netherlands	Philippines	Philippines	Thailand	Philippines	Philippines	Philippines		
Percentage of ownership	**60.00%**	**35.00%**	**39.93%**	**44.90%**			46.53%	45.58%	35.00%	44.90%	60.00%	44.90%	35.00%		
Share in net income (loss)	**(P529)**	**P194**	**P50**	**(P110)**	**P9**	**(P386)**	P1,246	(P389)	P170	(P66)	(P11)	P446	P102	P203	P1,701
Share in other comprehensive income (loss)	**-**	**(27)**	**(324)**	**(25)**	**255**	**(121)**	199	-	(24)	6	-	377	-	(6)	552
Share in total comprehensive income (loss)	**(P529)**	**P167**	**(P274)**	**(P135)**	**P264**	**(P507)**	P1,445	(P389)	P146	(P60)	(P11)	P823	P102	P197	P2,253
Dividends received from associates	**P -**	**P -**	**P -**	**P -**	**P7**	**P7**	P -	P -	P -	P -	P -	P -	P -	P5	P5
Carrying amount of investments in shares of stock of associates and joint ventures	**P1,290**	**P3,950**	**P8,949**	**P525**	**P519**	**P15,233**	P8,732	P2,915	P3,782	P659	P1,819	P9,224	P987	P720	P28,838

The following are the unaudited condensed financial information of the Group's material investments in shares of stock of associates and joint ventures:

	December 31, 2015					December 31, 2014							
	Angat Hydro and KWPP	NCC	BOC	TGT and TSML	Others	AAIBV	LTHI	NCC	TGT and TSML	Angat Hydro and KWPP	BOC	MNHPI	Others
Current assets	**P1,146**	**P1,663**	**P128,320**	**P477**	**P2,825**	P21,293	P936	P1,763	P1,295	P407	P131,846	P1,974	P3,739
Noncurrent assets	**19,736**	**5,754**	**9,154**	**894**	**1,120**	60,669	2,532	4,374	1,330	20,187	8,865	8,091	1,259
Current liabilities	**(20,866)**	**(1,400)**	**(117,673)**	**(84)**	**(853)**	(7,914)	(1,989)	(719)	(30)	(19,714)	(120,131)	(2,590)	(1,498)
Noncurrent liabilities	**(36)**	**(38)**	**(3,071)**	**(950)**	**(889)**	(60,740)	(330)	(178)	(1,300)	(17)	(3,403)	(5,508)	(573)
Net assets (liabilities)	**(P20)**	**P5,979**	**P16,730**	**P337**	**P2,203**	P13,308	P1,149	P5,240	P1,295	P863	P17,177	P1,967	P2,927
Sales	**P1,249**	**P5,042**	**P3,955**	**P704**	**P2,004**	P11,831	P427	P4,545	P848	P154	P4,453	P2,115	P3,052
Net income (loss)	**(P882)**	**P780**	**P330**	**P105**	**P99**	P2,759	(P897)	P761	(P148)	(P19)	P1,330	P278	P192
Other comprehensive income (loss)	**-**	**(40)**	**1,935**	**-**	**-**	(131)	-	(69)	-	-	1,407	-	(21)
Total comprehensive income (loss)	**(P882)**	**P740**	**P2,265**	**P105**	**P99**	P2,628	(P897)	P692	(P148)	(P19)	P2,737	P278	P171

14. Available-for-Sale Financial Assets

Available-for-sale financial assets consist of:

	Note	**2015**	2014
Equity securities		**P40,933**	P40,968
Government and other debt securities		**457**	722
Proprietary membership shares and others		**226**	200
	4, 41, 42	**41,616**	41,890
Less current portion	*12*	**70**	431
		P41,546	P41,459

Equity Securities

Equity securities include the investments in the shares of stock of Top Frontier consisting of 2,561,031 common shares and 1,904,540 preferred shares with a total amount of P35,597 and P35,742 as of December 31, 2015 and 2014, respectively. The shares were reclassified to "Available-for-sale financial assets" account in 2013 as a result of the property dividend distribution (Note 13).

Govenrment Securities

a) Petrogen's government securities are deposited with the Bureau of Treasury in accordance with the provisions of the Insurance Code, for the benefit and security of its policyholders and creditors. These investments bear fixed annual interest rates ranging from 4.47% to 8.88% in 2015 and 2014 (Note 32).

b) Ovincor's corporate bonds are maintained at the HSBC Bank Bermuda Limited and carried at fair value with fixed annual interest rates 6.75% to 7.00% (Note 32).

The movements in AFS financial assets are as follows:

	Note	**2015**	2014
Balance at beginning of the year		**P41,890**	P42,406
Additions		**163**	298
Disposals		**(438)**	(359)
Amortization of premium		**(15)**	(14)
Reclassification	*8*	**-**	(527)
Fair value loss		**(2)**	86
Currency translation adjustment		**18**	-
Balance at end of the year	*4, 41, 42*	**P41,616**	P41,890

The methods and assumptions used to estimate the fair value of AFS financial assets are discussed in Note 42.

15. Property, Plant and Equipment

Property, plant and equipment consist of:

	Note	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Cost										
January 1, 2014		P25,474	P47,504	P221,761	P49,648	P15,669	P125,520	P2,176	P108,494	P596,246
Additions		771	3,438	5,028	789	1,292	6,041	112	21,669	39,140
Disposals/reclassifications/ acquisition of subsidiaries		2,788	(749)	-	682	(426)	(4,133)	(32)	5,988	4,118
Currency translation adjustments		(428)	(450)	-	(587)	(393)	(489)	(37)	(173)	(2,557)
December 31, 2014		28,605	49,743	226,789	50,532	16,142	126,939	2,219	135,978	636,947
Additions		869	3,743	-	1,177	1,191	9,041	115	43,837	59,973
Disposals/reclassifications/ acquisition of subsidiaries		3,036	(1,770)	-	(362)	(74)	5,132	(147)	2,938	8,753
Currency translation adjustments		(1,158)	(1,263)	-	(1,562)	(1,029)	(317)	-	(346)	(5,675)
December 31, 2015		**31,352**	**50,453**	**226,789**	**49,785**	**16,230**	**140,795**	**2,187**	**182,407**	**699,998**
Accumulated Depreciation and Amortization										
January 1, 2014		2,812	18,637	21,127	30,285	9,673	74,354	1,152	-	158,040
Depreciation and amortization	*29*	181	1,805	5,804	1,887	1,310	6,776	144	-	17,907
Disposals/reclassifications/ acquisition of subsidiaries		421	(227)	-	(40)	(274)	(3,149)	(21)	-	(3,290)
Currency translation adjustments		(31)	(276)	-	86	(238)	(796)	(5)	-	(1,260)
December 31, 2014		3,383	19,939	26,931	32,218	10,471	77,185	1,270	-	171,397
Depreciation and amortization	*29*	205	1,754	6,031	1,730	1,287	6,925	163	-	18,095
Disposals/reclassifications/ acquisition of subsidiaries		61	(777)	-	(109)	(53)	4,656	(284)	-	3,494
Currency translation adjustments		(75)	(722)	-	(751)	(565)	(841)	-	-	(2,954)
December 31, 2015		**3,574**	**20,194**	**32,962**	**33,088**	**11,140**	**87,925**	**1,149**	**-**	**190,032**

Forward

	Note	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses										
January 1, 2014		P266	P2,663	P -	P -	P -	P8,517	P 1	P -	P11,447
Impairment	29	-	-	-	-	-	19	-	-	19
Disposals and reclassifications		-	(403)	-	-	-	(885)	-	-	(1,288)
Currency translation adjustments		-	10	-	-	-	39	-	-	49
December 31, 2014		266	2,270	-	-	-	7,690	1	-	10,227
Impairment	29	-	202	-	-	-	2,129	-	-	2,331
Disposals and reclassifications		-	-	-	-	-	(9)	-	-	(9)
Currency translation adjustments		-	(22)	-	-	-	87	-	-	65
December 31, 2015		**266**	**2,450**	**-**	**-**	**-**	**9,897**	**1**	**-**	**12,614**
Carrying Amount										
December 31, 2014		P24,956	P27,534	P199,858	P18,314	P5,671	P42,064	P948	P135,978	P455,323
December 31, 2015		**P27,512**	**P27,809**	**P193,827**	**P16,697**	**P5,090**	**P42,973**	**P1,037**	**P182,407**	**P497,352**

"Equipment, furniture and fixtures" includes machinery, telecommunications equipment, transportation equipment, tools and small equipment and office equipment.

Total depreciation, amortization and impairment losses recognized in the consolidated statements of income amounted to P20,426, P17,926 and P18,306 in 2015, 2014 and 2013, respectively (Notes 29 and 33). These amounts include annual amortization of capitalized interest amounting to P128, P123 and P117 in 2015, 2014 and 2013, respectively.

The Group has interest amounting to P3,027 and P3,621 which was capitalized in 2015 and 2014, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization range from 4.347% to 6.77% and 4.88% to 8.10% in 2015 and 2014, respectively. The unamortized capitalized borrowing costs amounted to P12,047 and P9,148 as of December 31, 2015 and 2014, respectively.

The combined carrying amounts of power plants and equipment under finance lease amounted to P183,042 and P188,155 as of December 31, 2015 and 2014, respectively (Notes 4 and 35).

On November 4, 2013, the Parent Company, BPI and SMYPC signed respective Sale and Purchase Agreements and Asset Purchase Agreements with Coca-Cola Bottlers Philippines, Inc. and its subsidiary, Luzviminda Land Holdings, Inc., for the sale of the PET Plant and other properties located in Davao for P1,263. The Group recognized a gain amounting to P186, which was included as part of "Gain on sale of investments and property and equipment" account in the 2013 consolidated statement of income.

16. Investment Property

The movements in investment property are as follows:

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
Cost					
January 1, 2014	P2,306	P534	P465	P1,631	P4,936
Additions	970	4	6	19	999
Reclassifications	125	-	3	(1,631)	(1,503)
Disposals	-	-	(6)	-	(6)
Currency translation adjustments	2	3	-	-	5
December 31, 2014	3,403	541	468	19	4,431
Additions	1,189	-	1	77	1,267
Reclassifications	(272)	412	-	5	145
Disposals	(4)	-	-	-	(4)
Currency translation adjustments	18	19	-	-	37
December 31, 2015	**4,334**	**972**	**469**	**101**	**5,876**
Accumulated Depreciation and Amortization					
January 1, 2014	101	205	446	-	752
Depreciation and amortization	8	13	11	-	32
Disposals and reclassifications	-	-	(6)	-	(6)
Currency translation adjustments	1	1	-	-	2
December 31, 2014	110	219	451	-	780
Depreciation and amortization	10	14	5	-	29
Reclassifications	16	284	-	-	300
Currency translation adjustments	5	8	-	-	13
December 31, 2015	**141**	**525**	**456**	**-**	**1,122**
Accumulated Impairment Losses December 31, 2014 and 2015	**8**	**-**	**-**	**-**	**8**
Carrying Amount					
December 31, 2014	P3,285	P322	P17	P19	P3,643
December 31, 2015	**P4,185**	**P447**	**P13**	**P101**	**P4,746**

No impairment loss was recognized in 2015 and 2014.

There are no other direct selling and administrative expenses other than depreciation and amortization and real property taxes arising from investment property that generated income in 2015, 2014 and 2013.

The fair value of investment property amounting to P21,420 and P6,579 as of December 31, 2015 and 2014, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group's investment property on a regular basis.

Valuation Technique and Significant Unobservable Inputs
The valuation of investment property applied one or more or a combination of the three approaches below:

Cost Approach. This approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of this approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of investment property.

Sales Comparison Approach. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and

occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment ranges from 3% to 5%.

17. Biological Assets

Biological assets consist of:

	Note	**2015**	2014
Current:			
Growing stocks		**P2,950**	P2,977
Goods in process		**369**	343
		3,319	3,320
Noncurrent:			
Breeding stocks - net	*4*	**2,177**	1,973
		P5,496	P5,293

The amortization of breeding stocks recognized in the consolidated statements of income amounted to P1,769, P1,537 and P1,524 in 2015, 2014 and 2013, respectively (Note 29).

Growing stocks pertain to growing broilers, hogs and cattle, while goods in process pertain to hatching eggs.

The movements in biological assets are as follows:

	Note	**2015**	2014
Cost			
Balance at beginning of year		**P6,173**	P6,036
Increase (decrease) due to:			
Production		**39,157**	37,560
Purchases		**604**	896
Mortality		**(712)**	(734)
Sales and harvest		**(37,072)**	(36,184)
Retirement		**(1,560)**	(1,401)
Balance at end of year		**6,590**	6,173
Accumulated Amortization			
Balance at beginning of year		**880**	698
Additions	*29*	**1,769**	1,537
Retirement		**(1,555)**	(1,339)
Disposals		**-**	(16)
Balance at end of year		**1,094**	880
Carrying Amount		**P5,496**	P5,293

The Group harvested approximately 477.9 million and 452.9 million kilograms of grown broilers in 2015 and 2014, respectively, and 0.68 million and 0.75 million heads of marketable hogs and cattle in 2015 and 2014, respectively.

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P42,857 and P37,106 in 2015 and 2014, respectively.

18. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

	2015	2014
Goodwill	**P58,603**	P41,211
Other intangible assets	**139,969**	45,114
	P198,572	P86,325

The movements in goodwill are as follows:

	Note	**2015**	2014
Balance at beginning of year		**P41,211**	P41,752
Additions	*4, 5, 39*	**18,918**	7
Currency translation adjustments and others		**(1,526)**	(548)
Balance at end of year	*4*	**P58,603**	P41,211

The movements in other intangible assets with indefinite useful lives are as follows:

	Note	**Licenses**	**Trademarks and Brand Names**	**Total**
Cost				
January 1, 2014		P7,005	P436	P7,441
Currency translation adjustments		4	1	5
December 31, 2014		7,009	437	7,446
Additions		-	446	446
Acquisition of subsidiaries	*5, 39*	18,465	-	18,465
Currency translation adjustments		(69)	12	(57)
December 31, 2015		**25,405**	**895**	**26,300**
Accumulated Impairment Losses				
January 1, 2014		-	193	193
Currency translation adjustments		-	1	1
December 31, 2014		-	194	194
Impairment		-	14	14
Currency translation adjustments		-	11	11
December 31, 2015		**-**	**219**	**219**
Carrying Amount				
December 31, 2014		P7,009	P243	P7,252
December 31, 2015		**P25,405**	**P676**	**P26,081**

In November 2014, the Parent Company through SMPFC entered into an Intellectual Property Rights Transfer Agreement with Felicisimo Martinez & Co. Inc.'s (FMC) *La Pacita* for the transfer to SMPFC of FMC's trademarks, formulations, recipes and other intangible properties (collectively, the "IP Rights") relating to the *La Pacita* biscuit and flour-based snack business. SMPFC made a refundable deposit on the same date, included as part of "Non-trade" under "Trade and other receivables" account in the 2014 consolidated statement of financial position (Note 10).

In February 2015, the refundable deposit was reversed following the substantial fulfillment of the closing conditions and the payment of the consideration.

The movements in other intangible assets with finite useful lives are as follows:

	Note	Toll Road Concession Rights	Leasehold and Land Use Rights	Mineral Rights and Evaluation Assets	Airport Concession Right	Computer Software and Licenses	Power Concession Right	Project Development Cost	Port Concession Right	Others	Total
Cost											
January 1, 2014		P13,312	P1,582	P1,720	P917	P218	P -	P11,040	P -	P2,119	P30,908
Additions		7,540	-	-	1,402	34	496	-	-	127	9,599
Acquisition of subsidiaries	*5, 39*	-	-	165	-	-	-	-	-	-	165
Disposals and reclassifications		11,040	(95)	-	-	(11)	-	(11,040)	-	104	(2)
Currency translation adjustments		-	6	-	-	1	-	-	-	(30)	(23)
December 31, 2014		31,892	1,493	1,885	2,319	242	496	-	-	2,320	40,647
Additions		10,052	-	-	1,056	21	47	-	621	388	12,185
Acquisition of subsidiaries	*5, 39*	71,564	-	-	-	4	-	-	10,353	29	81,950
Disposals and reclassifications		9	2	-	-	(31)	-	-	-	70	50
Currency translation adjustments		1,799	14	-	-	-	-	-	-	(84)	1,729
December 31, 2015		**115,316**	**1,509**	**1,885**	**3,375**	**236**	**543**	**-**	**10,974**	**2,723**	**136,561**
Accumulated Amortization											
January 1, 2014		258	510	-	25	122	-	-	-	1,209	2,124
Amortization		336	33	-	12	13	15	-	-	289	698
Disposals and reclassifications		-	(22)	-	-	-	-	-	-	(1)	(23)
Currency translation adjustments		-	2	-	-	-	-	-	-	(16)	(14)
December 31, 2014		594	523	-	37	135	15	-	-	1,481	2,785
Amortization		2,556	32	-	41	12	21	-	28	284	2,974
Acquisition of subsidiaries	*5, 39*	15,994	-	-	-	-	-	-	535	-	16.529
Disposals and reclassifications		-	-	-	-	(15)	-	-	-	190	175
Currency translation adjustments		259	2	-	-	-	-	-	-	(51)	210
December 31, 2015		**19,403**	**557**	**-**	**78**	**132**	**36**	**-**	**563**	**1,904**	**22,673**
Carrying Amount											
December 31, 2014		P31,298	P970	P1,885	P2,282	P107	P481	P -	P -	P839	P37,862
December 31, 2015		**P95,913**	**P952**	**P1,885**	**P3,297**	**P104**	**P507**	**P -**	**P10,411**	**P819**	**P113,888**

Project development cost represents the upfront fee paid by Vertex to the Department of Public Works and Highways (DPWH) for the NAIA Expressway Project which was reclassified to toll road concession rights as of December 31, 2014 (Note 35).

Goodwill, licenses and trademarks and brand names with indefinite lives and mineral rights and evaluation assets with finite lives acquired through business combinations, have been allocated to individual cash-generating units, for impairment testing as follows:

	2015			2014		
	Goodwill	**Licenses, Trademarks and Brand Names**	**Mineral Rights and Evaluation Assets**	Goodwill	Licenses, Trademarks and Brand Names	Mineral Rights and Evaluation Assets
Fuel and oil	**P29,719**	**P -**	**P -**	P30,947	P -	P -
Infrastructure	**21,946**	**-**	**-**	3,580	-	-
Food	**2,820**	**676**	**-**	2,820	229	-
Packaging	**2,418**	**-**	**-**	2,069	-	-
Beverage	**905**	**1,719**	**-**	1,000	1,802	-
Telecommunications	**733**	**23,686**	**-**	733	5,221	-
Energy	**-**	**-**	**1,720**	-	-	1,720
Others	**62**	**-**	**165**	62	-	165
Total	**P58,603**	**P26,081**	**P1,885**	P41,211	P7,252	P1,885

The recoverable amount of goodwill has been determined based on fair value less costs to sell or a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. This growth rate is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections ranged from 6% to 14% in 2015 and 2014. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

Impairment loss recognized in 2015 and 2014 amounted to P100 and P127, respectively (Note 33). No impairment loss was recognized in 2013.

The recoverable amount of licenses, trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The range of the growth rates used is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections ranged from 6.4% to 16.6% in 2015 and 2014. The recoverable amount of trademarks and brand names has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique.

Impairment loss recognized in 2015 amounted to P14 (Note 33).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

The calculations of value in use are most sensitive to the following assumptions:

- *Gross Margins.* Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

- *Discount Rates.* The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

19. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	2015	2014
Noncurrent receivables and deposits - net	*34, 36, 40, 41, 42*	**P9,389**	P14,967
Deferred containers - net	*4, 29*	**7,014**	6,916
Advances to contractors and suppliers		**3,939**	-
Retirement assets	*36*	**3,175**	3,830
Deposits on land for future development		**1,546**	1,433
Noncurrent prepaid rent		**2,228**	2,989
Restricted cash	*41, 42*	**1,431**	1,055
Noncurrent prepaid input tax		**1,418**	1,435
Idle assets	*4*	**1,194**	785
Catalyst		**947**	1,540
Deferred exploration and development costs	*4, 35*	**690**	673
Others		**2,677**	1,391
		P35,648	P37,014

Noncurrent receivables and deposits include amounts owed by related parties amounting to P5,771 and P11,427 as of December 31, 2015 and 2014, respectively (Note 34) and the costs related to the capitalized expenditures for the development of the Metro Rail Transit Line 7 (MRT 7) Project amounting to P2,598 and P2,429 as of December 31, 2015 and 2014, respectively (Note 35).

Restricted cash represents: (i) SPI's Cash Flow Waterfall Accounts with a local bank amounting to P1,209 and P1,021 as of December 31, 2015 and 2014, respectively, as part of the provisions in the Omnibus Loan and Security Agreement; and (ii) APEC's reinvestment fund for sustainable capital expenditures and cash collected from customers for membership fees and bill deposits which are refundable amounting to P103 and P34 as of December 31, 2015 and 2014, respectively.

The methods and assumptions used to estimate the fair values of noncurrent receivables and deposits and restricted cash are discussed in Note 42.

"Others" consist of marketing assistance to dealers and other noncurrent prepaid expenses.

20. Loans Payable

Loans payable consist of:

	Note	2015	2014
Parent Company			
Peso-denominated		**P7,050**	P7,685
Subsidiaries			
Peso-denominated		**123,035**	136,265
Foreign currency-denominated		**16,774**	36,109
	41, 42	**P146,859**	P180,059

Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign banks. Interest rates for peso-denominated loans range from 2.00% to 5.50% in 2015 and 2014. Interest rates for foreign currency-denominated loans range from 3.00% to 12.60% and from 1.63% to 9.00% in 2015 and 2014, respectively (Note 31).

Loans payable include interest-bearing amounts payable to a related party amounting to P3,988 and P6,400 as of December 31, 2015 and 2014, respectively (Note 34).

Loans payable of the Group are not subject to covenants.

21. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**2015**	2014
Trade		**P46,692**	P56,250
Non-trade		**41,596**	56,447
Accrued payroll		**4,771**	4,528
Amounts owed to related parties	*34*	**2,963**	499
Derivative liabilities	*41, 42*	**2,581**	325
Accrued interest payable		**2,434**	2,379
Retention payable		**1,203**	-
Current portion of IRO	*4*	**370**	21
Retirement liabilities	*36*	**91**	127
Subscriptions payable		**-**	28
Payables on the purchase of shares of stock		**-**	1,206
Others		**135**	34
	41, 42	**P102,836**	P121,844

Trade payables are non-interest bearing and are generally on a 30 to 45-day term.

Non-trade payables include contract growers/breeders' fees, guarantee deposits, utilities, rent and other expenses payable to third parties.

"Others" include accruals for materials, repairs and maintenance, advertising, handling, contracted labor, supplies and various other payables.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 42.

22. Long-term Debt

Long-term debt consists of:

	2015	2014
Parent Company		
Term notes:		
Foreign currency-denominated:		
Floating interest rate based on LIBOR plus margin, with maturities in various dates through 2018 (a)	**P77,749**	P73,506
Floating interest rate based on LIBOR plus margin, with maturities in various dates through 2020 (b)	**13,210**	-
Fixed interest rate of 4.875% with maturities up to 2023 (c)	**24,044**	35,336
Peso-denominated:		
Floating interest rate based on PDST-F plus margin, with maturities up to 2015 (d)	**-**	7,850
	115,003	116,692
Subsidiaries		
Bonds:		
Peso-denominated:		
Fixed interest rate of 6.05%, 5.93% and 6.60% maturing in 2017, 2019 and 2022, respectively (e)	**19,889**	19,862
Fixed interest rate of 5.50% and 6.00% maturing in 2021 and 2024, respectively (f)	**14,881**	14,863
Fixed interest rate of 4.9925%, 5.5796% and 6.4872% maturing in 2020, 2022 and 2025, respectively (g)	**7,217**	-
Fixed interest rate of 10.50% maturing in 2019 (h)	**2,796**	2,793
Foreign currency-denominated:		
Fixed interest rate of 7.00% maturing in 2016 (i)	**13,952**	13,190
Term notes:		
Foreign currency-denominated:		
Fixed interest rate of 12.45%, 12.85% and 13.27% maturing in 2016 (j)	**65**	-
Peso-denominated:		
Fixed interest rate of 7.00% maturing in 2017 (k)	**19,926**	19,891

Forward

	Note	2015	2014
Fixed interest rate based on PDST-F plus margin, with maturities up to 2021 (l)		**P14,824**	P11,415
Fixed interest rate of 6.2921% and 6.0606% with maturities up to 2023 (m)		**12,056**	13,386
Fixed interest rate of 6.52% maturing in 2021 (n)		**9,163**	-
Fixed interest rate of 8.74899% maturing in 2022 (o)		**8,676**	-
Fixed interest rate of 6.9343%, 6.9983% and 7.5573% maturing in 2027 (p)		**8,579**	-
Fixed interest rate of 6.81768%, 6.8385% and 7.2374% maturing in 2025 (q)		**6,321**	-
Fixed interest rate of 5.4583% plus Gross Receipts Tax (GRT) maturing in 2022 (r)		**4,976**	-
Fixed interest rate of 6.3212% and 7.1827% with maturities up to 2018 and 2021, respectively (s)		**3,433**	3,466
Fixed interest rate of 6.6583% with maturities up to 2023 (t)		**3,384**	3,462
Fixed interest rate of 5.65% with maturities up to 2019 (u)		**2,250**	-
Fixed interest rate of 6.175% and 6.145% maturing in 2016 (v)		**1,500**	1,500
Floating interest rate based on PDST-F plus margin, maturing in 2015 (w)		**-**	3,693
Fixed interest rate of 5.4885% maturing in 2015 (w)		**-**	798
Floating interest rate based on PDST-F plus margin or BSP overnight rate plus margin, whichever is higher, with maturities up to 2019 (x)		**3,243**	3,240
Floating interest rate based on PDST-F plus margin, with maturities up to 2022 (y)		**3,177**	3,175
Floating interest rate based on PDST-F plus margin, with maturities up to 2021 (z)		**349**	349
Floating interest rate based on PDST-F plus margin or BSP overnight rate, whichever is higher, with maturities up to 2018 (aa)		**343**	457
Foreign currency-denominated:			
Floating interest rate based on LIBOR plus margin, with maturities up to 2018 (bb)		**32,439**	21,984
Floating interest rate based on LIBOR plus margin, with maturities up to 2020 (cc)		**25,177**	-
Floating interest rate based on LIBOR plus margin, with maturities up to 2016 (dd)		**15,850**	-
Floating interest rate based on LIBOR plus margin, with maturities up to 2019 (ee)		**15,639**	20,821
Floating interest rate based on Cost of Fund (COF) plus margin, with maturities up to 2019 (ff)		**3,269**	3,805
Floating interest rate based on LIBOR plus margin (gg)		**-**	15,094
Floating interest rate based on LIBOR plus margin (hh)		**-**	9,052
		253,374	186,296
	41, 42	**368,377**	302,988
Less current maturities		**37,554**	19,852
		P330,823	P283,136

a. The amount represents drawdown by the Parent Company on various dates in 2013 to pay in full and refinance the US$1,000 loan availed in 2010, to fund infrastructure investments and for general corporate purposes.

Unamortized debt issue costs amounted to P841 and P1,176 as of December 31, 2015 and 2014, respectively.

b. The amount represents the drawdown of US$287 on September 8, 2015 from the Parent Company's US$800-Term Facility signed in March 2015. Proceeds for the five-year floating rate loan were used for the repayment of the Medium Term Note (MTN) Tender Offer in April 2015.

Unamortized debt issue costs amounted to P296 as of December 31, 2015.

c. The amount represents the drawdown of US$800 Notes (the "Notes") issued on April 19, 2013, from the Parent Company's US$2,000 MTN Programme. The Notes which were listed on the SGX-ST on the same date bear interest at the rate of 4.875% per annum, payable semi-annually in arrears every 26th of April and October of each year.

On March 19, 2015, the Parent Company announced in the SGX-ST the tender offer for the purchase of up to US$400 of the US$800 Notes.

On April 10, 2015, the Parent Company purchased US$284 of the US$400 Notes offered for purchase in the tender offer. The aggregate cash amount paid by the Parent Company based on the aggregate principal amount of the Notes repurchased is US$278. The Parent Company recognized a gain on redemption amounting to P275 included as part of "Others" under "Other income (charges)" account in the 2015 consolidated statement of income (Note 33).

Unamortized debt issue costs amounted to P257 and P440 as of December 31, 2015 and 2014, respectively.

d. The amount represents drawdown of various loans in 2009 and 2010 by the Parent Company used for financing general and corporate requirements.

On December 14, 2015, the Parent Company paid the remaining balance of the loan amounting to P7,850.

e. The amount represents SMB's Bonds worth P20,000, which were sold to the public pursuant to a registration statement that was rendered effective by the SEC on March 16, 2012. The Bonds were issued on April 2, 2012 at the issue price of 100.00% of face value in three series: Series D Bonds with fixed interest rate of 6.05% per annum; Series E Bonds with a fixed interest rate of 5.93% per annum; and Series F Bonds with a fixed interest rate of 6.60% per annum. The proceeds were used to refinance SMB's existing financial indebtedness and for general working capital purposes.

The Series E Bonds and Series F Bonds were listed on the Philippine Dealing & Exchange Corp. (PDEx) on April 2, 2012 while the Series D Bonds were listed for trading on the PDEx effective October 3, 2012.

Unamortized debt issue costs amounted to P111 and P138 as of December 31, 2015 and 2014, respectively.

f. The amount represents the issuance of SMB of the Philippine Peso fixed rate bonds in the aggregate principal amount of P15,000, consisting of Series G Bonds in the aggregate principal amount of P12,462 with a term of seven years and interest rate of 5.50% per annum and Series H Bonds in the aggregate principal amount of P2,538 with a term of ten years and interest rate of 6.00% per annum (Series GH Bonds).

Interest on the Series GH Bonds is paid every April 2 and October 2 of each year (each on Interest Payment Date). SMB may (but shall be likewise not obligated to) redeem all (and not a part only) of the outstanding Series GH Bonds on the 11th Interest Payment Date for the Series G Bonds, and on the 14th, 16th or 18th Interest Payment Dates for the Series H Bonds.

The Series GH Bonds were listed on the PDEx on April 2, 2014.

Unamortized debt issue costs amounted to P119 and P137 as of December 21, 2015 and 2014, respectively.

g. The amount represents SLTC's peso-denominated fixed rate bonds (SLTC Bonds) worth P7,300. The SLTC Bonds were issued in three series: Series A Bonds amounting to P2,400 with a fixed interest rate of 4.9925% per annum, Series B Bonds amounting to P2,400 with a fixed interest rate of 5.5796% per annum and Series C Bonds amounting to P2,500 with a fixed interest rate of 6.4872% per annum.

The net proceeds of the bond offering were used to prepay the five-year Peso-denominated Corporate Notes drawn in 2012. The SLTC Bonds were listed on the PDEx on May 22, 2015.

Unamortized debt issue costs amounted to P83 as of December 31, 2015.

h. The amount represents SMB's peso denominated fixed rate Series C Bonds with an aggregate principal amount of P2,810 which was part of the P38,800 SMB Bonds sold to the public pursuant to a registration statement that was rendered effective by the SEC on March 17, 2009. The SMB Bonds were listed on the PDEx for trading on November 17, 2009.

Unamortized debt issue costs amounted to P14 and P17 as of December 31, 2015 and 2014, respectively.

i. The amount represents US$300, 7%, five-year bond issued by SMC Global in 2011 under the Regulations of the US Securities Act of 1933, as amended. The unsecured bond issue is listed on the SGX-ST.

Unamortized bond issue costs amounted to P5 and P72 as of December 31, 2015 and 2014, respectively.

j. The amount represents unsecured facility loans entered into by PT SMPFI in 2015 with a foreign bank amounting to P65. PT SMPFI obtained the loans in three tranches with fixed interest rates of 12.85%, 12.45% and 13.27%, all maturing on December 9, 2016. Proceeds were used to refinance capital expenditure requirements including the purchase of machineries.

k. The amount represents P20,000 peso-denominated notes issued by Petron in 2010. The notes bear interest of 7% per annum, payable semi-annually in arrears every 10th of May and November of each year. The notes will mature on November 10, 2017. The principal and interest will be translated into and paid in US dollar based on the average representative market rate at the applicable rate calculation date at the time of each payment.

Unamortized debt issue costs amounted to P74 and P109 as of December 31, 2015 and 2014, respectively.

l. The amount represents series of drawdowns by PIDC from the P15,140 loan facility agreement with creditor banks, to finance the TPLEX Project. The loan is payable in 24 quarterly installments commencing on the 51st month from the initial borrowing dates, inclusive of not more than four-year grace period. Final repayment date is 10 years after initial borrowing.

The loan is subject to repricing on the 5th year from the date of initial drawdown.

Unamortized debt issue costs amounted to P127 and P85 as of December 31, 2015 and 2014, respectively.

m. The amount represents P12,300 and P1,500 drawn by SPI on September 30, 2013 and 2014, respectively, from the P13,800 ten-year term loan facility agreement with syndicate of banks.

Pursuant to the Facility Agreement, the amount of the loan drawn in 2015 and 2014 will bear interest at the rate of 6.5446% and 6.3131%, respectively, as determined by the Facility Agent. Effective November 28, 2014, step-down interest rate is at 6.2921% and 6.0606% for 2015 and 2014 loans, respectively. The Facility Agreement has a final maturity date of September 2023.

The proceeds of the loan were used for the acquisition of the 2 x 35 MW Co-Generation Coal Fuel-Fired Power Plant and all other pertinent machinery, equipment, facilities and structures for the expansion of the capacity. The drawdown includes payable to BOC amounting to P3,103 and P3,451 as of December 31, 2015 and 2014, respectively (Note 34).

Unamortized debt issue costs amounted to P178 and P221 as of December 31, 2015 and 2014, respectively.

n. The amount represents P14,500 Corporate Notes Facility entered into by AAIPC with various banks. Proceeds of the loan were used to finance the acquisition of the shares of stock of CMMTC. The loan is payable semi-annually until September 27, 2021. The drawdown includes payable to BOC amounting to P2,566 as of December 31, 2015 (Note 34).

Unamortized debt issue costs amounted to P140 as of December 31, 2015.

o. The amount represents P11,500 Corporate Notes Facility with various banks, drawn by MTDME in 2012. Proceeds of the loan were used to refinance the Holding Company Facility Agreement entered into by AAIBV amounting to US$250 in which MTDME was a replacement borrower. The loan is payable semi-annually until 2022. The drawdown includes payable to BOC amounting to P1,338 as of December 31, 2015 (Note 34).

Unamortized debt issue costs amounted to P116 as of December 31, 2015.

p. The amount represents the P8,700 loan drawn by CCEC in 2015, from the P31,000 Loan Facility with various banks. The loan is payable in 35 unequal consecutive quarterly installments. Proceeds of the loan were used to finance the design, construction and the operation and maintenance of the Stage 3 of Metro Manila Skyway Project. The drawdown includes payable to BOC amounting to P1,038 as of December 31, 2015 (Note 34).

Unamortized debt issue costs amounted to P121 as of December 31, 2015.

q. The amount represents the P6,400 loan drawn by Vertex in 2015, from the P7,500 Loan Facility with various banks. The loan is payable in quarterly installments up to February 27, 2025. Proceeds of the loan were used to finance the ongoing construction of the NAIA Expressway Project. The drawdown includes payable to BOC amounting to P1,707 as of December 31, 2015 (Note 34).

Unamortized debt issue costs amounted to P79 as of December 31, 2015.

r. The amount represents P5,000 loan drawn by Petron on October 13, 2015 from the term loan facility agreement signed and executed on October 7, 2015. The facility is amortized over seven years with a two-year grace period and is subject to a fixed rate of 5.4583% plus GRT.

Unamortized debt issue costs amounted to P24 as of December 31, 2015.

s. The amount represents Fixed Rate Corporate Notes (FXCN) issued by Petron in 2011 consisting of Series A Notes amounting to P690 having a maturity of up to seven years from the issue date and Series B Notes amounting to P2,910 having a maturity of up to ten years from the issue date. The FXCNs are subject to fixed interest coupons of 6.3212% per annum for the Series A Notes and 7.1827% per annum for the Series B Notes. The net proceeds from the issuance were used for general corporate requirements.

Unamortized debt issue costs amounted to P23 and P27 as of December 31, 2015 and 2014, respectively.

t. The amount represents the P3,500 loan facility with local banks, entered into by SIDC in 2013. The proceeds of the loan were used to refinance its existing debt and to finance the construction and development of Stage II, Phase II of the STAR Project. Repayment period is within 32 unequal consecutive quarterly installments on each repayment date in accordance with the agreement beginning on the earlier of (i) the 27th month from initial drawdown date or (ii) the 3rd month from the date of receipt by SIDC of the financial completion certificate for the Project.

Unamortized debt issue costs amounted to P31 and P38 as of December 31, 2015 and 2014, respectively.

u. The amount represents the P3,000 loan facility with local banks, which was fully drawn in 2013. The loan is payable within seven years in equal quarterly installments up to 2019. Proceeds of the loan were used to finance the modernization, development and maintenance of MNHPI.

v. The amount represents drawdown by SMCSLC in 2011, from a local bank, which was used for working capital requirements.

w. The amount represents corporate notes which SMFI offered for sale and subscription to the public in December 2010. These are Philippine peso-denominated fixed rate and floating rate notes with principal amounts of P800 and P3,700, respectively. Both types of notes have a term of five years and one day beginning on December 10, 2010 and ending on December 11, 2015. The fixed rate note bears interest of 5.4885% per annum while the floating rate note bears interest based on 3-month PDST-F plus an agreed margin. Proceeds from the issuance of the notes were used to fund expansion and investment in new businesses by SMFI and for general corporate purposes. SMFI fully paid the said corporate notes on their maturity date.

Unamortized debt issue costs amounted to P9 as of December 31, 2014.

x. The amount represents drawdown from the loan agreement entered into by SMYPC with BOC in October 2012 amounting to P3,500 used for general financing and corporate requirements maturing on October 11, 2019. In April 2014, SMYPC paid P250 as partial settlement of the loan principal (Note 34).

Unamortized debt issue costs amounted to P7 and P10 as of December 31, 2015 and 2014, respectively.

y. The amount represents series of drawdowns in 2014 and 2013, from a loan agreement entered into by TADHC with BOC amounting to P3,300, used for financing the Airport Project. The loan is payable in 28 quarterly installments commencing on the 12th quarter (Note 34).

Unamortized debt issue costs amounted to P12 and P14 as of December 31, 2015 and 2014, respectively.

z. The amount represents the seven-year bank loan obtained by CAI from BOC in April 2014 amounting to P350. The loan was obtained for capital expenditure purposes (Note 34).

Unamortized debt issue costs amounted to P1 as of December 31, 2015 and 2014.

aa. The amount represents EPSBPI's unsecured loan used to finance the construction of its bottling facilities. The loan is payable in equal quarterly installments starting February 18, 2012, bearing an interest rate equivalent to the higher of benchmark rate (three-month PDST-F rate) plus a spread or the overnight rate (BSP overnight reverse repo rate on interest rate settling date).

bb. The amount represents SMC Global's drawdown of US$500 from the US$650, five-year term loan with a syndicate of banks signed on September 8, 2013. The loan proceeds were used to refinance SMC Global's existing US$200 three-year term loan and to finance new investments in power-related assets. On November 15, 2013, the US$650 facility agreement was amended to increase the facility amount to US$700.

On March 6, 2015, SMC Global made the final drawdown of US$200 for the financing of ongoing construction of power plants in Davao and Limay, investments in power-related assets, and for general corporate purposes.

Unamortized debt issue costs amounted to P503 and P376 as of December 31, 2015 and 2014, respectively.

cc. The amount represents the US$550 loan drawn by Petron on July 29, 2015, from a US$550 refinancing facility which was signed and executed on July 20, 2015. The facility is amortized over five years with a two-year grace period and is subject to a floating interest rate plus a fixed spread. The proceeds were used to pay in full the remaining outstanding balances of about US$206 and US$345 under the US$480 and US$485 term loan facility, respectively. On November 11, 2015, Petron completed the syndication of facility with 29 banks.

Unamortized debt issue costs amounted to P706 as of December 31, 2015.

dd. The amount represents the US$340 loan facility agreement entered into by AAIBV with Standard Chartered Bank in September 17, 2014. Proceeds of the loan were used for payment of the subscription price for S3CTH shares subscribed by AAIBV and payment of the subscription price of CCEC shares provided to Philippine National Construction Corporation. The loan is payable lump sum on September 19, 2016 and bears an interest rate of the sum of 5.375% margin rate and LIBOR rate applicable to the loan payable at the end of each interest period.

Unamortized debt issue costs amounted to P151 as of December 31, 2015.

ee. The amount represents the US$300 loan facility signed and executed by Petron on May 14, 2014. The facility is amortized over five years with a two-year grace period and is subject to a floating interest rate plus a fixed spread. The total amount was drawn in 2014 and the proceeds were used to refinance existing debt and for general corporate purposes. On September 29, 2014, Petron completed the syndication of the facility, raising the facility amount to US$475. Drawdowns related to the additional US$175 were made on October 24 and November 6, 2014. Amortization in seven equal amounts will start in May 2016, with final amortization due in May 2019. In 2015, Petron made partial payments amounting to US$135.

Unamortized debt issue costs amounted to P361 and P421 as of December 31, 2015 and 2014, respectively.

ff. The amount represents the Malaysian Ringgit (MYR) 300 loan availed by Petron Malaysia in 2014. Proceeds from the loans were used to finance the refurbishment of the retail stations in Malaysia. All loans bear an interest rate of COF plus margin.

Unamortized debt issue costs amounted to P20 and P33 as of December 31, 2015 and 2014, respectively.

gg. The amount represents the US$485 drawn from the loan facility signed and executed by Petron on October 31, 2012. The facility is amortized over five years with two-year grace period and is subject to a floating interest rate plus a fixed spread. The proceeds were used to finance the capital expenditure requirements of Refinery Master Plan Phase 2 (RMP-2) Project. Petron made partial payments in 2014 amounting to US$140. On July 29, 2015, Petron fully prepaid the remaining balance of US$345 using the proceeds from a US$550 refinancing facility.

Unamortized debt issue costs amounted to P335 as of December 31, 2014.

hh. The amount represents the US$480 term loan facility signed and executed by Petron on September 30, 2011. The 1st drawdown of US$80 was made on November 25, 2011. Petron availed of the remaining US$400 of the term loan facility on February 15, 2012. The loan proceeds were used to finance the capital expenditure requirements of the RMP-2 Project. The facility is amortized over five years with a two-year grace period and is subject to a floating interest rate plus a fixed spread. Petron made partial payments in previous years amounting to US$274. On July 29, 2015, Petron fully prepaid the remaining balance of the loan using the proceeds from a US$550 refinancing facility.

Unamortized debt issue costs amounted to P148 as of December 31, 2014.

Long-term debt includes interest-bearing amounts payable to a related party amounting to P16,541 and P10,240 as of December 31, 2015 and 2014, respectively (Note 34).

The debt agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

The Group is in compliance with the covenants of the debt agreements as of December 31, 2015 and 2014.

The movements in debt issue costs are as follows:

	Note	**2015**	2014
Balance at beginning of year		**P3,807**	P3,919
Additions		**1,341**	1,093
Amortization	*31*	**(1,157)**	(764)
Reclassification, capitalized and others		**409**	(441)
Balance at end of year		**P4,400**	P3,807

Repayment Schedule
The annual maturities of long-term debt are as follows:

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2016	P37,849	P295	P37,554
2017	41,795	873	40,922
2018	137,356	1,813	135,543
2019	35,531	384	35,147
2020 and thereafter	120,246	1,035	119,211
Total	**P372,777**	**P4,400**	**P368,377**

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 41.

23. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	Note	**2015**	2014
Retirement liabilities	*36*	**P11,668**	P7,970
Subscription deposits		**6,910**	-
Amounts owed to related parties	*34*	**6,222**	54
Obligation to ROP - service concession agreement	*4, 18, 35*	**2,456**	71
ARO	*4*	**1,839**	1,659
IRO	*4*	**683**	68
Cylinder deposits		**454**	442
Cash bonds		**382**	870
Concession liabilities		**105**	107
Redeemable preferred shares	*4*	**15**	15
Others		**1,827**	835
	41, 42	**P32,561**	P12,091

Redeemable Preferred Shares. These represent the preferred shares of TADHC issued in 2010. The preferred shares are cumulative, non-voting, redeemable and with liquidation preference. The shares are preferred as to dividends, which are given in the form of coupons, at the rate of 90% of the applicable base rate (i.e., one year PDST-F). The dividends are cumulative from and after the date of issue of the preferred shares, whether or not in any period the amount is covered by available unrestricted retained earnings.

The preferred shares will be mandatorily redeemed at the end of the ten-year period from and after the issuance of the preferred shares by paying the principal amount, plus all unpaid coupons (at the sole option of TADHC, the preferred shares may be redeemed earlier in whole or in part).

In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of TADHC, the holders of the preferred shares are entitled to be paid in full, an amount equivalent to the issue price of such preferred shares plus all accumulated and unpaid dividends up to the current dividend period or proportionately to the extent of the remaining assets of TADHC, before any assets of TADHC will be paid or distributed to the holders of the common shares.

Subscription Deposits. In 2015, Vega received P6,910 as a deposit for future stock subscription from a certain investor.

"Others" include amounts owed to a supplier for the purchase of equipment amounting to P1,487 as of December 31, 2015.

24. Income Taxes

Deferred tax assets and liabilities arise from the following:

	2015	2014
Allowance for impairment losses on trade and other receivables and inventory	**P3,643**	P3,643
MCIT	**747**	486
NOLCO	**487**	1,408
Undistributed net earnings of foreign subsidiaries	**(828)**	(713)
Unrealized intercompany charges and others	**(2,937)**	2,007
	P1,112	P6,831

The above amounts are reported in the consolidated statements of financial position as follows:

	Note	**2015**	2014
Deferred tax assets	*4*	**P16,441**	P14,651
Deferred tax liabilities		**(15,329)**	(7,820)
		P1,112	P6,831

As of December 31, 2015, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	**Carryforward Benefits Up To**	**NOLCO**	**MCIT**
2013	December 31, 2016	P800	P8
2014	December 31, 2017	398	341
2015	December 31, 2018	424	398
		P1,622	**P747**

The components of income tax expense are shown below:

	2015	2014	2013
Current	**P14,996**	P10,891	P11,712
Deferred	**1,948**	(607)	(8,012)
	P16,944	P10,284	P3,700

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2015	2014 As restated	2013 As restated
Statutory income tax rate	**30.00%**	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subject to final tax	**(2.82%)**	(3.10%)	(1.93%)
Equity in net losses (earnings) of associates and joint ventures	**0.25%**	(1.31%)	0.27%
Gain on sale of investments subject to final or capital gains tax	**(0.06%)**	(0.38%)	(22.25%)
Others, mainly income subject to different tax rates - net	**9.51%**	1.25%	0.65%
Effective income tax rate	**36.88%**	26.46%	6.74%

25. Equity

a. Amendments to the Articles of Incorporation

On July 23, 2009, during the annual stockholders' meeting of the Parent Company, the stockholders approved the amendments to the Articles of Incorporation of the Parent Company providing for the declassification of the common shares of the Parent Company. The authorized capital stock of the Parent Company amounting to P22,500 was divided into 2,034,000,000 Class "A" common shares, 1,356,000,000 Class "B" common shares with a par value of P5.00 per share and 1,110,000,000 Series "1" Preferred Shares with a par value of P5.00 per share, and defined the terms and features of the Series "1" Preferred Shares. The SEC approved the amendments to the Amended Articles of Incorporation of the Parent Company on August 20, 2009.

During the April 18, 2012 and June 14, 2012 meetings of the BOD and stockholders of the Parent Company, respectively, the BOD and stockholders approved the amendments to the Articles of Incorporation of the Parent Company, to increase the authorized capital stock of the Parent Company from P22,500 to P30,000 as follows: (a) the increase in the number of the common shares from 3,390,000,000 common shares to 3,790,000,000, or an increase of 400,000,000 common shares; and (b) the creation and issuance of 1,100,000,000 Series "2" Preferred Shares with a par value of P5.00 per share.

On September 21, 2012, the SEC approved the amendment to the Articles of Incorporation of the Parent Company to increase the authorized capital stock, and consequently creating the Series "2" Preferred Shares.

On June 9, 2015, during the annual stockholders meeting of the Parent Company, the stockholders approved the amendment to Article VII of the Amended Articles of Incorporation of the Parent Company to reclassify 810,000,000 Series "1" Preferred Shares to Series "2" Preferred Shares. With the approval of the reclassification, the resulting distribution of the preferred shares of the Parent Company was 300,000,000 for Series "1" Preferred Shares and 1,910,000,000 for Series "2" Preferred Shares. The stockholders also approved the issuance of the Series "2" Preferred Shares subject to the passage of Enabling Resolutions containing the details of the terms and conditions of the issuance.

The amendment to Article VII of the Amended Articles of Incorporation of the Parent Company to reclassify 810,000,000 Series "1" Preferred Shares to Series "2" Preferred Shares was approved by the SEC on July 14, 2015.

b. Capital Stock

Common Shares

On July 27, 2010, the BOD of the Parent Company approved the offer to issue approximately 1,000,000,000 common shares (from unissued capital stock and treasury shares) at a price of not less than P75.00 per share.

Effective August 26, 2010, all Class "A" common shares and Class "B" common shares of the Parent Company were declassified and are considered as common shares without distinction, as approved by the SEC. Both shall be available to foreign investors, subject to the foreign ownership limit.

The Parent Company has a total of 36,718 common stockholders as of December 31, 2015.

The movements in the number of issued and outstanding shares of common stock are as follows:

	Note	**2015**	2014
Issued and outstanding shares at beginning of year		**3,282,897,671**	3,282,756,743
Issuances during the year	*28*	**379,844**	140,928
Issued shares at end of year		**3,283,277,515**	3,282,897,671
Less treasury shares		**904,752,537**	904,752,537
Issued and outstanding shares at end of year		**2,378,524,978**	2,378,145,134

Preferred Shares

i. Series "1" Preferred Shares

Series "1" Preferred Shares have a par value of P5.00 per share and are entitled to receive cash dividends upon declaration by and at the sole option of the BOD of the Parent Company at a fixed rate of 8% per annum calculated in respect of each Series "1" preferred share by reference to the Issue Price thereof in respect of each dividend period.

Series "1" Preferred Shares are non-voting except as provided for under the Corporation Code. The Series "1" Preferred Shares are redeemable in whole or in part, at the sole option of the Parent Company, at the end of three years from the issue date at P75.00 plus any accumulated and unpaid cash dividends.

All shares rank equally with regard to the residual assets of the Parent Company, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

On July 23, 2009, the stockholders of the Parent Company approved the Offer by the Parent Company to exchange existing common shares of up to approximately 35% of the issued and outstanding capital stock of the Parent Company with Series "1" Preferred Shares. The exchange ratio was one common share for one Series "1" preferred share and the qualified shareholders of record as of July 2, 2009, were vested with the right to participate on the exchange.

On October 5, 2009, the Parent Company completed the exchange of 476,296,752 Class "A" common shares and 396,876,601 Class "B" common shares for Series "1" Preferred Shares.

On October 15, 2009, the BOD of the Parent Company approved the issuance, through private placement, of up to 226,800,000 Series "1" Preferred Shares.

On December 22, 2009, the Parent Company issued 97,333,000 Series "1" Preferred Shares to qualified buyers and by way of private placement to not more than 19 non-qualified buyers at the issue price of P75.00 per Series "1" preferred share.

On December 8, 2010 and October 3, 2011, the Parent Company listed 873,173,353 and 97,333,000 Series "1" Preferred Shares worth P65,488 and P7,300, respectively.

On August 13, 2012, the BOD of the Parent Company approved the redemption of Series "1" Preferred Shares at a redemption price of P75.00 per share.

On October 5, 2012, 970,506,353 Series "1" Preferred Shares were reverted to treasury.

On April 14, 2015, the Parent Company reissued 279,406,667 Series "1" Preferred Shares in the name of certain subscribers at P75.00 per share. The Series "1" Preferred Shares became tradable at the PSE beginning June 10, 2015.

The Parent Company has 279,406,667 outstanding Series "1" Preferred Shares and has a total of three preferred stockholders as of December 31, 2015.

ii. Series "2" Preferred Shares

In September 2012, the Parent Company issued 1,067,000,000 Series "2" Preferred Shares at the issue price of P75.00 per share. The said Series "2" Preferred Shares worth P80,025 were listed at the PSE on September 28, 2012.

The Series "2" Preferred Shares were issued in three sub-series (Subseries"2-A", Subseries "2-B" and Subseries "2-C") and were peso-denominated, perpetual, cumulative, non-participating and non-voting.

The Parent Company has the redemption option starting on the 3rd, 5th and 7th year and every dividend payment thereafter, with a "step-up" rate effective on the 5th, 7th and 10th year, respectively, if the shares are not redeemed. Dividend rates are 7.500%, 7.625%, 8.000% per annum for Subseries "2-A", "2-B" and"2-C", respectively.

On September 21, 2015, the Parent Company issued and listed in the PSE 446,667,000 Series "2" Preferred Shares in three sub-series (Subseries "2-D", Subseries "2-E" and Subseries "2-F") and are peso-denominated, perpetual, cumulative, non-participating andnon-voting. Dividend rates are 5.9431%, 6.3255% and 6.8072% per annum for Subseries "2-D", "2-E" and "2-F", respectively.

The Parent Company received P33,500 from the issuance of the shares and used the proceeds from such issuance to redeem the Subseries "2-A" Preferred Shares.

On September 21, 2015, the Parent Company redeemed its 721,012,400 Series "2" Preferred Shares - Subseries "2-A" at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P54,076 to the holders of Subseries "2-A" Preferred Shares.

The Parent Company has 792,654,600 outstanding Series "2" Preferred Shares and has a total of 702 preferred stockholders as of December 31, 2015.

The Parent Company has 1,067,000,000 outstanding Series "2" Preferred Shares and has a total of 935 preferred stockholders as of December 31, 2014.

c. *Treasury Shares*

Treasury shares consist of:

	2015	2014	2013
Common	**P67,093**	P67,093	P67,166
Preferred	**72,408**	72,788	72,788
	P139,501	P139,881	P139,954

I. Common Shares

The movements in the number of common shares held in treasury are as follows:

	Note	**2015**	2014	2013
Number of shares at beginning of year		**904,752,537**	905,761,960	908,892,669
Cancellation of ESPP	*40*	**-**	68,150	3,410,250
Conversion of exchangeable bonds		**-**	(1,077,573)	(6,540,959)
Number of shares at end of year		**904,752,537**	904,752,537	905,761,960

1. A portion of the total treasury shares of the Parent Company came from 25,450,000 common shares, with an acquisition cost of P481, [net of the cost of the 1,000,000 shares paid to the Presidential Commission on Good Government (PCGG) as arbitral fee pursuant to the Compromise Agreement, as herein defined] which were reverted to treasury in 1991 upon implementation of the Compromise Agreement and Amicable Settlement (Compromise Agreement) executed by the Parent Company with the United Coconut Planters Bank (UCPB) and the Coconut Industry Investment Fund (CIIF) Holding Companies in connection with the purchase of the Parent Company shares under an agreement executed on March 26, 1986.

   Certain parties have opposed the Compromise Agreement. The right of such parties to oppose, as well as the propriety of their opposition, has been the subject matters of cases before the Sandiganbayan and the Supreme Court.

   On September 14, 2000, the Supreme Court upheld a Sandiganbayan Resolution requiring the Parent Company to deliver the 25,450,000 common shares that were reverted to treasury in 1991 to the PCGG and to pay the corresponding dividends on the said shares (the "Sandiganbayan Resolution").

On October 10, 2000, the Parent Company filed a motion for reconsideration with the Supreme Court to be allowed to comply with the delivery and payment of the dividends on the treasury shares only in the event that another party, other than the Parent Company, is declared owner of the said shares in the case for forfeiture (Civil Case) filed by the Philippine government (Government).

On April 17, 2001, the Supreme Court denied the motion for reconsideration.

On September 19, 2003, the PCGG wrote the Parent Company to deliver to the PCGG the stock certificates and cash and stock dividends under the Sandiganbayan Resolution upheld by the Supreme Court. The Parent Company referred the matter to its external financial advisor and external legal counsel for due diligence and advice. The external financial advisor presented to the BOD on December 4, 2003 the financial impact of compliance with the resolution considering "with and without due compensation" scenarios, and applying different rates of return to the original amount paid by the Parent Company. The financial advisor stated that if the Parent Company is not compensated for the conversion of the treasury shares, there will be: (a) a negative one-off EPS impact in 2003 of approximately 17.5%; (b) net debt increase of approximately P2,100; and (c) a negative EPS impact of 6.9% in 2004. The external legal counsel at the same meeting advised the BOD that, among others, the facts reviewed showed that: (a) the compromise shares had not been validly sequestered; (b) no timely direct action was filed to nullify the transaction; (c) no rescission can be effected without a return of consideration; and (d) more importantly, requiring the Parent Company to deliver what it acquired from the sellers without a substantive ground to justify it, and a direct action in which the Parent Company is accorded full opportunity to defend its rights, would appear contrary to its basic property and due process rights. The external legal counsel concluded that the Parent Company has "legal and equitable grounds to challenge the enforcement" of the Sandiganbayan Resolution.

On January 29, 2004, the external legal counsel made the additional recommendation that the Parent Company should file a Complaint-in-Intervention in the Civil Case (now particularly identified as SB Civil Case No. 0033-F), the forfeiture case brought by the Government involving the so-called CIIF block of the Parent Company shares of stock of which the treasury shares were no longer a portion. The Complaint-in-Intervention would pray that any judgment in the Civil Case forfeiting the CIIF block of the Parent Company shares of stock should exclude the treasury shares.

At its January 29, 2004 meeting, the BOD of the Parent Company unanimously decided to: (a) deny the PCGG demand of September 19, 2003, and (b) authorize the filing of the Complaint-in-Intervention. Accordingly, the external legal counsel informed the PCGG of the decision of the Parent Company and the Complaint-in-Intervention was filed in the Civil Case.

In a Resolution dated May 6, 2004, the Sandiganbayan denied the Complaint-in-Intervention. The external legal counsel filed a Motion for Reconsideration, which was denied by the Sandiganbayan in its Decision dated November 28, 2007.

The external legal counsel advised that because the Sandiganbayan had disallowed the Parent Company's intervention, the Sandiganbayan's disposition of the so-called CIIF block of the Parent Company shares in favor of the Government cannot bind the Parent Company, and that the Parent Company remains entitled to seek the nullity of that disposition should it be claimed to include the treasury shares.

The external legal counsel also advised that the Government has, in its own court submissions: (i) recognized the Parent Company's right to the treasury shares on the basis that the Compromise Agreement is valid and binding on the parties thereto; and (ii) taken the position that the Parent Company and UCPB had already implemented the Compromise Agreement voluntarily, and that the PCGG had conformed to the Agreement and its implementation. The Executive Committee of the Parent Company approved the recommendation of external legal counsel on January 18, 2008 which was ratified by the BOD on March 6, 2008.

On July 23, 2009, the stockholders of the Parent Company approved the amendment of the Articles of Incorporation to issue Series "1" Preferred Shares, and the offer to exchange common shares to Series "1" Preferred Shares. The PCGG, with the approval of the Supreme Court in its Resolution dated September 17, 2009, converted the sequestered common shares in the Parent Company in the name of the CIIF Holding Companies, equivalent to 24% of the outstanding capital stock, into Series "1" Preferred Shares.

On February 11, 2010, the Supreme Court, amending its Resolution dated September 17, 2009, authorized the PCGG to exercise discretion in depositing in escrow, the net dividend earnings on, and/or redemption proceeds from, the Series "1" Preferred Shares of the Parent Company, either with the Development Bank of the Philippines/Land Bank of the Philippines or with the UCPB. All dividends accruing to the Series "1" Preferred Shares are remitted to the escrow account established with UCPB. On October 5, 2012, the Parent Company redeemed all Series "1" Preferred Shares including those Series "1" Preferred Shares in the name of the CIIF Holding Companies. Proceeds of such redemption with respect to Series "1" Preferred Shares in the name of the CIIF Holding Companies, including all accumulated dividends were paid to the National Treasury. As of October 5, 2012, CIIF Holding Companies are no longer stockholders of the Parent Company.

On June 30, 2011, the PCGG filed with the Supreme Court relating to an Urgent Motion to Direct the Parent Company to comply with the Sandiganbayan Resolution (the "Urgent Motion"). On March 30, 2012, the Parent Company filed a Comment on the Urgent Motion in compliance with the Supreme Court's Resolution dated December 13, 2011 in G.R. Nos. 180705, 177857-58 and 178193, which was received by the Parent Company on February 22, 2012, directing the Parent Company to file its Comment on the Urgent Motion. The Supreme Court, in the Resolution of April 24, 2012 noted the comment of the Parent Company.

Thereafter, the PCGG filed in G.R. Nos. 177857-58 and 178193 a "Manifestation and Omnibus Motion 1) To Amend the Resolution Promulgated on September 4, 2012 to Include the "Treasury Shares" Which are Part and Parcel of the 33,133,266 Coconut

Industry Investment Fund (CIIF) Block of San Miguel Corporation (SMC) Shares of 1983 Decreed by the Sandiganbayan, and Sustained by the Honorable Court, as Owned by the Government; and 2) To Direct San Miguel Corporation (SMC) to Comply with the Final and Executory Resolutions Dated October 24, 1991 and March 18, 1992 of the Sandiganbayan Which Were Affirmed by the Honorable Court in G.R. Nos. 104637-38" ("Manifestation and Omnibus Motion").

The Supreme Court, in the Resolution of November 20, 2012 in G.R. Nos. 177857-58 and 178193, required the Parent Company to comment on COCOFED, et al.'s "Manifestation" dated October 4, 2012 and PCGG's "Manifestation and Omnibus Motion." Atty. Estelito P. Mendoza, counsel for Eduardo M. Cojuangco, Jr. in G.R. No. 180705, who is a party in that case, filed a "Manifestation Re: 'Resolution' dated November 20, 2012," dated December 17, 2012, alleging that (a) Mr. Cojuangco, Jr. is not a party in G.R. Nos. 177857-58 and 178193 and he has not appeared as counsel for any party in those cases; (b) the Parent Company is likewise not a party in those cases, and if the Parent Company is indeed being required to comment on the pleadings in the Resolution of November 20, 2012, a copy of the Resolution be furnished the Parent Company; and (c) the Supreme Court had already resolved the motion for reconsideration in G.R. Nos. 177857-58 and 178193 and stated that "no further pleadings shall be entertained, thus, any motion filed in the said cases thereafter would appear to be in violation of the Supreme Court's directive".

In its Resolution of June 4, 2013 in G.R. Nos. 177857-58 and 178193, the Supreme Court required the Parent Company to file its comment on the (a) Manifestation, dated October 4, 2012 filed by petitioners COCOFED, et al. and (b) Manifestation and Omnibus Motion dated October 12, 2012 filed by the Office of the Solicitor General for respondent Republic of the Philippines, as required in the Supreme Court Resolution, dated November 20, 2012, within ten (10) days from notice thereof.

In the Resolution, dated September 10, 2013, the Supreme Court directed the Parent Company, through its counsel or representative, to immediately secure from the Office of the Clerk of Court of the Supreme Court *En Banc* photocopies of the (a) Manifestation, dated October 4, 2012 filed by petitioners COCOFED, et al. and (b) Manifestation and Omnibus Motion dated October 12, 2012 filed by the Office of the Solicitor, and granted the Parent Company's motion for a period of thirty (30) days from receipt of the pleadings within which to file the required comment per resolutions dated November 20, 2012 and June 4, 2013.

The Parent Company, thru external counsel, filed the following comments required in the Supreme Court Resolution of June 4, 2013 in G.R. Nos. 177857-58; (a) "Comment of San Miguel Corporation on the 'Manifestation' of Petitioners COCOFED, et al., Dated October 4, 2012" on November 6, 2013; and (b) "Comment of San Miguel Corporation on the 'Manifestation and Omnibus Motion…' Dated October 12, 2012 of the Respondent Republic" on December 3, 2013.

In the Entry of Judgment received on January 27, 2015, the Supreme Court entered in the Book of Entries of Judgments the Resolution of September 4, 2012 in G.R. Nos. 177857-58 and G.R. No. 178193 wherein the Supreme Court clarified that the 753,848,312 SMC Series "1" Preferred Shares of the CIIF companies converted from the CIIF block of SMC shares, with all the dividend earnings as well as all increments arising therefrom shall now be the subject matter of the January 29, 2012 Decision and declared owned by the Government and used only for the benefit of all coconut farmers and for the development of the coconut industry. Thus, the fallo of the Decision dated January 24, 2012 was accordingly modified.

In the meantime, the Parent Company has available cash and shares of stock for the dividends payable on the treasury shares, in the event of an unfavorable ruling by the Supreme Court.

2. In 2009, 873,173,353 common shares were acquired through the exchange of common shares to preferred shares, on a one-for-one basis, at P75.00 per share amounting to P65,488.

3. On May 5, 2011, the Parent Company completed the secondary offering of its common shares. The offer consists of 110,320,000 shares of stock of the Parent Company consisting of 27,580,000 common shares from the treasury shares of the Parent Company and 82,740,000 SMC common shares held by Top Frontier. The Offer Shares were priced at P110.00 per share on April 20, 2011.

4. Also on May 5, 2011, US$600 worth of exchangeable bonds of the Parent Company sold to overseas investors were simultaneously listed at the SGX-ST. The exchangeable bonds have a maturity of three years, a coupon of 2% per annum and a conversion premium of 25% of the offer price. The exchangeable bonds are exchangeable for common shares from the treasury shares of the Parent Company. The initial exchange price for the exchange of the exchangeable bonds into common shares is P137.50 per share.

   On December 5, 2011, 765,451 common shares were delivered to the bondholders of the Parent Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at an exchange price of P113.24 per share. Subsequently on December 8, 2011 and February 10 and 16, 2012, the delivered common shares of stock of the Parent Company were transacted and crossed at the PSE via a special block sale in relation to the issuance of common shares pursuant to the US$600 exchangeable bonds of the Parent Company.

   On April 29, 2014 and on various dates in 2013 and 2012, additional 1,077,573, 6,540,959 and 1,410,604 common shares, respectively, were delivered to the bondholders of the Parent Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at exchange prices ranging from P80.44 to P113.24 per share. The additional common shares of stock of the Parent Company were transacted and crossed at the PSE on various dates via special block sales.

   A total of 9,794,587 and 8,717,014 common shares were issued to the bondholders of the Parent Company's exchangeable bonds as of December 31, 2014 and 2013, respectively.

5. As of December 31, 2015 and 2014 a total of 3,478,400 common shares under the ESPP, were cancelled and held in treasury (Note 40).

d. Unappropriated Retained Earnings

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 in 2015 and 2014 and P67,166 in 2013, respectively, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

e. Appropriated Retained Earnings

The BOD of certain subsidiaries approved additional appropriations amounting to P20,764, P23,858 and P1,015 in 2015, 2014 and 2013, respectively, to finance future capital expenditure projects. Reversal of appropriations amounted to P23,925 and P4 in 2015 and 2013, respectively.

26. Sales

Sales consist of:

	2015	2014	2013
Goods	**P656,874**	P770,284	P745,413
Services	**16,773**	3,414	1,858
Others	**278**	25	32
	P673,925	P773,723	P747,303

27. Cost of Sales

Cost of sales consist of:

	Note	**2015**	2014	2013
Inventories		**P360,589**	P515,138	P498,098
Taxes and licenses		**44,794**	40,088	36,551
Freight, trucking and handling		**23,968**	11,653	10,300
Energy fees	*35*	**23,224**	30,776	31,269
Depreciation, amortization and impairment	*29*	**18,054**	15,541	14,096
Communications, light and water		**12,603**	8,933	5,978
Contracted services		**10,825**	2,479	2,210
Fuel and oil		**8,827**	11,834	10,448
Power purchase		**8,331**	6,046	3,929
Personnel	*30*	**7,295**	6,484	5,528
Tolling Fees		**7,029**	6,748	6,462
Repairs and maintenance		**3,496**	2,934	3,391
Rent	*4, 35*	**998**	690	661
Others		**2,890**	1,569	1,971
		P532,923	P660,913	P630,892

28. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	2015	2014	2013
Selling	**P29,870**	P28,840	P29,892
Administrative	**32,449**	28,195	30,798
	P62,319	P57,035	P60,690

Selling expenses consist of:

	Note	2015	2014	2013
Personnel	30	**P7,716**	P7,330	P6,884
Freight, trucking and handling		**7,323**	7,194	7,020
Advertising and promotions		**5,370**	5,035	6,952
Depreciation, amortization and impairment	29	**3,305**	3,076	2,679
Rent	4, 35	**2,498**	2,824	2,398
Repairs and maintenance		**1,129**	1,071	1,266
Supplies		**639**	453	209
Taxes and licenses		**564**	621	634
Professional fees		**529**	562	499
Communications, light and water		**384**	451	470
Others		**413**	223	881
		P29,870	P28,840	P29,892

Administrative expenses consist of:

	Note	2015	2014	2013
Personnel	30, 40	**P14,469**	P13,773	P12,392
Depreciation, amortization and impairment	29	**4,528**	4,464	4,613
Professional fees		**3,275**	2,623	2,206
Taxes and licenses		**2,916**	2,060	1,712
Advertising and promotion		**1,685**	1,175	1,027
Impairment loss		**1,061**	1,093	4,849
Repairs and maintenance		**988**	782	776
Communications, light and water		**734**	840	916
Supplies		**522**	645	873
Rent	4, 35	**408**	159	288
Freight, trucking and handling		**264**	265	306
Research and development		**161**	134	113
Others		**1,438**	182	727
		P32,449	P28,195	P30,798

"Others" consist of entertainment and amusement, gas and oil, and other administrative expenses.

29. Depreciation, Amortization and Impairment

Depreciation, amortization and impairment are distributed as follows:

	Note	2015	2014	2013
Cost of sales:				
Property, plant and equipment	7, 15	**P13,265**	P13,210	P12,181
Deferred containers, biological assets and others	17, 19	**4,789**	2,331	1,915
	27	**18,054**	15,541	14,096
Selling and administrative expenses:				
Property, plant and equipment	7, 15	**4,830**	4,697	4,624
Deferred containers and others	19	**3,003**	2,843	2,668
	28	**7,833**	7,540	7,292
		P25,887	P23,081	P21,388

"Others" include amortization of concession rights, computer software, leasehold and land use rights, licenses and investment property.

30. Personnel Expenses

Personnel expenses consist of:

	Note	2015	2014	2013
Salaries and wages		**P14,488**	P13,291	P11,935
Retirement costs - net	36	**1,564**	1,191	1,362
Other employee benefits	40	**13,428**	13,105	11,507
		P29,480	P27,587	P24,804

Personnel expenses are distributed as follows:

	Note	2015	2014	2013
Cost of sales	27	**P7,295**	P6,484	P5,528
Selling expenses	28	**7,716**	7,330	6,884
Administrative expenses	28	**14,469**	13,773	12,392
		P29,480	P27,587	P24,804

31. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	Note	2015	2014	2013
Interest expense		**P29,685**	P26,566	P27,191
Other financing charges	12, 22	**2,836**	3,144	3,779
		P32,521	P29,710	P30,970

Amortization of debt issue costs included in "Other financing charges" amounted to P1,157, P764 and P1,322 in 2015, 2014 and 2013, respectively (Note 22).

Interest expense on loans payable, long-term debt and finance lease liabilities is as follows:

	Note	2015	2014	2013
Loans payable	20	**P8,913**	P5,028	P6,114
Long-term debt	22	**10,559**	10,820	10,093
Finance lease liabilities	35	**10,213**	10,718	10,984
		P29,685	P26,566	P27,191

32. Interest Income

Interest income consists of:

	Note	2015	2014	2013
Interest from short-term investments, cash in banks and others	9, 14	**P3,754**	P3,530	P2,446
Interest on amounts owed by related parties	34, 36	**561**	482	1,093
		P4,315	P4,012	P3,539

33. Other Income (Charges)

Other income (charges) consists of:

	Note	2015	2014	2013
Construction revenue	12, 18, 35	**P11,003**	P8,735	P970
Gain on derivatives - net	42	**3,971**	7,513	2,448
Gain on remeasurement on step acquisition	5	**3,540**	-	-
PSALM monthly fees reduction		**1,859**	815	872
Gain on return of donated property (a)		**495**	-	-
Remeasurement of property dividends and AFS financial assets	13	**-**	-	4,863
Loss on redemption of exchangeable bonds (b)		**-**	-	(1,500)
Additional provision on impairment (c, d, e)	15, 18, 19	**(2,933)**	(242)	(1,501)
Construction costs	12, 18, 35	**(11,003)**	(8,735)	(970)
Loss on foreign exchange - net	41	**(12,081)**	(2,412)	(19,436)
Others (f)	22	**1,076**	633	(167)
		(P4,073)	P6,307	(P14,421)

a. *Donation to Philippine Foundation of the Blessed Mary Mother of Poor (Foundation)*

On January 11, 2011, SMPI signed a deed of donation (the "Deed of Donation") in favor of the Foundation, a non-profit religious organization, to transfer a 33-hectare parcel of land owned by SMPI (the Montemaria Property), with a carrying amount of P141. The land title of the Montemaria Property was transferred in the name of the Foundation on April 28, 2011.

In accordance with the Deed of Donation, the Montemaria Property shall be used and devoted exclusively by the Foundation for the construction, operation and maintenance of its project, the Montemaria Oratory of the Blessed Virgin Mary (the Montemaria Project). The Montemaria Project was planned to consist of the Shrine of the Blessed Virgin Mary, churches and chapels, Way of the Cross and such other structures and facilities for Roman Catholic religious purposes, and socio-civic and nonprofit activities and program of the Foundation. Further, the Deed of Donation requires that the Montemaria Project must be at least 50% completed by 2015 and fully completed by 2020. If the Foundation will not be able to comply with this requirement, the Montemaria Property will revert to SMPI.

On February 24, 2014, the Board of Trustees of the Foundation resolved to return the Montemaria Property to SMPI.

On October 2, 2015, SMPI and the Foundation signed a Deed of Rescission and Reconveyance of Property wherein the ownership over the Montemaria Property reverted back to SMPI. The title to the Donated Property was transferred back to SMPI on November 9, 2015. Accordingly, the Group recognized a gain amounting to P495, equivalent to the fair value of the Montemaria Property at the time of rescission of donation and reconveyance of property. The Montemaria Property is included as part of the additions to the "Investment property" account in the 2015 consolidated statement of financial position (Note 16).

b. On various dates in 2013, the Parent Company has repurchased the exchangeable bonds having an aggregate principal amount of US$363. The aggregate cash amount paid by the Parent Company based on the aggregate principal amount of the bond repurchased, as well as accrued interest, is US$398. The Group recognized a loss on redemption of exchangeable bonds amounting to P1,500.

c. *SMBB*. In 2015, the Group noted that fierce market competition resulted in the decline in the demand for its products in SMB's North China compared to previous sales forecasts. Consequently, operating losses were incurred. These factors are indications that non-current assets of SMB's North China operations, comprising mainly of the production plant located in Baoding, Hebei Province and other tangible assets, may be impaired.

The Group assessed the recoverable amounts of SMBB, the cash-generating unit to which these assets belong, and as the result of such assessment was that the carrying amount of the assets was higher than its recoverable amount of US$41.1 or P1,923, an impairment loss of US$21.6 or P1,011, was recognized as part of "Other Income (Charges)" account in the 2015 consolidated statement of income.

The recoverable amount of the SMBB has been determined based on its value in use calculation. That calculation uses cash flow projections based on the business forecasts approved by the management covering a period of 18 years, which is the remaining estimated useful life of the assets. Cash flows beyond the ten-year period are kept constant. Sales volume growth rate and pre-tax discount rate used for value in use calculations were 4.20% and 8.86%, respectively.

Management determined the growth rate and gross contribution rate based on past experiences, future expected market trends and an intermediate holding company's import plan of beer brewed by the Group.

As SMBB has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of the recoverable amount would result in further impairment losses.

d. *SMGFB.* SMGFB's plant ceased operations due to significant decline in market demand for its products. As a result, the Group estimated the recoverable amount of the assets and noted that such is below the carrying amount. Accordingly, an impairment loss amounting to P1,501 was recognized in the consolidated statements of income in 2013.

e. In line with the Group's ongoing development of new products to cater to the evolving needs of its market, certain telecommunication equipment can no longer generate the expected cash inflow. The Group recognized a provision for impairment losses on the equipment amounting to P1,333.

f. "Others" consist of gain on redemption of Notes, rent income, commission income, dividend income from AFS financial assets, changes in fair value of financial assets at FVPL, gain on settlement of ARO and insurance claims.

34. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders and associates and joint ventures in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as of December 31:

	Note	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	*37*	**2015**	**P1**	**P1**	**P5,816**	**P551**	On demand or less than 4 to 6 years; interest and non-interest bearing	Unsecured; no impairment
		2014	26	-	5,677	551		
Retirement Plans	*10, 19, 36*	**2015**	**485**	**-**	**13,194**	**-**	On demand; interest bearing	Unsecured; no impairment
		2014	216	-	12,686	-		
Associates	*10, 19, 21, 23*	**2015**	**1,940**	**119**	**452**	**28**	On demand; interest and non-interest bearing	Unsecured; no impairment
		2014	2,066	98	7,473	159		
	20, 22	**2015**	**-**	**-**	**-**	**20,529**	Less than 1 to 10 years; interest bearing	Unsecured and secured
		2014	-	-	-	16,640		
JVC	*10,19, 21*	**2015**	**3**	**416**	**665**	**162**	On demand; non-interest bearing	Unsecured; no impairment
		2014	-	83	674	1		
Shareholders in subsidiaries	*10, 21, 23*	**2015**	**222**	**77**	**108**	**2,763**	On demand; non-interest bearing	Unsecured; no impairment
		2014	107	15	20	347		
Others	*10, 21, 23*	**2015**	**142**	**-**	**80**	**6,232**	On demand; non-interest bearing	Unsecured; no impairment
		2014	92	-	6,931	46		
Total		**2015**	**P2,793**	**P613**	**P20,315**	**P30,265**		
Total		2014	P2,507	P196	P33,461	P17,744		

a. Amounts owed by related parties consist of current and noncurrent receivables and deposits, and share in expenses.

b. Amounts owed to related parties consist of trade payables and professional fees. The amount owed to the Ultimate Parent Company pertains to dividend payable (Note 37).

c. The amounts owed to associates include interest bearing loans to BOC presented as part of "Loans payable" and "Long-term debt" accounts in the consolidated statements of financial position.

d. The compensation of key management personnel of the Group, by benefit type, follows:

	Note	2015	2014	2013
Short-term employee benefits		**P552**	P544	P489
Retirement benefits	*36*	**1**	(1)	(15)
Share-based payments	*40*	**-**	-	10
		P553	P543	P484

35. Significant Agreements and Lease Commitments

Significant Agreements:

- **Energy**

a. *Independent Power Producer (IPP) Administration (IPPA) Agreements*

As a result of the biddings conducted by PSALM for the Appointment of the IPP Administrator for the Contracted Capacity of the following power plants, the Group was declared the winning bidder and act as IPP Administrator through the following subsidiaries:

Subsidiary	Power Plant	Location
SMEC	Sual Coal - Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
SPDC	San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province
SPPC	Ilijan Natural Gas - Fired Combined Cycle Power Plant (Ilijan Power Plant)	Ilijan, Batangas Province

The IPPA Agreements are with the conformity of National Power Corporation (NPC), a government-owned and controlled corporation created by virtue of Republic Act (RA) No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the IPPA Agreements and further confirms that for so long as it remains the counterparty of the IPP, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The IPPA Agreements include, among others, the following common salient rights and obligations:

i. the right and obligation to manage and control the contracted capacity of the power plant for its own account and at its own cost and risks;

ii. the right to trade, sell or otherwise deal with the capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and at its own risk and cost. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;

iii. the right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the corporation period or in case of buy-out;

iv. for SMEC and SPPC, the right to receive an assignment of NPC's interest to existing short-term bilateral power supply contracts;

v. the obligation to supply and deliver, at its own cost, fuel required by the IPP and necessary for the Sual Power Plant to generate the electricity required to be produced by the IPP;

vi. maintain the performance bond in full force and effect with a qualified bank; and

vii. the obligation to pay PSALM the monthly payments and energy fees in respect of all electricity generated from the capacity, net of outages.

Relative to the IPPA Agreements, SMEC, SPDC and SPPC have to pay PSALM monthly fees for 15 years until October 1, 2024, 18 years until April 26, 2028 and 12 years until June 26, 2022, respectively. Energy fees for 2015, 2014 and 2013 amounted to P23,224, P30,776 and P31,269, respectively (Note 27). SMEC, SPDC and SPPC renewed their performance bonds in US dollar amounting to US$58, US$20 and US$60, which will expire on November 3, 2016, January 25, 2016 and June 16, 2016, respectively. Subsequently, the performance bond of SPDC was renewed up to January 25, 2017.

b. *Market Participation Agreements (MPA)*

SMEC, SPDC and SPPC have entered into a MPA with the Philippine Electricity Market Corporation (PEMC) to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member. Under the WESM Rules, the cost of administering and operating the WESM shall be recovered through a charge imposed on all WESM members or transactions, as approved by Energy Regulatory Commission (ERC). In 2015 and 2014, PEMC's market fees charged to SMEC, SPDC and SPPC amounted to P220 and P234, respectively.

SMELC entered into an MPA for Supplier as Direct WESM Member - Customer Trading Participant Category with the PEMC to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member. SMELC has a standby letter of credit, expiring on December 26, 2016, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM.

c. *Power Supply Agreements*

SMEC, SPPC, SPDC, SMELC and SPI have Power Supply Agreements with various counterparties, including related parties, to sell electricity produced by the power plants. All agreements provide for renewals or extensions subject to mutually agreed terms and conditions of the parties.

Certain customers, like electric cooperatives, are billed based on the time-of-use (TOU) per kilowatt hour (kWh) while others are billed at capacity-based rate. As stipulated in the contracts, each TOU-based customer has to pay the minimum charge based on the contracted power using the basic energy charge and/or adjustments if customer has not fully taken or failed to consume the contracted power. For capacity-based contracts, the customers are charged with the capacity fees based on the contracted capacity even if there is no associated energy taken during the month.

SMEC, SPPC and SPDC purchases power from WESM and other power generation companies during periods when the power generated from the power plants is not sufficient to meet customers' power requirements.

d. *Coal Supply Agreements*

SMEC and SPI, through its operations and maintenance service provider, have supply agreements with various coal suppliers for their power plants' coal requirements.

e. *Retail Supply Agreements*

SMELC has retail supply agreements with customers to supply or sell electricity purchased from WESM and a related party. All agreements provide for renewals or extensions subject to terms and conditions mutually agreed by the parties.

The customers are billed based on the capacity charge and associated energy charge. As stipulated in the contracts, each customer has to pay the capacity charge based on the contracted capacity using the capacity fee and associated energy with adjustments if customer has not fully taken or failed to consume the contracted capacity.

f. *Retail Electricity Supplier's (RES) License*

On August 22, 2011, SMELC was granted a RES License by the ERC pursuant to Section 29 of RA No. 9136 of the EPIRA which requires all suppliers of electricity to the contestable market to secure a license from the ERC. The term of the RES License is for a period of five years from the time it was granted and renewable thereafter.

g. *Concession Agreement*

SMC Global entered into a 25-year Concession Agreement with ALECO on October 29, 2013. It became effective upon confirmation of the National Electrification Administration on November 7, 2013.

On January 24, 2014, SMC Global through its subsidiary, APEC, entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations of the SMC Global under the Concession Agreement effective January 2, 2014.

The Concession Agreement include, among others, the following rights and obligations: i) as Concession Fee, APEC shall pay to ALECO: (a) separation pay of ALECO employees in accordance with the Concession Agreement; (b) the amount of P2 every quarter beginning January 1, 2014 for the upkeep of residual ALECO (fixed concession fee); ii) if the net cash flow of APEC is positive within five years or earlier from the date of signing of the Concession Agreement, 50% of the Net Cash Flow each month shall be deposited in an escrow account until the cumulative nominal sum reaches P4,049; iii) on the 20th anniversary of the Concession Agreement, the concession period may be extended by mutual agreement between ALECO and APEC; and iv) at the end of the concession period, all assets and system, as defined in the Concession Agreement, shall be returned by APEC to ALECO in good and usable condition. Additions and improvements to the system shall likewise be transferred to ALECO. In this regard, APEC shall provide services within the franchise area and shall be allowed to collect fees and charges, as approved by the ERC. ALECO turned over the operations to APEC on February 26, 2014.

h. *MOA with San Roque Power Corporation (SRPC)*

On December 6, 2012, SPDC entered into a five-year MOA with SRPC to sell a portion of the capacity of the San Roque Power Plant.

Under the MOA: i) SRPC shall purchase a portion of the capacity sourced from the San Roque Power Plant; ii) SRPC shall pay a settlement amount to SPDC for the capacity; and iii) the MOA may be earlier terminated or extended subject to terms and mutual agreement of the parties.

i. *Coal Operating Contracts (COC)*

DAMI's coal property covered by COC No. 126, issued by the Department of Energy (DOE), is located in South Cotabato consisting of two coal blocks with a total area of 2,000 hectares, more or less, and has an In-situ coal resources (measured plus indicative coal resources) of about 94 million metric tons as of December 31, 2015.

SEPC's coal mining property and right over an aggregate area of 7,000 hectares, more or less, composed of seven coal blocks located in South Cotabato and Sultan Kudarat. As of December 31, 2015, COC No. 134 has an In-situ coal resources (measured plus indicative coal resources) of about 35 million metric tons.

BERI's COC No. 138, issued by the DOE, is located in Sarangani Province and South Cotabato consisting of eight coal blocks with a total area of 8,000 hectares, more or less, and has an In-situ coal resources (measured plus indicative coal resources) of about 23 million metric tons as of December 31, 2015.

Status of Operations
The DOE approved the conversion of the COC for Exploration to COC for Development and Production of DAMI, SEPC and BERI, respectively, effective on the following dates:

Subsidiary	COC No.	Effective Date	Term*
DAMI	126	November 19, 2008	10 years
SEPC	134	February 23, 2009	10 years
BERI	138	May 26, 2009	10 years

**The term is followed by another 10-year extension, and thereafter, renewable for a series of 3-year periods not exceeding 12 years under such terms and conditions as may be agreed upon with the DOE.*

On January 26, 2015, DOE granted the request by DAMI, SEPC and BERI for further extension of the moratorium of their work commitments under their respective COCs. The request is in connection with a resolution passed by South Cotabato in 2010 prohibiting open-pit mining activities in the area. The moratorium is retrospectively effective from January 1, 2013 and is valid until December 31, 2016 or until the ban on open-pit mining pursuant to the Environment Code of South Cotabato has been lifted, whichever comes first.

- **Fuel and Oil**

a. Supply Agreement

Petron has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase Petron's crude oil requirements from Saudi Arabian American Oil Company (Saudi Aramco), based on the latter's standard Far East selling prices. The contract is for a period of one year from November 1, 2013 to December 1, 2014 with automatic annual extension thereafter unless terminated at the option of either party, within 60 days written notice. Outstanding liabilities of Petron for such purchases are included as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position as of December 31, 2015 and 2014 (Note 21).

PMRMB currently has a long-term supply contract of Tapis crude oil and Terengganu condensate for its Port Dickson Refinery from ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI) and Low Sulphur Waxy Residue Sale/Purchase Agreement with EXTAP, a division of ExxonMobil Asia Pacific Pte. Ltd. On the average, around 65% of crude and condensate volume processed are from EMEPMI with balance of around 35% from spot purchases.

b. Supply Contract with NPC and PSALM

Petron entered into various fuel supply contracts with NPC and PSALM. Under these contracts, Petron supplies the bunker fuel, diesel fuel oil and engine lubricating oil requirements of selected NPC and PSALM plants, and NPC-supplied IPP plants.

- **Infrastructure**

a. Airport Concession Agreement

The ROP awarded TADHC the Airport Project through a Notice of Award (NOA) issued on May 15, 2009. The Airport Project is proposed to be implemented through a Contract-Add-Operate and Transfer Arrangement, a variant of the Build-Operate-Transfer (BOT) contractual arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its revised implementing rules and regulations.

On June 22, 2009, TADHC entered into a Concession Agreement with the ROP, through the Department of Transportation and Communication (DOTC) and Civil Aviation Authority of the Philippines. Based on the Concession Agreement, TADHC has been granted with the concession of the Airport Project which includes the extension or expansion of the Boracay Airport. Subject to existing law, the Concession Agreement also grants to TADHC the franchise to operate and maintain the Boracay Airport up to the end of the concession period, which is for a period of 25 years, and to collect the fees, rentals and other charges as may be agreed from time to time based on the Parametric Formula as defined in the Concession Agreement.

The salient features of the Concession Agreement are presented below:

1. The operations and management of the Boracay Airport shall be transferred to TADHC, provided that the ROP shall retain the operations and control of air traffic services, national security matters, immigration, customs and other governmental functions and the regulatory powers insofar as aviation security, standards and regulations are concerned at the Boracay Airport.

2. As concessionaire, TADHC shall have full responsibility in all aspect of the operation and maintenance of the Boracay Airport and shall collect the regulated and other fees generated from it and from the end users. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the Boracay Airport, TADHC shall post in favor of the ROP, an Operations and Maintenance Performance Security (OMPS) amounting to P25, which must be valid for the entire concession period of 25 years. As of December 31, 2015, TADHC has yet to pay the OMPS, since it is payable only after the completion of the construction of the Airport Project.

3. Immediately upon receiving the Notice to Commence Implementation (NCI) and provided all conditions precedent in the Concession Agreement are fulfilled or waived, TADHC shall start all the activities necessary to upgrade and rehabilitate the Boracay Airport into a larger and more technologically advanced aviation facility to allow international airport operations.

4. TADHC shall finance the cost of the Airport Project, while maintaining a debt-to-equity ratio of 70:30, with debt pertaining to third party loans. TADHC's estimated capital commitment to develop the Airport Project amounts to P2,500, including possible advances to the ROP for the right of way up to the amount of P466. Such ratio is complied with as TADHC fully issued its authorized capital stock as a leverage to the loan obtained from a related party (Notes 22 and 34).

5. TADHC shall also post a P250 Work Performance Security in favor of the ROP as guarantee for faithful performance by TADHC to develop the Airport Project. This performance security shall be partially released by the ROP from time to time to the extent of the percentage-of-completion of the Airport Project. TADHC has paid P1 premium both in 2015 and 2014, for the Work Performance Security. The unamortized portion is included as part of "Prepaid expenses and other current assets" account in the consolidated statements of financial position (Note 12).

6. In consideration for allowing TADHC to operate and manage the Boracay Airport, TADHC shall pay the ROP P8 annually. The 1st payment shall be made immediately upon the turnover by the ROP of the operations and management of the Boracay Airport to TADHC, and every year thereafter until the end of the concession period. The operations and management of the Boracay Airport was turned over to TADHC on October 16, 2010.

After fulfillment of all contractual and legal requirements, the Concession Agreement became effective on December 7, 2009. The NCI issued to TADHC by the DOTC was accepted by TADHC on December 18, 2009.

The Concession Agreement may be renewed or extended for another 25 years upon written agreement of the parties through the execution of a renewal or extension contract.

In accordance with the license granted by the ROP, as expressly indicated in the Concession Agreement, TADHC presently operates the Boracay Airport. TADHC completed the rehabilitation of the existing airport terminal building and facilities on June 25, 2011. Construction work for the extension of runway is currently ongoing and various pre-construction work is being done for the new terminal, such as project design, clearing and acquisition of the right of way.

b. MRT 7 Concession Agreement

In 2008, the ROP awarded ULC the financing, design, construction, supply, completion, testing, commissioning and operation and maintenance of the MRT 7 Project through a NOA issued on January 31, 2008. The MRT 7 Project is proposed to be an integrated transportation system, under a Build-Gradual Transfer-Operate, Maintain and Manage scheme which is a modified Build-Transfer-Operate arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its revised implementing rules and regulations, to address the transportation needs of passengers and to alleviate traffic in Metro Manila, particularly traffic going to and coming from North Luzon.

On June 18, 2008, ULC entered into a Concession Agreement with the ROP, through the DOTC, for a 25-year concession period, subject to extensions as may be provided for under the Concession Agreement and by law. Based on the Concession Agreement, ULC has been granted the right to finance, construct and operate and maintain the proposed MRT 7 Project, which consists of 44-km of rail transportation (from North Avenue station in EDSA, Quezon City passing through Commonwealth Avenue, Regalado Avenue, Quirino Highway up to Intermodal Transportation Terminal in San Jose del Monte, Bulacan) and road (from San Jose del Monte, Bulacan to Bocaue Interchange of the North Luzon Expressway).

The salient features of the Concession Agreement are presented below:

1. The MRT 7 Project cost shall be financed by ULC through debt and equity at a ratio of approximately 75:25 and in accordance with existing BSP regulations on foreign financing components, if any. Based on the Concession Agreement, ULC's estimated capital commitment to develop the MRT 7 Project amounts to US$1,235.60, adjusted to 2008 prices at US$1,540 per National Economic and Development Authority Board approval of June 2013. ULC shall endeavor to have signed the financing agreements not later than 18 months from the signing of the Concession Agreement.

2. ULC shall post a Performance Security for Construction and Operation and Maintenance (O&M) in favor of the ROP as guarantee for faithful performance by ULC to develop the MRT 7 Project. This performance security for O&M shall be reduced every year of the concession period to the amounts as specified in the Concession Agreement.

3. In the event that the MRT 7 Project is not completed by the end of the grace period, which is 100 calendar days following the project completion target as defined in the Concession Agreement, ULC shall pay the ROP liquidated damages of US$0.1 for every calendar day of delay.

4. As payment for the gradual transfer of the ownership of the assets of the MRT 7 Project, the ROP shall pay ULC a fixed amortization payment on a semi-annual basis in accordance with the schedule of payment described in the Concession Agreement. The ROP's amortization payment to ULC shall start when the MRT 7 Project is substantially completed.

5. Net passenger revenue shall be shared by the ROP and ULC on a 30:70 basis.

6. All rail-based revenues above 11.90% internal rate of return of ULC for the MRT 7 Project over the cooperation period, which means the period covering the construction and concession period, shall be shared equally by ULC and the ROP at the end of the concession period. All rail-based revenues above 14% internal rate of return shall wholly accrue to the ROP.

7. The ROP grants ULC the exclusive and irrevocable commercial development rights (including the right to lease or sublease or assign interests in, and to collect and receive any and all income from, but not limited to, advertising, installation of cables, telephone lines, fiber optics or water mains, water lines and other business or commercial ventures or activities over all areas and aspects of the MRT 7 Project with commercial development potentials) from the effectivity date of the Concession Agreement until the end of the concession period, which can be extended for another 25 years, subject to the ROP's approval. In consideration of the development rights granted, ULC or its assignee shall pay the ROP 20% of the net income before tax actually realized from the exercise of the development rights.

On July 23, 2014, the ROP through the ROP/DOTC confirmed their obligations under the MRT 7 Agreement dated June 18, 2008. On August 19, 2014, ULC received the Performance Undertaking issued by the Department of Finance. The Performance Undertaking is a recognition of the obligations of the ROP thru the DOTC under the Concession Agreement, particularly the remittance of semi-annual amortization payment in favor of ULC. The financial close on the Performance Undertaking was achieved in February 2016, which rendered the contract in the construction of the MRT 7 Project effective.

c. Toll Road Concession Agreements

(i) SLEX

On February 1, 2006, SLTC executed the Supplemental Toll Operation Agreement (STOA) with MATES, Philippine National Construction Corporation (PNCC) and the ROP through the TRB. The STOA authorizes SLTC by virtue of a joint venture to carry out the rehabilitation, construction and expansion of the SLEX, comprising of: Toll Road (TR)1 (Alabang viaduct), TR2 (Filinvest to Calamba, Laguna), TR3 (Calamba, Laguna to Sto. Tomas, Batangas) and TR4 (Sto. Tomas, Batangas to Lucena City). The concession granted shall expire 30 years from February 1, 2006.

On December 14, 2010, the TRB issued the Toll Operations Certificate for Phase 1 of the SLEX i.e., TR1, TR2 and TR3, and approved the implementation of SLTC's initial toll rate, for the said Phase 1. The initial toll rate had been implemented on a staggered basis from January to March 2011, with full implementation starting April 1, 2011.

SLTC entered into a MOA on the Interoperability of the Muntinlupa-Cavite Expressway (MCX) (formerly known as the Daang Hari-SLEX Connector Road) and the SLEX (MOA on Interoperability) and an accompanying Addendum to the MOA on Interoperability, both on July 21, 2015, with Ayala Corporation (Ayala). Ayala is the concession holder of MCX while Muntinlupa Cavite Expressway, Inc. is the facility operator of MCX.

The MOA on Interoperability and the addendum provide the framework that will govern the interface and integration of the technical operations and toll operation systems between the MCX and the SLEX, to ensure seamless travel access into MCX and SLEX for road users.

(ii) NAIA Expressway Project

On July 8, 2013, Vertex entered into a Concession Agreement with the ROP, through DPWH, for a 30-year concession period subject to extensions, as may be provided for under the Concession Agreement. Vertex has been granted the right to finance, construct, and operate and maintain the NAIA Expressway Project, which consists of a 4-lane, 7.75 km elevated expressway and 2.22 km At-Grade feeder road that will provide access to NAIA Terminals 1, 2 and 3, and link the Skyway and the Manila-Cavite Toll Expressway.

The salient features of the Concession Agreement are presented below:

1. Vertex shall at all times during the concession period maintain a leverage ratio not exceeding 80%.

2. Vertex shall post a Performance Security for Construction and O&M in favor of the ROP as guarantee for faithful performance to develop the NAIA Expressway Project. The Performance Security for Construction shall be reduced on the date of expiry of the At-Grade Works and Phase II(a) Defects Liability Period to the amounts as specified in the Concession Agreement.

   Throughout the construction period, the DPWH and the TRB shall be allowed to monitor, inspect and check progress and quality of the activities and works undertaken by Vertex to ensure compliance with the Concession Agreement's Minimum Performance Standards and Specifications, Detailed Engineering Design (DED) or At-Grade Works DED. Vertex shall directly pay for the cost of the Project Overhead Expenses incurred by the DPWH or the TRB until the end of the construction period. The liability of Vertex for the project overhead expenses due to the TRB and DPWH shall not exceed P25 and P50, respectively.

3. If by the Completion Deadline, the Independent Consultant has not issued written notice that all conditions in the Concession Agreement in relation to the At-Grade Works, Phase II(a) and Phase II(b) have been fulfilled, Vertex shall be liable to the DPWH for the payment of liquidated damages in the amount of P0.2, P1.5 and P2 for every day of delay beyond the At-Grade Works, Phase II(a) and Phase II(b) Construction Completion Deadline, respectively.

4. The toll revenues collected from the operations of the NAIA Expressway Project are the property of Vertex. Vertex has the right to assign or to enter into such agreements with regard to the toll revenues and their collection, custody, security and safekeeping.

5. The equity structure of Vertex shall comply with the equity requirements set out in the Concession Agreement. During the lock-up period, which is from the signing date until the end of the third year of the Operation Period,

Vertex shall not register or otherwise permit any transfer of its equity or any rights in relation to its equity except: (a) if after the transfer, (i) the Qualifying Initial Stockholders continue to meet its Equity Requirement; (ii) the Initial Shareholders collectively continue to meet its Equity Requirements, and in each case any new shareholder is approved by the DPWH such consent not to be unreasonably withheld; (b) with the DPWH's prior written consent; (c) by way of the grant of a Permitted Security Interest or the exercise of rights under a Permitted Security Interest; or such transfer is necessary to comply with any applicable foreign ownership restrictions and the transferee and the terms of the transfer are both approved by the DPWH.

6. At the end of the concession period, Vertex shall turnover to the DPWH the NAIA Expressway in the condition required for turnover as described in the Minimum Performance Standards Specifications.

(iii) Skyway

o Skyway Stages 1 and 2

On June 10, 1994, PNCC, the franchise holder for the construction, O&M of the proposed Metro Manila Expressway, including any and all extensions, linkages or stretches thereof, such as the proposed Skyway, and PT Citra Lamtoro Gung Persada (PT Citra), as joint proponents, submitted to the ROP through the TRB, the Joint Investment Proposal covering not only the proposed Skyway but also the planned Metro Manila Tollways. The said proposal embodied, among others, that PT Citra in cooperation with PNCC committed itself to finance, design and construct the skyway in three stages, consisting of: (a) South Metro Manila Skyway (SMMS) as Stages 1 and 2; (b) North Metro Manila Skyway and the Central Metro Manila Skyway as Stage 3; and (c) Metro Manila Tollways as Stage 4. The Joint Investment Proposal was approved by the TRB on November 27, 1995 and the STOA was executed on the same date by and among CMMTC, PNCC and the ROP acting through the TRB.

Under the STOA, the design and the construction of the SMMS and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of CMMTC as investor. On the other hand, the O&M of the SMMS shall be the primary and exclusive privilege, responsibility and obligation of PNCC, through its wholly owned subsidiary, the PNCC Skyway Corporation (PSC).

On July 18, 2007, the STOA was amended, to cover among others, the implementation of Stage 2 of the SMMS (Stage 2); the functional and financial integration of Stage 1 of the SMMS (Stage 1) and Stage 2 upon the completion of the construction of Stage 2; and the grant of right to CMMTC to nominate to the TRB a qualified party to perform the O&M of the Project Roads to replace PSC. CMMTC, PNCC and PSC then entered into a MOA for the successful and seamless turnover of the O&M responsibilities for the SMMS from PSC to SOMCO.

The Project Roads shall be owned by the Philippine Government, without prejudice to the rights and entitlement of the Investor and the Operator under the STOA. The legal transfer of ownership of the Project Roads to the Philippine Government shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed among CMMTC, SOMCO for the O&M of the Project Roads, and PNCC.

The 30-year franchise period for the Integrated Stage 1 and Stage 2 commenced on April 25, 2011.

Under the STOA, CMMTC may file an application to adjust the toll rates which shall be of two kinds, namely periodic and provisional adjustments. Periodic adjustments for the Integrated Stage 1 and Stage 2 may be applied for every year. CMMTC may file an application for provisional adjustment upon the occurrence of a force majeure event or significant currency devaluation. A currency devaluation shall be deemed "significant" if it results in a depreciation of the value of the Philippine peso relative to the US dollar by at least 10%. The applicable exchange rate shall be the exchange rate between the currencies in effect as of the date of approval of the prevailing preceding toll rate.

o Skyway Stage 3 Project

On June 10, 1994, PNCC, the franchise holder for the construction, operation, and maintenance of the proposed Skyway and Metro Manila Tollways, including any and all extensions, linkages, or stretches thereof, and PT Citra, as joint proponents, submitted to the ROP, through the TRB, the Joint Investment Proposal covering the proposed Skyway and Metro Manila Tollways. The Joint Investment Proprosal embodied, among others, the commitment of PT Citra, in cooperation with PNCC, through their Business and Joint Venture Agreement (BJVA) dated August 30, 1995, to finance, design, and construct the Skyway in three stages, consisting of: (a) South Metro Manila Skyway (SMMS) as Stages 1 and 2; (b) North Metro Manila Skyway and the Central Metro Manila Skyway as Stage 3; and (c) Metro Manila Tollways as Stage 4. The Joint Investment Proposal was approved by the TRB on November 27, 1995, and was updated through the Updated Joint Investment Proposal for the construction of the Project Road dated May 3, 2011, which was also approved by the TRB. On September 6, 2012, PNCC and PT Citra executed a Restated Second Supplement to the Business and Joint Venture Agreement for the implementation of the Project Road through CCEC, their new joint venture company.

The Stage 3 STOA was executed on July 8, 2013 by and among the ROP as the Grantor, acting by and through the TRB, PNCC, CCEC as the Investor, and Central Metro Manila Skyway Corporation (CMMSC) as the Operator, wherein CCEC was granted the primary and exclusive privilege, responsibility, and obligation to design and construct the Project Road, and to finance the same, while CMMSC was granted the primary and exclusive privilege, responsibility, and obligation to operate and maintain the Project Road.

The Project Road shall be owned by the Philippine Government, without prejudice to the rights and the entitlements of the Investor and of the Operator under the Stage 3 STOA. The legal transfer of ownership of the Project Road to the Philippine Government shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the Project Road is 30 consecutive years commencing from the issuance of the Toll Operation Certificate (TOC) for the entire Project Road to the Investor and/or the Operator. As at December 31, 2015, CCEC is in the construction stage of the Project Road.

Under the Stage 3 STOA, CCEC may apply for two kinds of adjustments on the toll rate for the Project Road, namely: (a) periodic and (b) provisional. A periodic adjustment may be applied for every two years, while a provisional adjustment may be applied upon the occurrence of an event of Force Majeure.

CCEC and CMMSC shall enter into a revenue sharing agreement to set forth the terms and conditions of their sharing of the toll revenues from the Project Road.

(iv) TPLEX

PIDC entered into a Concession Agreement with the ROP through the DPWH and the TRB to finance, design, construct, operate and maintain and impose and collect tolls from the users of the TPLEX Project. The TPLEX Project is a toll expressway from La Paz, Tarlac to Rosario, La Union which is approximately 88.85 km. The four-lane expressway will have nine toll plazas from start to end.

The initial toll rate was submitted by PIDC as part of its bid and was duly confirmed by the DPWH and incorporated as part of the Concession Agreement. Toll rate shall be collected using the close-system which may be changed into an open-system whenever there is a new interchange required to be built as per Concession Agreement.

The toll revenue collected from the operation of the TPLEX Project is the property of PIDC. PIDC shall have the right to assign or to enter into such agreements with regard to the toll revenue and its collection, custody, security and safekeeping.

The concession period shall be for a term of 35 years starting from the effectivity of the Concession Agreement and any approved extension thereof.

The TPLEX Project shall be owned by the ROP without prejudice to the rights and entitlement of PIDC. The legal transfer of ownership of the TPLEX Project shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction and upon issuance of the Certificate of Substantial Completion for each section of the TPLEX Project.

On October 31, 2013, PIDC opened the first section of the TPLEX Project from Tarlac to Gerona. The Section 1B from Gerona to Rosales was opened to motorists on December 23, 2013. The 49-km stretch from Gerona to Carmen was fully operational on April 16, 2014. The 14-km stretch from Carmen to Urdaneta was fully operational starting March 17, 2015. On the other hand, the last section from Urdaneta to Rosario is targeted for completion by 2017.

On January 18, 2014, PIDC obtained approval from the TRB to collect toll fares (inclusive of VAT) for the use of the three segments of section one.

(v) STAR

On June 18, 1998, SIDC and the ROP, individually and collectively, acting by and through the DPWH and the TRB, entered into a Concession Agreement covering the STAR Project.

Under the Concession Agreement, the following are the components and related activities of the STAR Project:

1. The preliminary and final engineering design, financing and construction of Stage II of the STAR Project.

2. The design and construction of all ancillary toll road facilities, toll plazas, interchanges and related access facilities of Stage I of the STAR Project, a ROP-constructed toll road, and for Stage II of the STAR Project road to be constructed by SIDC.

3. The operation and maintenance of the STAR Project as toll road facilities within the concession period of 30 years from January 1, 2000 up to December 31, 2029.

   However, based on the Concession Agreement amendatory agreement dated December 2006, the concession period is extended for an additional six years, to compensate for the delay in the commencement of the construction of the Stage II, Phase II of the STAR Project toll road. Accordingly, the concession period is until December 31, 2035.

4. The financing of the STAR Project is through equity and debt instruments until its full satisfaction and for the operation and maintenance of the toll road and its facilities within the concession period.

Also pursuant to the Concession Agreement, the STAR Project and any stage or phase or ancillary facilities thereof of a fixed and permanent nature shall be owned by the ROP, without prejudice to the rights and entitlements of SIDC. The legal transfer of ownership of the STAR Project and/or any stage, phase or ancillary thereof shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction and upon the ROP's issuance of the Certificate of Substantial Completion. Provided, that the right of way shall be titled in the ROP's name regardless of the construction thereon.

The STAR Project consists of two stages as follows:

Stage I O&M of the 22.16-km toll road from Sto. Tomas, Batangas to Lipa City, Batangas

Stage II Finance, design, construction, O&M of the 19.74-km toll road from Lipa City, Batangas to Batangas City, Batangas

SIDC started its commercial operations on August 1, 2001 after the issuance by the TRB to SIDC of the TOC for the O&M of the Stage I toll road facility of the STAR Project on July 31, 2001.

The TRB issued to SIDC the TOC for the O&M of the Stage II, Phase I toll road facility of the STAR Project on April 16, 2008. SIDC started the construction of the remaining portion of Stage II in 2013 and was completed in October 17, 2014.

d. Port Concession Agreements

On November 19, 2009, MNHPI entered into a Contract for the Development, Operation and Maintenance of the Manila North Harbor (the "Contract") with the Philippine Ports Authority (PPA), a Government agency. Under the Contract, the PPA grants MNHPI the sole and exclusive right to manage, operate, develop and maintain the Manila North Harbor (MNH) for 25 years reckoning on the first day of the commencement of operations renewable for another 25 years under such terms and conditions as the parties may agree. In consideration, MNHPI shall remit a fixed fee every quarter and submit a performance security to the PPA.

In this regard, MNHPI shall provide services and development based on the operation and volume requirement of the port and shall be allowed to collect fees and charges, as approved by the PPA. The fees to be charged by MNHPI shall be in accordance with the price policy and rate setting mechanism adopted by PPA and the laws and regulations promulgated by the government. Upon the expiration of the Contract or in the event of its termination or cancellation prior to its expiration, all existing improvements, structures, building and facilities at MNH permanent, constructed by or belonging to MNHPI shall automatically become the property of the PPA without any obligation to reimburse therefore, except for port equipment purchased five years prior to expiration or termination of the Contract wherein the PPA has option to either purchase or lease the same from MNHPI.

On April 12, 2010, the PPA turned over the operations of the MNH to MNHPI. MNHPI recognized as concession assets all costs directly related to the Contract and development of the port.

On March 21, 2011, MNHPI and the PPA entered into a Clarificatory Agreement to the Contract related to the implementation of some terms and conditions to harmonize and be consistent with the date of the turnover, which was on April 12, 2010, and ensure fairness to both parties concerned as follows: (a) the fixed fee is exclusive of VAT; (b) the performance security shall be equivalent to 60% of the annual fixed fee, which shall be reckoned from April 12, 2010; (c) establishment of the Portworker's Retirement and Separation Fund (PRSF) shall be within one year from April 12, 2010; (d) all rentals within the area of management, operation, development and maintenance of MNHPI from April 12, 2010 and thereafter shall accrue to MNHPI; and (e) applicable terms and conditions of the Contract shall become operative on April 12, 2010.

- **Telecommunications**

Congressional Franchises and Licenses Issued by the National Telecommunications Commission (NTC)

o BellTel

On March 25, 1994, the Philippine Congress passed RA No. 7692 which granted a 25-year franchise to BellTel to install, operate and maintain telecommunications systems throughout the Philippines and for other purposes.

On October 28, 1997, the NTC, under NTC Case No. 94-229, granted a Provisional Authority (PA) to BellTel, valid for 18 months, or until April 27, 1999, to install, operate and maintain the following telecommunication services:

- international gateway facility;
- inter-exchange carrier facility;
- VSAT system nationwide;
- telephone systems in the selected cities and municipalities in the Luzon area;
- Wireless Local Loop telephone systems in the cities of Muntinlupa, Las Piñas, Pasig, Mandaluyong, Makati, Pasay, Parañaque, Taguig and Marikina; and in the municipalities of Pateros and San Juan; and
- telephone systems in all economic zones identified under RA No. 7916.

Since then, this PA had been extended several times, the latest extension of which is valid until March 5, 2018.

In an Order dated October 19, 2007 (CCC Case No. 94-223), the NTC granted BellTel a PA, valid for 18 months or until April 19, 2009, to install, operate and maintain a Mobile Telecommunication Network as set forth in the said Order. Since then, this PA had been extended, the latest extension of which is valid until April 17, 2018.

o ETPI

On October 3, 2002, RA No. 9172 entitled "An Act Renewing and Amending the Franchise Granted to ETPI (Eastern Extension Australasia and China Telegraph Company Limited) under RA No. 808, as Amended" extended for another 25 years ETPI's legislative franchise to construct, install, establish, operate and maintain for commercial purposes and in the public interest, throughout the Philippines and between the Philippines and other countries and territories, the following telecommunications services:

- wire and/or wireless telecommunications systems, including but not limited to mobile, cellular, paging, fiber optic, multi-channel distribution system, local multi-point distribution system, satellite transmit and receive systems, switches, and their value-added services such as, but not limited to, transmission of voice, data, facsimile, control signs, audio and video, information services bureau and all other telecommunications systems technologies as are at present available or will be made available through technological advances or innovations in the future; and construct, acquire, lease and operate or manage transmitting and receiving stations, lines, cables or systems, as is, or are, convenient or essential to efficiently carry out the purpose of the franchise.

o TTPI

a. Local Exchange Carrier (LEC)

TTPI has an approved congressional franchise granted under RA No. 7671, as amended by RA No. 7674, to install, operate and maintain telecommunications systems throughout the Philippines.

On September 25, 1996, the NTC granted TTPI a PA to install, operate and maintain LEC services in the provinces of Batanes, Cagayan, Isabela, Kalinga, Apayao, Nueva Vizcaya, Ifugao and Quirino and the cities of Manila and Caloocan as well as the municipality of Navotas in order to commence compliance with the requirements of Executive Order No. 109 (s. 1993), which required ETPI to put up a minimum of 300,000 LEC lines. TTPI is allowed to deploy Public Calling Offices in municipalities and barangays within its authorized service area in lieu of rolling out LEC lines.

On January 18, 2006, the NTC granted TTPI a Certificate of Public Convenience and Necessity (CPCN) to install, operate and maintain LEC services in the cities of Manila and Caloocan, as well as in the provinces of Cagayan and Isabela. In addition, in a letter dated August 14, 2006, the NTC confirmed that TTPI has already completely served the remaining areas it needs to serve under the PA of September 25, 1996. On January 8, 2010, TTPI was granted a CPCN to install, operate and maintain LEC services in the municipality of Navotas and the provinces of Cagayan, Isabela, Apayao, Batanes, Ifugao, Kalinga, Nueva Vizcaya and Quirino.

On September 25, 1996, October 16, 2006 and December 23, 2008, the NTC issued separate PAs in favor of TTPI to install, operate and maintain LEC services in the remaining cities and municipalities of Metro Manila, in the provinces of Cavite, Laguna, Batangas, Rizal and Quezon (CALABARZON) and in the provinces of Apayao, Batanes, Ifugao, Kalinga, Nueva Vizcaya and Quirino.

The NTC granted TTPI a PA to install, operate and maintain LEC service in the rest of the Greater Manila Area on October 16, 2006. The PA was extended by the NTC on September 11, 2008 for three years but not beyond April 16, 2011. The motion for an extension of the PA is still pending with the NTC as of December 31, 2015.

b. Tori Spectrum

On September 21, 2012, Tori Spectrum was granted an extension of its congressional franchise through 2037, including appropriate licenses, which allows it to provide various types of domestic and international communication service to the public.

Tori Spectrum's operations are regulated by the NTC. Consequently, certain service offering and rate settings are approved by the NTC. Tori Spectrum has various radio-based stations nationwide.

o CTI

On September 3, 2009, CTI was granted an extension of its congressional franchise for another 25 years.

On October 28, 1997, the NTC, under NTC Case No. 87-39, granted a Certificate of Public Convenience and Necessity (CPCN) to CTI, co-terminus with its Franchise, to construct, install and operate CMTS nationwide.

Lease Commitments:

■ Finance Leases

Group as Lessee

a. IPPA Agreements

The IPPA Agreements are with the conformity of NPC, a government-owned and controlled corporation created by virtue of RA No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the IPPA Agreements and further confirms that for as long as it remains the counterparty of the IPP, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The IPPA Agreements provide the Group with a right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the cooperation period or in case of buy-out. In accounting for the Group's IPPA Agreements with PSALM, the Group's management has made a judgment that the IPPA Agreements are agreements that contains a finance lease. The Group's management has also made a judgment that it has substantially acquired all the risks and rewards incidental to the ownership of the power plants. Accordingly, the carrying amount of the Group's capitalized asset and related liability of P182,946 and P179,193 as of December 31, 2015 and P188,133 and P186,304 as of December 31, 2014, respectively, (equivalent to the present value of the minimum lease payments using the Group's incremental borrowing rates for US dollar and Philippine peso payments) are presented as part of "Property, plant and equipment" and "Finance lease liabilities" accounts in the consolidated statements of financial position (Notes 4 and 15).

The Group's incremental borrowing rates are as follows:

	US Dollar	Philippine Peso
SMEC	3.89%	8.16%
SPPC	3.85%	8.05%
SPDC	3.30%	7.90%

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreement and recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income. Interest expense amounted to P10,213, P10,718, and P10,984, in 2015, 2014 and 2013, respectively (Note 31).

The future minimum lease payments for each of the following periods are as follows:

2015

	Dollar Payments	**Peso Equivalent of Dollar Payments**	**Peso Payments**	**Total**
Not later than one year	**US$250**	**P11,774**	**P11,981**	**P23,755**
More than one year and not later than five years	**1,072**	**50,446**	**51,334**	**101,780**
Later than five years	**1,119**	**52,643**	**53,617**	**106,260**
	2,441	**114,863**	**116,932**	**231,795**
Less: Future finance charges on finance lease liabilities	**383**	**18,032**	**34,570**	**52,602**
Present values of finance lease liabilities	**US$2,058**	**P96,831**	**P82,362**	**P179,193**

2014

	Dollar Payments	Peso Equivalent of Dollar Payments	Peso Payments	Total
Not later than one year	US$239	P10,668	P11,423	P22,091
More than one year and not later than five years	1,027	45,928	49,178	95,106
Later than five years	1,413	63,225	67,753	130,978
	2,679	119,821	128,354	248,175
Less: Future finance charges on finance lease liabilities	462	20,677	41,194	61,871
Present values of finance lease liabilities	US$2,217	P99,144	P87,160	P186,304

The present values of minimum lease payments for each of the following periods are as follows:

2015

	Dollar Payments	**Peso Equivalent of Dollar Payments**	**Peso Payments**	**Total**
Not later than one year	**US$197**	**P9,275**	**P7,272**	**P16,547**
More than one year and not later than five years	**768**	**36,132**	**25,606**	**61,738**
Later than five years	**1,093**	**51,424**	**49,484**	**100,908**
	US$2,058	**P96,831**	**P82,362**	**P179,193**

2014

	Dollar Payments	Peso Equivalent of Dollar Payments	Peso Payments	Total
Not later than one year	US$195	P8,719	P7,486	P16,205
More than one year and not later than five years	765	34,207	26,605	60,812
Later than five years	1,257	56,218	53,069	109,287
	US$2,217	P99,144	P87,160	P186,304

b. Equipment

The Group's finance leases cover equipment needed for business operations. The agreements do not allow subleasing. The net carrying amount of leased assets is P96 and P22 as of December 31, 2015 and 2014, respectively (Notes 4 and 15).

The Group's share in the minimum lease payments for these finance lease liabilities are as follows:

2015

	Minimum Lease Payable	**Interest**	**Principal**
Within one year	**P27**	**P6**	**P21**
After one year but not more than two years	**28**	**5**	**23**
More than two years	**47**	**4**	**43**
	P102	**P15**	**P87**

2014

	Minimum Lease Payable	Interest	Principal
Within one year	P16	P2	P14
After one year but not more than two years	14	2	12
	P30	P4	P26

- Operating Leases

Group as Lessor
The Group has entered into lease agreements on its investment property portfolio, consisting of surplus office spaces (Note 16). The non-cancellable leases have remaining terms of 3 to 14 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum lease receipts under non-cancellable operating leases are as follows:

	2015	2014	2013
Within one year	**P4,511**	P4,317	P322
After one year but not more than five years	**7,722**	12,003	544
After five years	**14**	25	43
	P12,247	P16,345	P909

Rent income recognized in the consolidated statements of income amounted to P1,258, P1,672 and P1,428 in 2015, 2014 and 2013, respectively (Note 4).

Group as Lessee
The Group leases a number of office, warehouse and factory facilities under operating leases. The leases typically run for a period of 1 to 16 years. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

Non-cancellable operating lease rentals are payable as follows:

	2015	2014	2013
Within one year	**P2,317**	P1,930	P1,684
After one year but not more than five years	**4,592**	3,946	4,052
More than five years	**11,080**	10,706	9,357
	P17,989	P16,582	P15,093

Rent expense recognized in the consolidated statements of income amounted to P3,904, P3,673 and P3,347 in 2015, 2014 and 2013, respectively (Notes 4, 27 and 28).

36. Retirement Plans

The Parent Company and majority of its subsidiaries have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans of the Parent Company and majority of its subsidiaries pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. Majority of the Group's latest actuarial valuation date is December 31, 2015. Valuations are obtained on a periodic basis.

Majority of the Retirement Plans are registered with the BIR as tax-qualified plans under RA No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees of each Retirement Plan. The Board of Trustees of the Group's Retirement Plans exercises voting rights over the shares and approve material transactions. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of the Parent Company.

The following table shows a reconciliation of the net defined benefit retirement asset (liability) and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Effect of Asset Ceiling		Net Defined Benefit Retirement Liability	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Balance at beginning of year	**P25,444**	P29,235	**(P26,925)**	(P26,013)	**(P2,786)**	(P4,051)	**(P4,267)**	(P829)
Benefit asset of (obligation) newly-acquired and disposed subsidiaries	**20**	-	**(312)**	-	**-**	-	**(292)**	-
Recognized in profit or loss								
Service costs	**-**	-	**(1,333)**	(1,258)	**-**	-	**(1,333)**	(1,258)
Interest expense	**-**	-	**(1,198)**	(1,148)	**-**	-	**(1,198)**	(1,148)
Interest income	**1,102**	1,297	**-**	-	**-**	-	**1,102**	1,297
Interest on the effect of asset ceiling	**-**	-	**-**	-	**(114)**	(178)	**(114)**	(178)
Settlements	**-**	-	**(21)**	96	**-**	-	**(21)**	96
	1,102	1,297	**(2,552)**	(2,310)	**(114)**	(178)	**(1,564)**	(1,191)
Recognized in other comprehensive income								
Remeasurements:								
Actuarial (gains) losses arising from:								
Experience adjustments	**-**	-	**(922)**	(1,167)	**-**	-	**(922)**	(1,167)
Changes in financial assumptions	**-**	-	**435**	(166)	**-**	-	**435**	(166)
Changes in demographic assumptions	**-**	-	**395**	537	**-**	-	**395**	537
Return on plan asset excluding interest	**(5,399)**	(4,756)	**-**	-	**-**	-	**(5,399)**	(4,756)
Changes in the effect of asset ceiling	**-**	-	**-**	-	**962**	1,443	**962**	1,443
	(5,399)	(4,756)	**(92)**	(796)	**962**	1,443	**(4,529)**	(4,109)
Others								
Contributions	**1,830**	1,692	**-**	-	**-**	-	**1,830**	1,692
Benefits paid	**(1,601)**	(2,040)	**1,657**	2,145	**-**	-	**56**	105
Transfers from other plans	**-**	-	**-**	-	**-**	-	**-**	-
Transfers to other plans	**-**	-	**6**	-	**-**	-	**6**	-
Other adjustments	**14**	16	**162**	49	**-**	-	**176**	65
	243	(332)	**1,825**	2,194	**-**	-	**2,068**	1,862
Balance at end of year	**P21,410**	P25,444	**(P28,056)**	(P26,925)	**(P1,938)**	(P2,786)	**(P8,584)**	(P4,267)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement benefits recognized in the consolidated statements of income by the Parent Company amounted to P26, P31 and P63 in 2015, 2014 and 2013, respectively (Note 30).

Retirement costs recognized in the consolidated statements of income by the subsidiaries amounted to P1,590, P1,222 and P1,425 in 2015, 2014 and 2013, respectively (Note 30).

As of December 31, 2015, net retirement assets and liabilities, included as part of "Other noncurrent assets" account, amounted to P3,175 (Note 19) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P91 and P11,668, respectively (Notes 21 and 23).

As of December 31, 2014, net retirement assets and liabilities, included as part of "Other noncurrent assets" account, amounted to P3,830 (Note 19) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P127 and P7,970, respectively (Notes 21 and 23).

The carrying amounts of the Group's retirement fund approximate fair values as of December 31, 2015 and 2014.

The Group's plan assets consist of the following:

	In Percentages	
	2015	2014
Investments in marketable securities and shares of stock	**72.74**	70.11
Investments in pooled funds:		
Fixed income portfolio	**8.68**	7.47
Stock trading portfolio	**6.11**	5.78
Investments in real estate	**0.54**	0.49
Others	**11.93**	16.15

Investments in Marketable Securities

As of December 31, 2015, the plan assets include:

- 25,146,517 common shares and 32,511,970 Subseries "2-B", 2,666,700 Subseries "2-D", 4,000,000 Subseries "2-E" and 8,000,000 Subseries "2-F" Preferred Shares of the Parent Company with fair market value per share of P49.90, P77.40, P85.00, P76.00 and P79.90, respectively;
- 731,516,097 common shares and 290,470 preferred shares of Petron with fair market value per share of P6.99 and P1,070.00, respectively;
- 20,459,785 common shares of GSMI with fair market value per share of P12.28;
- 226,998 common shares and 300,000 preferred shares of SMPFC with fair market value per share of P129.00 and P1,029.00, respectively;
- 33,635,700 common shares of SMB with fair market value per share of P20.00; and
- 2,170,861 common shares of Top Frontier with fair market value per share of P67.60.

As of December 31, 2014, the plan assets include:

- 21,733,617 common shares and 6,661,840 Subseries "2-A" and 32,511,970 Subseries "2-B" Preferred Shares of the Parent Company with fair market value per share of P73.80, P75.60 and P78.15, respectively;
- 731,516,097 common shares and 2,945,000 preferred shares of Petron with fair market value per share of P10.60 and P101.80, respectively;
- 18,959,785 common shares of GSMI with fair market value per share of P15.88;
- 226,998 common shares and 54,835 preferred shares of SMPFC with fair market value per share of P208.00 and P1,009.00, respectively;
- 33,635,700 common shares of SMB with fair market value per share of P20.00; and
- 2,170,861 common shares of Top Frontier with fair market value per share of P124.00.

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as of the reporting date (Note 4).

The Group's Retirement Plans recognized losses on the investment in marketable securities of Top Frontier, Parent Company and its subsidiaries amounting to P3,183 and P3,993 in 2015 and 2014, respectively.

Dividend income from the investment in shares of stock of Parent Company and its subsidiaries amounted to P350, P365 and P713 in 2015, 2014 and 2013, respectively.

Investments in Shares of Stock

a. BOC

San Miguel Corporation Retirement Plan (SMCRP) has 39.94% equity interest in BOC representing 44,834,286 common shares, accounted for under the equity method amounting to P9,938 and P10,164 as of December 31, 2015 and 2014, respectively. SMCRP recognized its share in total comprehensive income (loss) of BOC amounting to (P226) and P1,093 in 2015 and 2014, respectively (Note 13).

b. PAHL

Petron Corporation Employees Retirement Plan (PCERP) has an investment in PAHL with a carrying amount of P1,472 and P1,553 equivalent to 53% and 54% equity interest as of December 31, 2015 and 2014, respectively.

PCERP recognized its share in net losses amounting to P81 and P107 in 2015 and 2014, respectively.

c. BPI

The Group's plan assets also include San Miguel Brewery Inc. Retirement Plan's investment in BPI representing 4,708,494 preferred shares as of December 31, 2015 and 2014.

Investments in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Approximately 6% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of the Parent Company and its subsidiaries as of December 31, 2015 and 2014.

Approximately 64% and 49% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of the Parent Company and its subsidiaries as of December 31, 2015 and 2014, respectively.

Investments in Real Estate

The Retirement Plans of the Group have investments in real estate properties as of December 31, 2015 and 2014.

Others

Others include the Retirement Plans' investments in trust account, government securities, bonds and notes, cash and cash equivalents and receivables which earn interest. Investment in trust account represents funds entrusted to a financial institution for the purpose of maximizing the yield on investible funds.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute P2,329 to the Retirement Plans in 2016.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2015	2014
Discount rate	**4.11 - 9.00**	3.44 - 8.80
Salary increase rate	**4.00 - 8.00**	4.00 - 8.00

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 1.5 to 31.36 years and 1.5 to 27.78 years as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	Defined Benefit Retirement Obligation			
	2015		2014	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P1,085)**	**P1,263**	(P1,108)	P1,281
Salary increase rate	**1,141**	**(1,002)**	1,138	(1,009)

The outstanding balances of the Group's receivables from the retirement plans are as follows:

a. Petron has advances to PCERP amounting to P6,597 and P6,263 as of December 31, 2015 and 2014, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables" and "Other noncurrent assets" accounts in the consolidated statements of financial position (Notes 10 and 19). The advances are subject to interest of 5% in 2015 and 2014 (Note 32).

b. The Parent Company has advances to SMCRP amounting to P6,597 and P6,423 as of December 31, 2015 and 2014, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables" account in the consolidated statements of financial position (Note 10). The advances are subject to interest of 5.75% in 2015 and 2014 (Note 32).

Transactions with the Retirement Plans are made at normal market prices and terms. Outstanding balances as of December 31, 2015 and 2014 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Group has not made any provision for impairment losses relating to the receivables from the Retirement Plans for the years ended December 31, 2015, 2014 and 2013.

37. Cash Dividends

The BOD of the Parent Company approved the declaration and payment of the following cash dividends to common and preferred stockholders as follows:

	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common				
	April 22, 2015	May 8, 2015	May 20, 2015	**P0.35**
	July 14, 2015	July 31, 2015	August 14, 2015	**0.35**
	September 17, 2015	October 9, 2015	November 4, 2015	**0.35**
	December 10, 2015	January 8, 2016	February 2, 2016	**0.35**
Preferred				
SMC2A	May 14, 2015	May 29, 2015	June 11, 2015	**1.40625**
	August 20, 2015	September 11, 2015	September 21, 2015	**1.40625**
SMC2B	May 14, 2015	May 29, 2015	June 11, 2015	**1.4296875**
	August 20, 2015	September 11, 2015	September 21, 2015	**1.4296875**
	November 10, 2015	December 17, 2015	December 29, 2015	**1.4296875**
SMC2C	May 14, 2015	May 29, 2015	June 11, 2015	**1.50**
	August 20, 2015	September 11, 2015	September 21, 2015	**1.50**
	November 10, 2015	December 17, 2015	December 29, 2015	**1.50**
SMC2D	November 10, 2015	December 17, 2015	December 29, 2015	**1.11433125**
SMC2E	November 10, 2015	December 17, 2015	December 29, 2015	**1.18603125**
SMC2F	November 10, 2015	December 17, 2015	December 29, 2015	**1.27635**
SMCP1	June 9, 2015	June 26, 2015	July 8, 2015	**1.0546**
	August 20, 2015	September 11, 2015	September 21, 2015	**1.0565625**
	November 10, 2015	December 17, 2015	December 29, 2015	**1.0565625**

	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common				
	April 10, 2014	April 29, 2014	May 16, 2014	P0.35
	June 10, 2014	June 27, 2014	July 21, 2014	0.35
	September 18, 2014	October 17, 2014	November 7, 2014	0.35
	December 11, 2014	January 7, 2015	February 2, 2015	0.35
Preferred				
SMC2A	May 12, 2014	June 13, 2014	June 27, 2014	1.40625
	May 12, 2014	September 11, 2014	September 26, 2014	1.40625
	November 10, 2014	November 28, 2014	December 23, 2014	1.40625
	November 10, 2014	February 27, 2015	March 25, 2015	1.40625
SMC2B	May 12, 2014	June 13, 2014	June 27, 2014	1.4296875
	May 12, 2014	September 11, 2014	September 26, 2014	1.4296875
	November 10, 2014	November 28, 2014	December 23, 2014	1.4296875
	November 10, 2014	February 27, 2015	March 25, 2015	1.4296875
SMC2C	May 12, 2014	June 13, 2014	June 27, 2014	1.50
	May 12, 2014	September 11, 2014	September 26, 2014	1.50
	November 10, 2014	November 28, 2014	December 23, 2014	1.50
	November 10, 2014	February 27, 2015	March 25, 2015	1.50

38. Basic and Diluted Earnings Per Share

Basic and diluted EPS is computed as follows:

	Note	**2015**	2014	2013
Income attributable to equity holders of the Parent Company		**P12,448**	P15,137	P38,517
Dividends on preferred shares for the year	25, 37	**(6,425)**	(6,106)	(6,106)
Net income attributable to common shareholders of the Parent Company (a)		**P6,023**	P9,031	P32,411
Weighted average number of common shares outstanding (in millions) - basic (b)		**2,378**	2,378	2,378
Effect of dilution - common	*40*	**7**	13	14
Weighted average number of common shares outstanding (in millions) - diluted (c)		**2,385**	2,391	2,392
Earnings per common share attributable to equity holders of the Parent Company				
Basic (a/b)		**P2.53**	P3.80	P13.63
Diluted (a/c)		**2.53**	3.78	13.55

39. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

	2015	2014	2013
Trade and other receivables - net	**P24,144**	P3,454	(P21,181)
Inventories	**21,854**	(3,918)	1,797
Prepaid expenses and other current assets	**(13,381)**	(13,930)	(2,604)
Accounts payable and accrued expenses	**(31,670)**	451	27,882
Income and other taxes payable and others	**(7,094)**	(909)	(10,899)
Changes in noncash current assets, certain current liabilities and others	**(P6,147)**	(P14,852)	(P5,005)

b. Acquisition of subsidiaries (Note 5)

	Note	**2015**	2014	2013
Cash and cash equivalents		**P23,183**	P1,022	P1,477
Trade and other receivables - net		**7,496**	86	2,450
Inventories		**508**	-	1,048
Prepaid expenses and other current assets		**4,020**	213	1,407
Property, plant and equipment - net		**4,969**	1,184	3,078
Other intangible assets - net		**83,886**	165	25,837
Deferred tax assets		**160**	9	144
Other noncurrent assets - net		**813**	2	72
Loans payable		**(2,345)**	-	(1,792)
Accounts payable and accrued expenses		**(21,093)**	(1,309)	(6,209)
Income and other taxes payable		**(726)**	(2)	(2)
Dividends payable		**(373)**	-	-
Long-term debt - net of debt issue costs		**(49,886)**	-	(8,069)
Deferred tax liabilities		**(5,165)**	-	(740)
Finance lease liabilities		**(75)**	-	-
Other noncurrent liabilities		**(12,872)**	-	(11,376)
Non-controlling interests		**(10,715)**	(32)	(3,351)
Net assets		**21,785**	1,338	3,974
Cash and cash equivalents		**(23,183)**	(1,022)	(1,477)
Goodwill in subsidiaries	*4, 5, 18*	**18,918**	7	1,572
Investment and advances		**(24,302)**	(21)	(3,569)
Equity reserve		**-**	-	12
Net cash flows		**(P6,782)**	P302	P512

40. Share-Based Transactions

ESPP

Under the ESPP, 80,396,659 shares (inclusive of stock dividends declared) of the Parent Company's unissued shares have been reserved for the employees of the Group. All permanent Philippine-based employees of the Group, who have been employed for a continuous period of one year prior to the subscription period, will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. A participating employee may acquire at least 100 shares of stock through payroll deductions.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to the Parent Company until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from the exercise date.

The current portion of receivable from employees amounted to P54 and P109 as of December 31, 2015 and 2014, respectively, presented as part of "Non-trade" under "Trade and other receivables" account in the consolidated statements of financial position (Note 10).

The noncurrent portion of P70 and P157 as of December 31, 2015 and 2014, respectively, is presented as part of "Noncurrent receivables and deposits" under "Other noncurrent assets" account in the consolidated statements of financial position (Note 19).

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions. The shares pertaining to withdrawn or cancelled subscriptions shall remain issued shares and shall revert to the pool of shares available under the ESPP or convert such shares to treasury stock. As of December 31, 2015 and 2014, 3,478,400 common shares under the ESPP, were cancelled and held in treasury (Note 25).

There were no shares offered under the ESPP in 2015 and 2014.

LTIP

The Parent Company also maintains LTIP for the executives of the Group. The options are exercisable at the fair market value of the Parent Company shares as of the date of grant, with adjustments depending on the average stock prices of the prior three months. A total of 54,244,905 shares, inclusive of stock dividends declared, are reserved for the LTIP over its ten-year life. The LTIP is administered by the Executive Compensation Committee of the Parent Company's BOD.

There were no LTIP offered to executives in 2015 and 2014.

Options to purchase 6,801,369 shares and 13,278,578 shares in 2015 and 2014, respectively, were outstanding at the end of each year. Options which were exercised and cancelled totaled 6,477,209 shares and 382,278 shares in 2015 and 2014, respectively.

The stock options granted under the LTIP cannot be assigned or transferred by a participant and are subject to a vesting schedule. After one complete year from the date of the grant, 33% of the stock option becomes vested. Another 33% is vested on the 2nd year and the remaining option lot is fully vested on the 3rd year.

Vested stock options may be exercised at any time, up to a maximum of eight years from the date of grant. All unexercised stock options after this period are considered forfeited.

A summary of the status of the outstanding share stock options and the related weighted average price under the LTIP is shown below:

		2015		2014	
	Note	**Number of Share Stock Options**	**Weighted Average Price**	Number of Share Stock Options	Weighted Average Price
Class "A"					
Number of shares at beginning of year		**9,410,620**	**P70.25**	9,716,435	P70.75
Exercised during the year	*25*	**(85,272)**	**60.01**	(101,241)	53.21
Expired during the year		**(3,595,930)**	**64.85**	(204,574)	102.54
Number of shares at end of year		**5,729,418**	**73.79**	9,410,620	70.25
Class "B"					
Number of shares at beginning of year		**3,867,958**	**67.30**	3,944,421	67.20
Exercised during the year	*25*	**(294,572)**	**74.88**	(39,687)	58.08
Expired during the year		**(2,501,435)**	**75.48**	(36,776)	66.25
Number of shares at end of year		**1,071,951**	**46.15**	3,867,958	67.30

Effective August 26, 2010, all Class "A" common shares and Class "B" common shares of the Parent Company were declassified and considered as common shares without distinction. However, as of December 31, 2015 and 2014, the number of the outstanding share stock options and related weighted average price under LTIP were presented as Class "A" and Class "B" common shares to recognize the average price of stock options granted prior to August 26, 2010.

The fair value of equity-settled share options granted is estimated as of the date of grant using Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Expected volatility is estimated by considering average share price volatility.

The range of prices for options outstanding was P40.50 to P120.30 as of December 31, 2015 and 2014.

Share-based payment charged to operations, included under "Administrative expenses - personnel expenses" account, amounted to P1 in 2015 and 2014 and P95 in 2013, respectively (Note 28).

41. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, option deposit, AFS financial assets, financial assets at FVPL, restricted cash, short-term and long-term loans, and derivative instruments. These financial instruments, except financial assets at FVPL and derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses, finance lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group such as commodity and currency options, forwards and swaps are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency, interest rate and commodity price risks arising from the operating and financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group. The BOD has established the Risk Management Committee, which is responsible for developing and monitoring the risk management policies. The committee reports regularly to the BOD on its activities.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the annual report of the Group.

The Audit Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings and investment securities. Investments acquired or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investment securities acquired or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the investment policy of the Group is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P1,933, P1,655 and P1,579 in 2015, 2014 and 2013, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

December 31, 2015	**<1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso-denominated	**P6,060**	**P29,399**	**P9,643**	**P23,426**	**P13,730**	**P58,854**	**P141,112**
Interest rate	**5.65% - 8.74899%**	**5.65% - 8.74899%**	**5.65% - 8.74899%**	**5.50% - 10.50%**	**4.9925% - 8.74899%**	**5.50% - 8.74899%**	
Foreign currency-denominated (expressed in Philippine peso)	**14,021**	**-**	**-**	**-**	**-**	**24,301**	**38,322**
Interest rate	**7% - 13.27%**	**-**	**-**	**-**	**-**	**4.875%**	
Floating Rate							
Philippine peso-denominated	**1,096**	**1,215**	**1,303**	**1,059**	**545**	**1,915**	**7,133**
Interest rate	**PDST-R + margin or BSP overnight rate, whichever is higher**	**PDST-R + margin or BSP overnight rate, whichever is higher**	**PDST-R + margin or BSP overnight rate, whichever is higher**	**PDST-R + margin or BSP overnight rate, whichever is higher**	**PDST-R + margin or 5.75%, whichever is higher**	**PDST-R + margin or 5.75%, whichever is higher**	
Foreign currency-denominated (expressed in Philippine peso)	**16,672**	**11,181**	**126,410**	**11,046**	**20,901**	**-**	**186,210**
Interest rate	**LIBOR + margin, COF + margin**	**LIBOR + margin, COF + margin**	**LIBOR + margin, COF + margin**	**LIBOR + margin, COF + margin**	**LIBOR + margin**		
	P37,849	**P41,795**	**P137,356**	**P35,531**	**P35,176**	**P85,070**	**P372,777**

December 31, 2014	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P2,438	P4,033	P26,141	P4,384	P17,171	P38,042	P92,209
Interest rate	5.4885% - 8.2498%	6.0606% - 8.2498%	6.05% - 8.2498%	6.0606% - 8.2498%	5.93% - 10.50%	5.50% - 8.2498%	
Foreign currency-denominated (expressed in Philippine peso)	-	13,262	-	-	-	35,776	49,038
Interest rate	-	7%	-	-	-	4.875%	
Floating Rate							
Philippine peso-denominated	11,664	1,495	1,511	1,512	1,147	1,467	18,796
Interest rate	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin	
Foreign currency-denominated (expressed in Philippine peso)	6,101	19,145	13,546	104,391	3,569	-	146,752
Interest rate	LIBOR + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin		
	P20,203	P37,935	P41,198	P110,287	P21,887	P75,285	P306,795

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards, options or swaps to manage its foreign currency risk exposure.

Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated borrowings.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents is as follows:

	December 31, 2015		December 31, 2014	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$1,766**	**P83,084**	US$2,761	P123,571
Trade and other receivables	**866**	**40,098**	900	40,264
Prepaid expenses and other current assets	**56**	**2,578**	26	1,150
Noncurrent receivables	**43**	**2,007**	184	8,199
	2,731	**127,767**	3,871	173,184
Liabilities				
Loans payable	**356**	**16,774**	808	36,109
Accounts payable and accrued expenses	**851**	**40,064**	1,220	54,576
Long-term debt (including current maturities)	**4,770**	**224,532**	4,378	195,790
Finance lease liabilities (including current portion)	**2,058**	**96,843**	2,218	99,169
Other noncurrent liabilities	**1**	**33**	713	31,912
	8,036	**378,246**	9,337	417,556
Net foreign currency- denominated monetary liabilities	**(US$5,305)**	**(P250,479)**	(US$5,466)	(P244,372)

The Group reported losses on foreign exchange - net amounting to P12,081, P2,412 and P19,436 in 2015, 2014 and 2013, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 33). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
December 31, 2015	**47.060**
December 31, 2014	44.720
December 31, 2013	44.395

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations):

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
December 31, 2015	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P1,457)**	**(P1,329)**	**P1,457**	**P1,329**
Trade and other receivables	**(689)**	**(662)**	**689**	**662**
Prepaid expenses and other current assets	**(47)**	**(42)**	**47**	**42**
Noncurrent receivables	**(34)**	**(36)**	**34**	**36**
	(2,227)	**(2,069)**	**2,227**	**2,069**
Loans payable	**240**	**284**	**(240)**	**(284)**
Accounts payable and accrued expenses	**529**	**692**	**(529)**	**(692)**
Long-term debt (including current maturities)	**4,360**	**3,462**	**(4,360)**	**(3,462)**
Finance lease liabilities (including current portion)	**2,058**	**1,441**	**(2,058)**	**(1,441)**
Other noncurrent liabilities	**1**	**1**	**(1)**	**(1)**
	7,188	**5,880**	**(7,188)**	**(5,880)**
	P4,961	**P3,811**	**(P4,961)**	**(P3,811)**

December 31, 2014	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P2,242)	(P2,091)	P2,242	P2,091
Trade and other receivables	(261)	(821)	261	821
Prepaid expenses and other current assets	(26)	(18)	26	18
Noncurrent receivables	(166)	(135)	166	135
	(2,695)	(3,065)	2,695	3,065
Loans payable	454	675	(454)	(675)
Accounts payable and accrued expenses	494	1,069	(494)	(1,069)
Long-term debt (including current maturities)	4,292	3,091	(4,292)	(3,091)
Finance lease liabilities (including current portion)	2,218	1,552	(2,218)	(1,552)
Other noncurrent liabilities	637	522	(637)	(522)
	8,095	6,909	(8,095)	(6,909)
	P5,400	P3,844	(P5,400)	(P3,844)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices. The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

The Parent Company enters into commodity derivative transactions on behalf of its subsidiaries and affiliates to reduce cost by optimizing purchasing synergies within the Group and managing inventory levels of common materials.

Commodity Swaps, Futures and Options. Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, crude oil, aluminum, soybean meal and wheat.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

December 31, 2015	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	**P180,758**	**P180,758**	**P180,758**	**P -**	**P -**	**P -**
Trade and other receivables - net	**100,727**	**100,727**	**100,727**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account)	**391**	**391**	**391**	**-**	**-**	**-**
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**147**	**147**	**147**	**-**	**-**	**-**
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	**41,616**	**41,647**	**85**	**41,172**	**213**	**177**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	**9,389**	**9,473**	**-**	**2,587**	**1,089**	**5,797**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**5,661**	**5,661**	**4,230**	**1,431**	**-**	**-**
Financial Liabilities						
Loans payable	**146,859**	**147,633**	**147,633**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities and IRO)	**99,794**	**99,794**	**99,794**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**2,581**	**2,581**	**2,581**	**-**	**-**	**-**
Long-term debt (including current maturities)	**368,377**	**439,427**	**54,480**	**56,767**	**232,745**	**95,435**
Finance lease liabilities (including current portion)	**179,280**	**231,882**	**23,776**	**24,040**	**77,806**	**106,260**
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO and ARO)	**18,371**	**18,376**	**-**	**17,831**	**4**	**541**

December 31, 2014	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P258,606	P258,606	P258,606	P -	P -	P -
Trade and other receivables - net	129,238	129,238	129,238	-	-	-
Option deposit (included under "Prepaid expenses and other current assets" account)	1,118	1,118	1,118	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	360	360	360	-	-	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	136	136	136	-	-	-
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	41,890	41,927	460	41,253	214	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	14,967	14,977	-	2,434	8,072	4,471
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	2,659	2,659	1,604	1,055	-	-
Financial Liabilities						
Loans payable	180,059	181,011	181,011	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities and IRO)	121,371	121,371	121,371	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	325	325	325	-	-	-
Long-term debt (including current maturities)	302,988	367,781	34,219	50,063	196,766	86,733
Finance lease liabilities (including current portion)	186,330	248,201	22,105	23,173	71,945	130,978
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO and ARO)	2,394	2,397	-	1,907	3	487

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

Goods are subject to retention of title clauses so that in the event of default, the Group would have a secured claim. Where appropriate, the Group obtains collateral or arranges master netting agreements.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance include a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments
The Group recognizes impairment losses based on specific and collective impairment tests, when objective evidence of impairment has been identified either on an individual account or on a portfolio level.

Financial information on the Group's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2015**	2014
Cash and cash equivalents (excluding cash on hand)	*9*	**P178,581**	P255,786
Trade and other receivables - net	*10*	**100,727**	129,238
Option deposit	*12*	**-**	1,118
Derivative assets	*12*	**391**	360
Financial assets at FVPL	*12*	**147**	136
AFS financial assets	*12, 14*	**41,616**	41,890
Noncurrent receivables and deposits - net	*19*	**9,389**	14,967
Restricted cash	*12, 19*	**5,661**	2,659
		P336,512	P446,154

The credit risk for cash and cash equivalents, option deposit, derivative assets, financial assets at FVPL, AFS financial assets and restricted cash is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

Financial and Other Risks Relating to Livestock
The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

Other Market Price Risk
The Group's market price risk arises from its investments carried at fair value (financial assets at FVPL and AFS financial assets). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management
The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock, cumulative translation adjustments, reserve for retirement plan and equity reserve are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group, except for BOC which is subject to certain capitalization requirements by the BSP, is not subject to externally imposed capital requirements.

42. Financial Assets and Financial Liabilities

The table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

	December 31, 2015		December 31, 2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P180,758**	**P180,758**	P258,606	P258,606
Trade and other receivables - net	**100,727**	**100,727**	129,238	129,238
Option deposit (included under "Prepaid expenses and other current assets" account)	**-**	**-**	1,118	1,118
Derivative assets (included under "Prepaid expenses and other current assets" account)	**391**	**391**	360	360
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**147**	**147**	136	136
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	**41,616**	**41,616**	41,890	41,890
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	**9,389**	**9,389**	14,967	14,591
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**5,661**	**5,661**	2,659	2,659
Financial Liabilities				
Loans payable	**146,859**	**146,859**	180,059	180,059
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities and IRO)	**99,794**	**99,794**	121,371	121,371
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**2,581**	**2,581**	325	325
Long-term debt (including current maturities)	**368,377**	**392,690**	302,988	327,077
Finance lease liabilities (including current portion)	**179,280**	**179,280**	186,330	186,330
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO and ARO)	**18,371**	**18,371**	2,394	2,394

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables, Option Deposit, Noncurrent Receivables and Deposits and Restricted Cash. The carrying amount of cash and cash equivalents, trade and other receivables and option deposit approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits and restricted cash, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Financial Assets at FVPL and AFS Financial Assets. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets. Unquoted equity securities are carried at cost less impairment.

Loans Payable and Accounts Payable and Accrued Expenses. The carrying amount of loans payable and accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt, Finance Lease Liabilities and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rates used for Philippine peso-denominated loans range from 2.4% to 4.6% and 2.5% to 4.3% as of December 31, 2015 and 2014, respectively. The discount rates used for foreign currency-denominated loans range from 0.4% to 9.1% and 0.2% to 2.1% as of December 31, 2015 and 2014, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments
The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group enters into various currency and commodity derivative contracts to manage its exposure on foreign currency and commodity price risk. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Instruments not Designated as Hedges
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Freestanding Derivatives
Freestanding derivatives consist of commodity and currency derivatives entered into by the Group.

Interest Rate Swap
As of December 31, 2015, the Group has outstanding interest rate swap with notional amount of US$300. Under the agreement, the Group receives quarterly floating interest rate based on LIBOR and pays annual fixed interest rate adjusted based on a specified index up to March 2020. The negative fair value of the swap amounted to P632 as of December 31, 2015. The Group has no outstanding interest rate swap as of December 31, 2014.

Currency Forwards
The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$1,013 and US$1,673 as of December 31, 2015 and 2014, respectively, and with various maturities in 2016 and 2015. The net negative fair value of these currency forwards amounted to P202 as of December 31, 2015 while the fair value of currency forwards as of December 31, 2014 is minimal.

Currency Options
As of December 31, 2015 and 2014, the Group has outstanding currency options with an aggregate notional amount of US$565 and US$245, respectively, and with various maturities in 2016 and 2015. The net negative fair value of these currency options amounted to P1,232 and P140 as of December 31, 2015 and 2014, respectively.

Commodity Swaps
The Group has outstanding swap agreements covering its aluminum requirements, with various maturities in 2016 and 2015. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of aluminum and the price based on the relevant price index. The outstanding equivalent notional quantity covered by the commodity swaps is 1,150 and 610 metric tons as of December 31, 2015 and 2014, respectively. The net negative fair value of these swaps amounted to P2 as of December 31, 2015 and 2014.

The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2016 and 2015. Under the agreement, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding equivalent notional quantity covered by the commodity swaps is 10.9 and 6.6 million barrels as of December 31, 2015 and 2014, respectively. The positive (negative) fair value of these swaps amounted to (P39) and P1,398 as of December 31, 2015 and 2014, respectively.

Commodity Options
The Group has outstanding bought and sold options covering its wheat requirements with notional quantity of 5,987 metric tons as of December 31, 2014. These options can be exercised at various calculation dates in 2015 with specified quantities on each calculation date. The net negative fair value of these options amounted to P5 as of December 31, 2014. As of December 31, 2015, the Group has no outstanding commodity options on the purchase of wheat.

As of December 31, 2015 and 2014, the Group has no outstanding commodity options on the purchase of soybean meals.

The Group has no outstanding 3-way options designated as hedge of forecasted purchases of crude oil as of December 31, 2015 and 2014.

The call and put options can be exercised at various calculation dates with specified quantities on each calculation date.

Embedded Derivatives
The Group's embedded derivatives include currency derivatives (forwards and options) embedded in non-financial contracts.

Embedded Currency Forwards
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$173 and US$152 as of December 31, 2015 and 2014, respectively. These non-financial contracts consist mainly of foreign currency- denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to P83 and P54 as of December 31, 2015 and 2014, respectively.

Embedded Currency Options
The total outstanding notional amount of currency options embedded in non-financial contracts amounted to US$1 as of December 31, 2014. These non-financial contracts consist mainly of sales agreements. These embedded options are not clearly and closely related to their host contracts. The net negative fair value of these embedded currency options amounted to P1 as of December 31, 2014.

The Group recognized marked-to-market gains from freestanding and embedded derivatives amounting to P3,971, P7,513 and P2,448 in 2015, 2014 and 2013, respectively (Note 33).

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

	2015	2014
Balance at beginning of year	**P35**	P226
Net change in fair value of non-accounting hedges	**3,971**	7,513
	4,006	7,739
Less fair value of settled instruments	**6,196**	7,704
Balance at end of year	**(P2,190)**	P35

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

	December 31, 2015			December 31, 2014		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P391**	**P391**	P -	P360	P360
Financial assets at FVPL	**-**	**147**	**147**	-	136	136
AFS financial assets	**407**	**41,209**	**41,616**	533	41,357	41,890
Financial Liabilities						
Derivative liabilities	**-**	**2,581**	**2,581**	-	325	325

The Group has no financial instruments valued based on Level 3 as of December 31, 2015 and 2014. During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

43. Registration with the Board of Investments (BOI)

a. SMC Global

SEPC
On August 21, 2007, SEPC was registered with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226), as New Domestic Producer of Coal on a Non-Pioneer Status and was entitled to certain incentives that include, among others, an Income Tax Holiday (ITH) for four years from June 2011 or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

SMEC, SPDC and SPPC
SMEC, SPDC and SPPC are registered with the BOI as administrator/operator of their respective power plant on a pioneer status with non-pioneer incentives and were granted ITH for four years without extension beginning August 1, 2010 up to July 31, 2014, subject to compliance with certain requirements under their registrations. The ITH incentive availed was limited only to the sale of power generated from the power plants.

SMCPC and SCPC
SMCPC and SCPC were granted incentives by the BOI on a pioneer status for six years subject to the representations and commitments set forth in the application for registration, the provisions of Omnibus Investments Code of 1987, the rules and regulations of the BOI and the terms and conditions prescribed. As of December 31, 2015, SMCPC and SCPC have pending requests with the BOI to move the start of commercial operations. The ITH incentives shall be limited only to the revenues generated from the sale of the electricity from the power plants.

On September 3, 2013 and January 28, 2014, the BOI issued a Certificate of Authority to SMCPC and SCPC, respectively, subject to provisions and implementing rules and regulations of Executive Order No. 70, entitled "Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories imported by BOI Registered New and Expanding Enterprises". Authority shall be valid for one year from the date of issuance. For the subsequent years, BOI issued new Certificates of Authority dated March 6 and September 4, 2014 and June 9 and August 26, 2015 to SMCPC and February 6, 2015 and February 11, 2016 to SCPC, with a validity of one year from the date of issuance.

b. SMPFC

Certain operations of consolidated subsidiaries of SMPFC are registered with the BOI as pioneer and non-pioneer activities. As registered enterprises, these consolidated subsidiaries are subject to some requirements and are entitled to certain tax and non-tax incentives.

GBGTC
GBGTC was registered with the BOI under Registration No. 2012-223 on a non-pioneer status as a New Operator of Warehouse for its grain terminal project in Mabini, Batangas on October 19, 2012.

Under the terms of GBGTC's BOI registration and subject to certain requirements as provided in the Investments Code, GBGTC is entitled to incentives which include, among others, ITH for a period of four years from July 2013 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

SMFI
SMFI's (formerly Monterey Foods Corporation) Sumilao Hog Project (Sumilao Project) was registered with the BOI on a pioneer status as New Producer of Hogs on July 30, 2008 under Registration No. 2008-192. In accordance with the provisions of the Investments Code, the Sumilao Project was entitled to incentives which include, among others, ITH for a period of six years, extendable under certain conditions to eight years.

SMFI's six-year ITH for the Sumilao Project ended in January 31, 2015. As of reporting date, SMFI is completing the requirements to avail of the two-year ITH bonus year.

c. Petron

Benzene, Toluene and Propylene Recovery Units
On October 20, 2005, Petron registered with the BOI under the Investments Code as: (1) a pioneer, new export producer status of Benzene and Toluene; and (2) a pioneer, new domestic producer status of Propylene. Under the terms of its registration, Petron is subject to certain requirements principally that of exporting at least 50% of the combined production of Benzene and Toluene.

As a registered enterprise, Petron is entitled to the following benefits on its production of petroleum products used as petrochemical feedstock:

a. ITH: (1) for six years from May 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration for Benzene and Toluene; and (2) for six years from December 2007 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration for Propylene.

b. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming parts thereof for 10 years from start of commercial operations.

c. Simplification of custom procedures.

d. Access to Customs Bonded Manufacturing Warehouse (CBMW) subject to custom rules and regulations provided firm exports at least 50% of combined production of Benzene and Toluene.

e. Exemption from wharfage dues, any export tax, duty, imposts and fees for a ten-year period from the date of registration.

f. Importation of consigned equipment for a period of 10 years from the date of registration subject to the posting of re-export bond.

g. Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 50% of combined production of Benzene and Toluene.

h. Petron may qualify to import capital equipment, spare parts, and accessories at zero (1% for Propylene) duty from date of registration up to June 5, 2006 pursuant to Executive Order No. 313 and its implementing rules and regulations.

The BOI extended Petron's ITH incentive for its Propylene sales from December 2013 to November 2014 and for its Benzene and Toluene sales from May 2014 to April 2015.

Fluidized Bed Catalytic Cracker (PetroFCC) Unit
On December 20, 2005, the BOI approved Petron's application under RA 8479 for new investment in its Bataan Refinery for the PetroFCC. Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

a. ITH for five years without extension or bonus year from December 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration subject to a rate of exemption computed based on the percentage share of product that are subject to retooling.

b. Minimum duty of 3% and VAT on imported capital equipment and accompanying spare parts.

c. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment. This shall be equivalent to the difference between the tariff rate and the 3% duty imposed on the imported counterpart.

d. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.

e. Exemption from wharfage dues, any export tax, duty, imposts and fees for a ten-year period from date of registration.

f. Exemption from taxes and duties on imported spare parts for consigned equipment with bonded manufacturing warehouse.

g. Exemption from real property tax on production equipment or machinery.

h. Exemption from contractor's tax.

PetroFCC entitlement period ended in February 2013 and registration with BOI was cancelled on July 4, 2013.

70 MW Coal-Fired Power Plant (Limay, Bataan)
On November 3, 2010, Petron registered with the BOI as new operator of a 70 MW Coal-Fired Power Plant on a pioneer status with non-pioneer incentives under the Investments Code. Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

a. ITH for four years from July 2012 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, limited to the revenue generated from the electricity sold to the grid.

b. Importation of consigned equipment for a period of 10 years from the date of registration subject to the posting of re-export bond.

c. Petron may qualify to import capital equipment, spare parts and accessories at 0% duty from date of registration up to June 16, 2011 pursuant to Executive Order No. 528 and its implementing rules and regulations.

The power plant started commercial operations on May 10, 2013 and Petron availed of ITH from May to September 2013.

On March 4, 2014, the BOI approved the transfer of BOI Certificate of Registration No. 2010-181 covering the 70 MW Coal-Fired Power Plant Project to SPI, the new owner of the said facility.

RMP-2 Project
On June 3, 2011, the BOI approved Petron's application under RA No. 8479 as an Existing Industry Participant with New Investment in Modernization/Conversion of Bataan Refinery's RMP-2. The BOI is extending the following major incentives:

a. ITH for five years without extension or bonus year from July 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration is based on the formula of the ITH rate of exemption.

b. Minimum duty of 3% and VAT on imported capital equipment and accompanying spare parts.

c. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.

d. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment which is equivalent to the difference between the tariff rate and the 3% duty imposed on the imported counterpart.

e. Exemption from real property tax on production equipment or machinery.

f. Exemption from contractor's tax.

The RMP-2 Project commenced its commercial operation on January 1, 2016.

70 MW Solid Fuel-Fired Power Plant
On February 14, 2013, Petron registered with the BOI as an expanded operator of a 70 MW Solid Fuel-Fired Power Plant on a pioneer status under the Investments Code. Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

a. ITH for three years from December 2014 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration limited to the revenue generated from the electricity sold to the grid, other entities and/or communities.

b. Importation of capital equipment, spare parts and accessories at zero duty from the date of effectivity of Executive Order No. 70 and its implementing rules and regulations for a period of five years reckoned from the date of registration or until the expiration of Executive Order No. 70, whichever is earlier.

c. Importation of consigned equipment for a period of 10 years from the date of registration subject to the posting of re-export bond.

On March 4, 2014, the BOI approved the transfer of BOI Certificate of Registration No. 2013-047 covering the 70 MW Solid Fuel-Fired Power Plant Project to SPI, the new owner of the said plant.

Yearly certificates of entitlement have been timely obtained by Petron to support its ITH credits.

d. SMCSLC

SMCSLC is registered with the BOI for the operation of domestic cargo vessels and motor tankers with the following incentives:

a. *Operation of Motor Tanker (Samho Snipe).* The project was registered on May 26, 2009, where SMCSLC is entitled to ITH for six years from July 2009 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

b. *Operation of Two Brand New Double-Hulled Oil Tanker Vessels (SL Tanglad and SL Banaba).* The project was registered on December 23, 2009, where SMCSLC is entitled to ITH for six years from August 2010 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

c. *Operation of Brand New Non-Propelled Barge (M/V Kalusugan 2).* The project was registered on July 22, 2010, where SMCSLC is entitled to ITH for six years from August 2010 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

d. *Operation of Leased Oil Tanker Vessel (SL Maple).* The project was registered on September 16, 2010, where SMCSLC is entitled to ITH for six years from September 2010 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

e. *Operation of Brand New Non-Propelled Barge (M/V Katarungan 2).* The project was registered on November 11, 2010, where SMCSLC is entitled to ITH for six years from November 2010 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

f. *Operation of Brand New Oil Tanker (SL Bignay).* The project was registered on August 13, 2010, where SMCSLC is entitled to ITH for six years from June 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

g. *Operation of Brand New Non-Propelled Barge (M/V Katapatan 2).* The project was registered on June 9, 2011, where SMCSLC is entitled to ITH for six years from July 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

h. *Operation of Double-Hulled Marine Tanker Vessel (MMM Ashton).* The project was registered on January 6, 2012, where SMCSLC is entitled to ITH for four years from January 2012 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% incentives shall be limited only to the revenue generated by the registered project.

i. *Operation of Brand New Domestic/Inter-Island Shipping Vessel (M/T SL Beluga).* The project was registered on February 20, 2013, where SMCSLC is entitled to ITH for six years from February 2013 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% incentives shall be limited only to the revenue generated by the registered project.

j. *Operation of New Domestic/Inter-Island Shipping Operator Vessel (M/V SL Venus 8).* The project was registered on February 27, 2014, where SMCSLC is entitled to ITH for four years from February 2014 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% incentives shall be limited only to the revenue generated by the registered project.

e. SLHBTC

In 2014, SLHBTC's registration with the BOI as an oil terminal for storage and bulk marketing of petroleum products was granted. With the registration, SLHBTC is entitled to the following incentives under the Downstream Oil Industry Deregulation Act (RA No. 8740, New Industry Participant with New Investment) from March 14, 2013 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of the registration, and upon fulfillment of the terms enumerated below:

a. ITH. SLHBTC is entitled to ITH for five years without extension from December 2013 or actual start of operations, whichever is earlier, but in no case earlier than the date of registration. Only income directly attributable to the revenue generated from the registered project (Storage, and Bulk Marketing of 35,000,000 liters of petroleum products covered by Import Entry Declaration or sourced locally from new industry participants) pertaining to the capacity of the registered storage terminal shall be qualified for the ITH.

b. Additional Deduction from Taxable Income. SLHBTC shall be allowed an additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI and provided that this incentive shall not be availed of simultaneously with the ITH.

c. Minimum Duty of 3% and VAT on Imported Capital Equipment. Importation of brand new capital equipment, machinery and accompanying spare parts, shall be entitled to this incentive subject to the following conditions:

- they are not manufactured domestically in sufficient quantity of comparable quality and at reasonable prices;

- the equipment is reasonably needed and will be exclusively used in the registered activity; and

- prior BOI approval is obtained for the importation as endorsed by the DOE.

d. Tax Credit on Domestic Capital Equipment. This shall be granted on locally fabricated capital equipment equivalent to the difference between the tariff rate and the 3% duty imposed on the imported counterpart.

e. Importation of Consigned Equipment. SLHBTC is entitled for importation of consigned equipment for a period of five years from the date of registration subject to posting of the appropriate bond, provided that such consigned equipment shall be for the exclusive use of the registered activity.

f. Exemption from Taxes and Duties on Imported Spare Parts for Consigned Equipment with Bonded Manufacturing Warehouse. SLHBTC is entitled to this exception upon compliance with the following requirements:

- at least 70% of production is imported;

- such spare parts and supplies are not locally available at reasonable prices, sufficient quantity and comparable quality; and

- all such spare and supplies shall be used only on bonded manufacturing warehouse on the registered enterprise under such requirements as the Bureau of Customs may impose.

g. Exemption from Real Property Tax on Production Equipment or Machinery. Equipment and machineries shall refer to those reasonably needed in the operations of the registered enterprise and will be used exclusively in its registered activity. BOI Certification to the appropriate Local Government Unit will be issued stating therein the fact of the applicant's registration with the BOI.

h. Exemption from the Contractor's Tax. BOI certification to the BIR will be issued stating therein the fact of the applicant's registration with the BOI.

i. Employment of Foreign Nationals. This may be allowed in supervisory, technical or advisory positions for five years from date of registration. The President, General Manager and Treasurer of foreign-owned registered enterprise or their equivalent shall not be subject to the foregoing limitations.

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of 10 years from March 14, 2013 and/or actual start of commercial operations.

44. Event After the Reporting Date

On February 24, 2016, the BOD of PSE approved the listing application of the Parent Company of up to 975,571,800 shares of Series "2" Preferred Shares under shelf registration (the "Shelf Registered Shares") and the offering of up to 400,000,000 shares of Series "2" Preferred Shares (the "First Tranche") with a par value of P5.00 and an offer price of P75.00 per share. The SEC approved the shelf registration of the Shelf Registered Shares and issued a permit to sell covering the same on March 8, 2016.

The Parent Company offered the "First Tranche" of (i) up to 280,000,000 shares of Series "2" Preferred Shares consisting of Subseries "2-G", "2-H" and "2-I" and (ii) up to 120,000,000 shares of Series "2" Preferred Shares to cover the oversubscription option. The First Tranche will be re-issued and offered from the Series "2" Preferred Shares Subseries held in treasury. The offer period was from March 14 to March 18, 2016. The First Tranche was issued on March 30, 2016 which is also the listing date of the Shelf Registered Shares.

The remaining 575,571,800 Shelf Registered Shares will be issued within a period of three years. The offer shares shall be issued from the remaining Series "2" Preferred Shares Subseries "2-A" held in treasury and unissued shares of Series "2" Preferred Shares.

Dividend rates are 6.5793%, 6.3222%, 6.3355% per annum for Subseries "2-G", "2-H" and "2-I", respectively.

Following the completion of the Parent Company's follow-on offering of 280,000,000 Series "2" Preferred Shares, with an oversubscription option of 120,000,000 Series "2" Preferred Shares, the Parent Company shall reissue the following Series "2" Preferred Shares held in treasury: (i) 244,432,686 Series "2" Preferred Shares; and (ii) 155,567,314 Subseries "2-A" Preferred Shares (collectively, the "Offer Shares"). The Series "2" Preferred Shares were Series "1" Preferred Shares held in treasury that were reclassified to Series "2" Preferred Shares on June 9, 2015.

After reissuance of the Offer Shares on March 30, 2016, the Parent Company shall have a remaining 565,445,086 Subseries "2-A" Preferred Shares held in treasury. There are no more Series "2" Preferred Shares held in treasury.

45. Other Matters

a. Contingencies

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

- Deficiency Excise Tax

On April 12, 2004 and May 26, 2004, the Parent Company was assessed by the BIR for deficiency excise tax on "San Mig Light", one of its beer products. The Parent Company contested the assessments before the Court of Tax Appeals (CTA) (1st Division) under CTA case numbers 7052 and 7053.

In relation to the aforesaid contested assessments, the Parent Company, on January 31, 2006, filed with the CTA (1st Division), under CTA case number 7405, a claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it.

The above assessment cases (CTA case numbers 7052 and 7053) and claim for refund (CTA case number 7405), which involve common questions of fact and law, were subsequently consolidated and jointly tried.

On November 27, 2007, the Parent Company filed with the CTA (3rd Division), under CTA case number 7708, a second claim for refund, also in relation to the contested assessments, as it was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate.

On January 11, 2008, the BIR addressed a letter to the Parent Company, appealing to the Parent Company to settle its alleged tax liabilities subject of CTA case numbers 7052 and 7053 "in order to obviate the necessity of issuing a Warrant of Distraint and Garnishment and/or Levy". The Parent Company's external legal counsel responded to the aforesaid letter and met with appropriate officials of the BIR and explained to the latter the unfairness of the issuance of a Warrant of Distraint and Garnishment and/or Levy against the Parent Company, especially in view of the Parent Company's pending claims for refund.

As of December 31, 2015, the BIR has taken no further action on the matter.

On July 24, 2009, the Parent Company filed its third claim for refund with the CTA (3rd Division), under CTA case number 7953, also in relation to the contested assessments. This case is still undergoing trial.

On January 7, 2011, the CTA (3rd Division) under CTA case number 7708 rendered its decision in this case, granting the Parent Company's petition for review on its claim for refund and ordering respondent Commissioner of Internal Revenue to refund or issue a tax credit certificate in favor of the Parent Company in the amount of P926, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on "San Mig Light" during the period from December 1, 2005 up to July 31, 2007. This decision was elevated by the BIR Commissioner to the CTA *En Banc* and the appeal was denied in the case docketed as CTA EB No. 755. The Office of the Solicitor General filed with the Second Division of the Supreme Court a Petition for Review which was docketed as G.R. No. 205045. This case is now with the Third Division of the Court.

On October 18, 2011, the CTA (1st Division) rendered its joint decision in CTA case numbers 7052, 7053 and 7405, cancelling and setting aside the deficiency excise tax assessments against the Parent Company, granting the latter's claim for refund and ordering the BIR Commissioner to refund or issue a tax credit certificate in its favor in the amount of P781, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on "San Mig Light" during the period from February 1, 2004 to November 30, 2005.

A motion for reconsideration filed by the BIR Commissioner on the aforesaid decision has been denied and the Commissioner elevated the decision to CTA *En Banc* for review, which was docketed as CTA EB No. 873, the same was dismissed in a Decision dated October 24, 2012. The subsequent Motion for Reconsideration filed by the Commissioner was likewise denied. The CTA *En Banc* Decision was later elevated by the Office of the Solicitor General to the Supreme Court by Petition for Review, which was docketed as G.R. No. 20573 and raffled to the Third Division. This case was subsequently consolidated with G.R. No. 205045. Both cases are now with the Third Division.

In a Resolution dated July 21, 2014, a copy of which was received by the Parent Company's counsel on August 27, 2014, the Third Division of the Supreme Court required the parties to submit memoranda. Both the Parent Company's counsel and the BIR Commissioner, through the Office of the Solicitor General, have filed their respective Memoranda. The two cases are deemed submitted for decision.

In the meantime, effective October 1, 2007, the Parent Company spun off its domestic beer business into a new company, SMB. SMB continued to pay the excise taxes on "San Mig Light" at the higher rate required by the BIR.

On September 28, 2009, SMB filed a claim for refund with the CTA (3rd Division) under CTA case number 7973; on December 28, 2010, its second claim for refund with the CTA (1st Division) under case number 8209; on December 23, 2011, its third claim for refund with the CTA (3rd Division) under case number 8400; on July 30, 2012, its fourth claim for refund under case number 8591; and on December 19, 2013, its fifth claim for refund with the CTA (2nd Division) under case number 8748. CTA case numbers 7973, 8209, 8400, and 8591 have all been decided by the respective CTA Divisions, where they are pending, in favor of the Parent Company. The counsel for the BIR Commissioner are now in the process of appealing to the CTA *En Banc* the decisions rendered by the CTA Divisions in CTA case numbers 7973 and 8400. On the other hand, the decision in CTA case number 8209 has been declared final and executory by the CTA Division concerned for failure on the part of the BIR Commissioner to file a Motion for Reconsideration on the decision. In CTA case number 8591, the BIR Commissioner filed a Motion for Reconsideration, which we opposed and which has been denied. With respect to CTA Case number 8748, the same is still undergoing trial in the Second Division. In December 2014, SMB filed its sixth claim for refund with the CTA under case number 8955. The BIR has asked for additional time to file its Answer. In December 2015, SMB filed its seventh claim for refund with the CTA under case number 9223, for refund of overpayments for the period of January 1, 2014 to December 31, 2014. The said case is still undergoing trial.

- Deficiency Tax Liabilities

The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on IBI deficiency tax liabilities, including interest and penalties, for the tax year 2009. IBI treated the royalty income earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to 20% final tax. However, the BIR is of the position that said royalty income is regular business income subject to the 30% regular corporate income tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment issued on January 7, 2013, the BIR denied IBI's protest and reiterated its demand to pay the deficiency income tax, including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the CTA contesting the 2009 Assessment. The case was docketed as CTA Case No. 8607 with the First Division. On August 14, 2015, the CTA partially granted the Petition for Review of IBI, by cancelling the compromise penalty assessed by the BIR. However, IBI was still found liable to pay the deficiency income tax, interests and penalties as assessed by the BIR. The Motion for Reconsideration was denied by the CTA's First Division on January 6, 2016. On January 22, 2016, IBI filed its Petition for Review before the CTA En Banc and the case was docketed as CTA EB Case No. 1417. The petition is pending before the CTA *En Banc*.

On November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice for tax year 2010 (2010 Assessment) from the BIR with a demand for payment of income tax and VAT deficiencies with administrative penalties. The BIR maintained its position that royalties are business income subject to the 30% regular corporate tax. The 2010 Assessment was protested by IBI before the BIR through a letter dated November 29, 2013. A Petition for Review was filed with the CTA and the case was docketed as CTA Case No. 8813. The case has been submitted for decision.

- Tax Credit Certificates Cases

In 1998, the BIR issued a deficiency excise tax assessment against Petron relating to its use of P659 worth of Tax Credit Certificates (TCCs) to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to Petron by suppliers as payment for fuel purchases. Petron contested the BIR's assessment before the CTA. In July 1999, the CTA ruled that as a fuel supplier of BOI-registered companies, Petron was a qualified transferee of the TCCs and that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals promulgated a decision in favor of Petron and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR to Petron. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the CTA in its Resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on *certiorari* dated December 5, 2012. On June 17, 2013, Petron filed its comment on the petition for review filed by the BIR. The petition is still pending as of December 31, 2015.

- Pandacan Terminal Operations

In November 2001, the City of Manila enacted Ordinance No. 8027 reclassifying the areas occupied by the oil terminals of Petron, Pilipinas Shell Petroleum Corporation (Shell) and Chevron Philippines Inc. (Chevron) from industrial to commercial. This reclassification made the operation of the oil terminals in Pandacan, Manila illegal. In December 2002, the Social Justice Society (SJS) filed a petition with the Supreme Court against the Mayor of Manila asking that the latter be ordered to enforce Ordinance No. 8027. In April 2003, Petron filed a petition with the Regional Trial Court (RTC) to annul Ordinance No. 8027 and enjoin its implementation. On the basis of a *status quo* order issued by the RTC, Mayor of Manila ceased implementation of Ordinance No. 8027.

The City of Manila subsequently issued the Comprehensive Land Use Plan and Zoning Ordinance (Ordinance No. 8119), which applied to the entire City of Manila. Ordinance No. 8119 allowed Petron (and other non-conforming establishments) a seven-year grace period to vacate. As a result of the passage of Ordinance No. 8119, which was thought to effectively repeal Ordinance No. 8027, in April 2007, the RTC dismissed the petition filed by Petron questioning Ordinance No. 8027.

However, on March 7, 2007, in the case filed by SJS, the Supreme Court rendered a decision (March 7 Decision) directing the Mayor of Manila to immediately enforce Ordinance No. 8027. On March 12, 2007, Petron, together with Shell and Chevron, filed motions with the Supreme Court seeking intervention and reconsideration of the March 7 Decision. In the same year, Petron also filed a petition before the RTC of Manila praying for the nullification of Ordinance No. 8119 on the grounds that the reclassification of the oil terminals was arbitrary, oppressive and confiscatory, and thus unconstitutional, and that the said Ordinance contravened the provisions of the Water Code of the Philippines (Presidential Decree No. 1067, the Water Code). On February 13, 2008, Petron, Shell and Chevron were allowed by the Supreme Court to intervene in the case filed by SJS but their motions for reconsideration were denied. The Supreme Court declared Ordinance No. 8027 valid and dissolved all existing injunctions against the implementation of the Ordinance No. 8027.

In May 2009, the Mayor of Manila approved Ordinance No. 8187, which amended Ordinance No. 8027 and Ordinance No. 8119 and permitted the continued operations of the oil terminals in Pandacan.

On August 24, 2012 (August 24 Decision), the RTC of Manila ruled that Section 23 of Ordinance No. 8119 relating to the reclassification of subject oil terminals had already been repealed by Ordinance No. 8187; hence any issue pertaining thereto had become moot and academic. The RTC of Manila also declared Section 55 of Ordinance No. 8119 null and void for being in conflict with the Water Code. Nonetheless, the RTC upheld the validity of all other provisions of Ordinance No. 8119. Petron filed with the RTC a Notice of Appeal to the CTA on January 23, 2013. The parties have filed their respective briefs. As of December 31, 2015, the appeal remained pending.

With regard to Ordinance No. 8187, petitions were filed before the Supreme Court, seeking for its nullification and the enjoinment of its implementation. Petron filed a manifestation on November 30, 2010 informing the Supreme Court that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within five years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of Petron and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented Petron from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and the City Council of Manila), Petron reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016.

On November 25, 2014, the Supreme Court issued a Decision (November 25 Decision) declaring Ordinance No. 8187 unconstitutional and invalid with respect to the continued stay of the oil terminals in Pandacan. Petron, Shell and Chevron were given 45 days from receipt of the November 25 Decision to submit a comprehensive plan and relocation schedule to the RTC of Manila and implemented full relocation of their fuel storage facilities within six months from the submission of the required documents. On March 10, 2015, acting on a Motion for Reconsideration filed by Shell, a Motion for Clarification filed by Chevron, and a Manifestation filed by Petron, the Supreme Court denied Shell's motion with finality and clarified that relocation and transfer necessarily included removal of the facilities in the Pandacan terminals and should be part of the required comprehensive plan and relocation schedule. On May 14, 2015, Petron filed its submission in compliance with the November 25 Decision.

- Oil Spill Incident in Guimaras

On August 11, 2006, MT Solar I, a third party vessel contracted by Petron to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found Petron not criminally liable, but the SBMI found Petron to have overloaded the vessel. Petron has appealed the findings of the SBMI to the DOTC and is awaiting its resolution. Petron believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as Petron, which are charterers.

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as of December 31, 2015.

- Dispute between SPPC and PSALM

SPPC and PSALM are parties to the IPPA Agreement (the "Ilijan IPPA Agreement") covering the appointment of SPPC as the independent power producer administrator of the Ilijan Power Plant.

SPPC and PSALM have an ongoing dispute arising from differing interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement. As a result of such dispute, the parties have arrived at different computations regarding the subject payments. In a letter dated August 6, 2015, PSALM has demanded payment of the difference between the generation payments, calculated based on its interpretation and the amount which has already been paid by the SPPC, plus interest, covering the period December 26, 2012 to April 25, 2015.

On August 12, 2015, SPPC initiated a dispute resolution process with PSALM as provided under the terms of the Ilijan IPPA Agreement, while continuing to maintain that it has fully paid all of its obligations to PSALM. Notwithstanding the bonafide dispute, PSALM issued a notice terminating the Ilijan IPPA Agreement on September 4, 2015. On the same day, PSALM also called on the Performance Bond posted by SPPC pursuant the Ilijan IPPA Agreement.

On September 8, 2015, SPPC filed a Complaint with the Regional Trial Court of Mandaluyong City. In its Complaint, SPPC requested the Court that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld. The Complaint also asked that a 72-hour Temporary Restraining Order (the "TRO") be issued against PSALM for illegally terminating the Ilijan IPPA Agreement and drawing on the Performance Bond. On even date, the Court issued a 72-hour TRO which prohibited PSALM from treating SPPC as being in Administrator Default and from performing other acts that would change the status quo ante between the parties before PSALM issued the termination notice and drew on the Performance Bond. The TRO was extended for until September 28, 2015.

On September 28, 2015, the Court issued an Order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending.

On October 22, 2015, the Court also issued an Order granting the Motion for Intervention and Motion to Admit Complaint-in-intervention by Meralco. Currently pending for resolution of the Court are: 1) PSALM's Motion for Reconsideration of the Order granting the Preliminary Injunction; and 2) PSALM's Motion to Dismiss. The preliminary conference among the parties scheduled on February 18, 2016 was reset to April 14, 2016.

Meanwhile, there are no restrictions or limitations on the ability of SPPC to supply power from the Ilijan Power Plant to Meralco under its Power Supply Agreement with the latter.

By virtue of the Preliminary Injunction issued by the Court, SPPC continues to be the IPPA for the Ilijan Power Plant.

b. Master Year Limited (MYL)

On September 30, 2013, Privado Holdings, Corp. (Privado) acquired 368,140,516 common shares of the Parent Company from MYL. The acquisition was transacted thru the PSE at P75.00 per share.

On February 14, 2014, Privado acquired 50,000 common shares of stock of the Parent Company at the PSE at P58.00 per share.

c. Commitments

The outstanding purchase commitments of the Group amounted to P88,827 as of December 31, 2015.

Amount authorized but not yet disbursed for capital projects is approximately P87,610 as of December 31, 2015.

d. Foreign Exchange Rates

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries and associates and joint ventures to Philippine peso were closing rates of P47.06 and P44.72 in 2015 and 2014, respectively, for consolidated statements of financial position accounts; and average rates of P45.50, P44.39 and P42.43 in 2015, 2014 and 2013, respectively, for income and expense accounts.

e. Temporary Restraining Order (TRO) Issued to Meralco

On December 23, 2013, the Supreme Court issued a TRO, effective immediately, preventing Meralco from collecting from its customers the power rate increase pertaining to November 2013 billing. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that since the power supplied by generators, including SMEC and SPPC, is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. Further, on December 27, 2013, the DOE, ERC, and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32/kWh. The price will be effective for 90 days until a new cap is decided upon.

On January 16, 2014, the Supreme Court granted Meralco's plea to include other power supplier and generation companies, including SMEC and SPPC, as respondents to an inquiry. On February 18, 2014, the Supreme Court extended the period of the TRO until April 22, 2014 and enjoined the respondents (PEMC and the generators) from demanding and collecting the deferred amounts.

On March 3, 2014, the ERC issued an order declaring the November and December 2013 Luzon WESM prices void and imposed the application of regulated prices. Accordingly, SMEC, SPPC and SPDC recognized a reduction in the sale of power while SMELC recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment. The settlement of which shall be covered by a 24-month Special Payment Arrangement agreed with PEMC which took effect in June 2014 up to May 2016. On June 26, 2014, SMEC, SPPC and SPDC filed with the Court of Appeals a Petition for Review of these orders. The case is still pending resolution with the Court as of December 31, 2015.

f. *Electric Power Industry Reform Act of 2001*

R.A No. 9136, otherwise known as the EPIRA sets forth the following: (i) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (ii) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (iii) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which the Group was selected winning bidder of the IPPA Agreements.

The EPIRA requires generation and distribution utility (DU) companies to undergo public offering within five years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed with the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning more than 30% of the installed generating capacity of a grid and/or 25% of the national installed generating capacity.

g. Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

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