SAN MIGUEL
CORPORATION

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GETTING THE JOB DONE

San Miguel Corporation
2013 Annual Report



On the cover: The Tarlac-Pangasinan-La Union Expressway (TPLEX).

This page: Crew workers at the new Golden Bay Grain Terminal's pier.

GETTING THE JOB DONE

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DETERMINED TO DELIVER

Over the last five years, we have worked at transforming ourselves into a more diversified, efficient and responsive company, whose capabilities and accomplishments clearly lead the industries in which we now compete.



EDUARDO M. COJUANGCO, JR
Chairman & CEO

This is an exciting time for Philippine industry. On the macroeconomic level, 2013 was a strong year for the Philippines; the country's better fortunes earning the nation its first investment-grade scores from various rating agencies. While this encouraging growth was disrupted by several natural calamities, the most devastating of which was Typhoon Yolanda in November last year, on the whole, our economy continues to be resilient, allowing companies like ours a host of opportunities to capitalize and build on this growth.

For sure, 2013 was not without its challenges for us as a company. The year started out with higher excise taxes on our beer and liquor businesses, while volatility in the prices of crude oil partially stunted earnings for our oil-refining subsidiary. Increased investor confidence and the return of capital to developed markets, on the other hand, resulted in the appreciation of the US dollar, which affected our performance in the second half of the year.

But even as these external conditions placed pressure on a number of our operating businesses, our growth as a group remained solid. The consistent growth we have been reporting for the past decade or so, together with our ability to keep up with our financial commitments and implement targeted programs, provide clear evidence that San Miguel's diversification has taken root.

MEETING OUR GOALS

As one of the country's largest conglomerates, with a history that stretches back 124 years, we recognize that the value of our business lies in sustaining the Philippines' growth. It is precisely for this reason that we have anchored our diversification on projects that will help improve the lives of our countrymen and bring about progress.

For so long, our nation has struggled with the big issues: the lack of adequate infrastructure, the demand for a stable and sustainable supply of energy, and the need for food security and job creation.

In these respects, 2013 was a pivotal year for San Miguel, when the investments and hard work we put into addressing these issues were finally realized.

Before the year ended, we opened Phase 1A of the Tarlac-Pangasinan-La Union Expressway, the very first greenfield tollway project in our infrastructure portfolio.

Last April, we completed Phase 1B up to Rosales, Pangasinan, bringing to over 47 kilometers the total length of TPLEX that is operational.

This tollway provides motorists a seamless link to the Subic-Clark-Tarlac Expressway (SCTEX) and North Luzon Expressway (NLEX), drastically cutting travel time to and from central and northern Luzon. Slated for completion by early 2016, TPLEX will help boost tourism, trade, and agriculture north of Metro Manila.

Earlier in the year, we also won the concession to build and operate the Ninoy Aquino International Airport Expressway (NAIAx). With work well underway since the start of this year, this much-needed road project will soon connect our South Luzon Expressway (SLEX) and Skyway System to all three major airport terminals in Metro Manila, the Cavite Expressway (CAVITEX) and emerging entertainment and tourism centers in Manila.

We also consolidated into our portfolio the Southern Tagalog Arterial Road or STAR tollway. Currently, we are upgrading and widening the entire length of the 42-kilometer toll road.

As significant as these road projects are, they only form part of our master plan to connect southern and northern Luzon. In January 2014, we broke ground for the much-awaited Skyway Stage 3 project, a 14-kilometer, two-by-three-lane expressway that will connect the Star Tollway, SLEX, and Skyway, to the NLEX, SCTEX, and TPLEX. The Skyway Stage 3 project will also significantly decongest Metro Manila's busiest roads, particularly, EDSA.

Taken together with the ongoing expansion of our Boracay Airport in Caticlan, our infrastructure business is well positioned to become a major revenue driver for the company.

Before the year ended, Petron's Refinery Master Plan Phase 2 (RMP-2) was 95% complete, with commercial operations slated to start by the fourth quarter of 2014.

This upgrade of our Bataan Refinery will have an immediate and significant impact on our bottom line, doubling our production capability for high-value gasoline, diesel and petrochemical products, and lessening the Philippines' dependence on more expensive imports. Ultimately, RMP-2 will also allow us to leapfrog other companies in terms of technology and scale up our operations to meet the demand for cost-effective, better-quality and cleaner fuels.

The year also saw us start construction on two new power plants—one in Malita, Davao and another one in Limay, Bataan—which can boost our total installed capacity by about 900 MW, initially. This is part of our plan to expand our total capacity by 3,000 MW. These new facilities will make

use of clean-coal combustion technology that adheres to international environmental standards. Capable of processing local coal from SMC-operated coal mines, these facilities will lower importation and freight costs, thereby driving down power rates for consumers in the long run.

Our commitment to help bring about power security in the countryside has also led us to invest in the Albay Electric Cooperative (ALECO). Through a rehabilitation program that we will implement over the next few years, we hope to power economic growth throughout the Bicol region.

Last November, we opened our Golden Bay Grain Terminal in Mabini, Batangas, today the country's most modern bulk grain terminal. This facility will create for us significant cost savings and ensure the efficient delivery of vital commodities that will, in turn, help prop up our agriculture sector.

Our affiliate, Philippine Airlines, also executed on major programs consistent with its long-term growth strategy. With the lifting in 2013 of a ban on Philippine carriers in Europe and the country's recent upgrade to Category 1 in the United States, PAL is shifting its ongoing route expansion program into high gear. The timing couldn't be more perfect, as last year, the flag carrier started taking delivery of the first batch of brand new aircraft under its fleet modernization plan. Coupled with innovations and enhancements on its service, PAL is well on the way to becoming a more efficient and competitive business.

For San Miguel, all these milestones carry much significance. Throughout the last few years, we have spoken at length about where we want our company to be in the future. These projects, along with several others in the pipeline, serve to bring the big picture that is our vision, into much clearer focus and speak volumes of our commitment to getting the job of nation-building done.

PLAYING TO OUR STRENGTHS

Even as we continued to work hard at laying the foundations of the future, our businesses continued to turn in strong results.

Despite higher excise taxes on alcoholic beverages, which affected volumes of San Miguel Brewery Inc., our beer business managed to match its year-ago performance on the back of higher margins, improved efficiencies, and growth in its international business.

San Miguel Pure Foods Company, Inc., meanwhile sustained its strong performance and turned in higher revenues, as almost all major business units posted higher volume growth.

San Miguel Global Power and Petron Corp. were our biggest contributors in terms of revenues, growing by 9% over the previous year. Our beverages, food and packaging businesses meanwhile maintained a stable growth rate of 2%.

Consolidated operating income reached P55.1 billion, up 7% from the previous year, as our power and beer businesses turned in good margins. Combined with the strong recovery of Petron and San Miguel Pure Foods, group revenues reached an all-time high of P748 billion, a 7% jump from 2012.

However, factors beyond our control weighed heavily on our overall performance. Due to the appreciation of the US dollar against the peso, we saw unrealized losses of P15.6 billion, a reversal from 2012's forex gains.

But our strong fundamentals, together with the soundness of our long-term strategy, helped us weather this challenge.

With our solid results and the sale of our minority stake in Meralco, San Miguel's year-end net income reached P38.1 billion, a 42% increase from the previous year. EBITDA improved slightly to P77.3 billion.

We also faced head-on issues that resulted in a decline in our share price. In the area of debt management, we have taken great care to proactively manage our liabilities by availing of lower interest rates and longer payment terms. We have been able to draw up a more flexible repayment schedule that closely matches the targeted completion of major projects. In short, we will be using mostly income or savings generated from our new projects to service our debts. Today, our net debt-to-EBITDA ratio is at a healthy 3.14x.

We also addressed issues related to the cross ownership between San Miguel and its parent, Top Frontier Investments Holdings Inc. In October 2013, we declared as property dividends for SMC shareholders our 49% stake in Top Frontier, providing them the opportunity to own shares in both companies.



RAMON S. ANG
President & COO

OUR ROLE AS ENABLER

Despite these achievements, we ended the year on a somber note. The devastation brought on by typhoon Yolanda was too massive to be cast aside.

And yet, it was also during these most trying of times that we found even more reason and logic for the things we have done thus far.

In the wake of the calamity, we mobilized all resources at our disposal—aircraft, facilities and installations, fuel, delivery vehicles, employee volunteers—in order to make sure that doctors, policemen, rescue personnel, volunteers, as well as medicines and relief goods reached the hardest-hit areas.

More than our financial and in-kind donations, these efforts, which our employees helped support for weeks on end, give us a deeper sense of fulfillment and pride as a company. In many ways, these relief efforts trump even our most ambitious and well thought-out social development programs. We not only helped those in need; we also enabled many others to do their own part.

Taking stock of where we are now, we recognize that ultimately, this role of being an enabler—of growth, development and progress—is the role we see ourselves playing in all the industries in which we compete. Throughout our journey, we have always recognized that the value of what we do lies in how we foster inclusive growth and bring about concrete and long-overdue solutions to problems that have hindered our progress as a nation.

By getting down to work on addressing the big issues of the day, we believe that we are securing our company's future competitiveness and growth.

More importantly, we are helping shape the future in which our country is stronger, more resilient, and able to meet the aspirations of our people.

THE MEASURE OF OUR SUCCESS

Apart from helping push forward the country's economic prospects through projects that help make our everyday lives better, we also enable and empower a growing number of Filipinos and their families through the job opportunities we create.

PUTTING PEOPLE TO WORK

Having spent the last five years establishing and strengthening our position in infrastructure, oil refining, power generation, aviation and mining, among others, our company has helped spur economic growth by leading the charge of conglomerates investing in underdeveloped but critical industries.

Our expansion has been swift, and our transformation, dramatic. While we were certainly not the first mover in many of the new businesses we have since entered, we have definitely made our mark.

Today, we are one of the biggest direct employers in the country, with a workforce some 18,000 strong. Through our vast network of suppliers, distributors, retailers, and business partners, we accounted for about 145,000 jobs throughout the Philippines in 2013.

Apart from this, our new and existing facilities and installations help spur small economies in areas where we operate, bringing about livelihood opportunities that empower and enable.

For a company as large and as diverse as ours, there are certainly countless ways by which our success can be quantified. But always, we strive to look beyond the hard numbers, because ultimately, we know that it's in the intangibles—better-led lives and a brighter future for all Filipinos—where our true success lies.



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(Top) Inside the Petron Bataan Refinery control room. (Left) At the bottling line for Red Horse Beer at the San Fernando Brewery. (Above) At San Miguel Pure Foods' Finance Shared Services Centre.

BUILT TO LAST

As a company, we have always recognized that our long-term success depends on how we impact the lives of many. To us, the projects that are worth pursuing the most are those that help bring about positive social change, inclusive growth and serve as practical, long-term solutions to the challenge of bringing about our country's progress.

✓ TARLAC-PANGASINAN-LA UNION EXPRESSWAY

Traversing 17 towns and two cities across four provinces, the 88.85-kilometer Tarlac-Pangasinan-La Union Expressway will help push progress outward from Metro Manila, boosting tourism and trade in central and northern Luzon.

NAIA EXPRESSWAY

By interconnecting the Skyway system, NAIA Airport Terminals I, 2, and 3, the Cavite Expressway, and the PAGCOR Entertainment City, the NAIA Expressway project is both a solution to the everyday problem of congestion and a key driver of success for Metro Manila's new and emerging business and tourist centers.

SKYWAY SYSTEM

The Skyway Stage 3 project brings to reality the dream of connecting southern and northern Luzon, enabling faster, safer travels, and decongesting major thoroughfares in Metro Manila.

✓ BORACAY AIRPORT

The Boracay Airport, envisioned as a modern, state-of-the-art international gateway with a 2.1-kilometer runway that can accommodate larger aircraft, will allow the Central Visayas Region to realize its full economic potential by boosting tourism and spurring the growth of local businesses.

✓ PETRON RMP-2

Petron's Refinery Master Plan Phase 2 project transforms the Petron Bataan Refinery into one of the most modern integrated oil refining and petrochemical facilities in Asia. Capable of processing all types of crudes and producing high-value gasoline, diesel and petrochemicals, RMP-2 will lessen the country's dependence on higher-costing finished fuels.

GREENFIELD POWER PLANTS

Designed to initially produce up to 900 megawatts of electricity using the most modern combustion technologies that meet international environment standards, our new power plants in Malita, Davao and Limay, Bataan, will help bring about security in power supply.

✓ GOLDEN BAY GRAIN TERMINAL

The most modern bulk grain facility in the country, the Golden Bay Grain Terminal is equipped with eight silos and two warehouses that can store up to 140,000 metric tons of grain. Able to accommodate vessels of up to 80,000 dead weight tonnage, it allows for more efficient handling of key raw materials for our food business.

MANAGEMENT'S DISCUSSION & ANALYSIS

In 2013, San Miguel Corporation delivered strong financial results, with both core and new businesses providing the company stable margins and a healthy cash flow. Each of our businesses maintained strong leadership positions in their respective industries, proving that in the aggregate, we have a good mix of sustainable, complementary businesses that will ensure our overall profitability in the face of external challenges.

This year, the timely disposition of our minority investment in Meralco, from which we have earned substantial dividends over the past few years, proved to be strategic in the face of foreign exchange fluctuations. Initially, we sold off 5% (consisting of 64.3 million shares) of our stake in the country's largest power distributor, for P270 per share, or three times the purchase price of P90 per share five years ago. By the end of the year, we completed the sale of our remaining 27% stake (comprising 305.7 million shares) to JG Summit Holdings. The shares were collectively held by SMC, San Miguel Pure Foods Company Inc. and SMC Global Power.

Our nearly P40 billion gain from the sale of Meralco provided us a hedge against the effects of the appreciation of the US dollar in the second half of 2013, completely offsetting our foreign exchange losses of more than P15 billion. As such, San Miguel Corporation's bottomline grew by 42%, with consolidated net income attributable to the equity holders of the parent company reaching P38.1 billion. Without foreign exchange losses, net income grew 210% to P53.6 billion.

In terms of top-line growth, consolidated revenues rose 7% to P748 billion—72% of which are now derived from our new businesses, fuel and oil and energy.

Revenues from the new businesses grew 9% in 2013, while our core beverages, food and packaging businesses grew at a more modest rate of 2%.

Consolidated operating income grew 7%, reaching P55.1 billion, on the back of strong margins coming from the beer and power businesses and the improved performance of Petron and San Miguel Pure Foods. Consolidated recurring EBITDA, meanwhile, improved 1% to P77.3 billion.

To fund our expansion strategy and to meet our anticipated capital and operating requirements, San Miguel undertook medium-term funding to ensure committed funding at the company-level.

In March, the company established a medium-term note program of up to US$2 billion, taking in US$800 million worth of bonds that were 5.6x oversubscribed, with an interest rate of 4.875%. This offering was the largest-ever US dollar corporate bond by a Philippine company. We also prepaid our US$1.0-billion loan and availed of a new US$1.5-billion term loan.

These efforts allowed us to restructure our existing liabilities and provided us access to lower interest rates, at the same time lengthening our debt maturity profile. We have effectively timed the amortization of our long-term debts to coincide with the completion of our major projects. This way, we will be using income or savings from these projects to pay down debt once they become operational.

Loans made by SMC that are due this year, specifically the P2-billion term loan and the US$600 million Exchangeable Bonds, of which US$214 million remains outstanding, will be paid down using internally available funds.

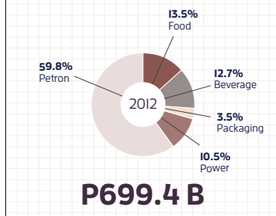
Petron, on the other hand, has put together a loan payment schedule that is tailor-fit for the completion of its ongoing projects. With the start of operations by the end of 2014 of the upgraded Bataan Refinery, as well as the continued expansion of its service station network, Petron will have little difficulty servicing its loans.

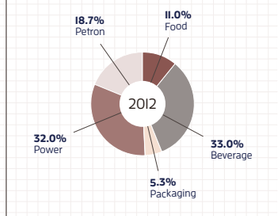
SMC Global Power, on the other hand, has a $300 million loan due in 2016, by which time its two new power facilities will be operational and bringing in additional income.

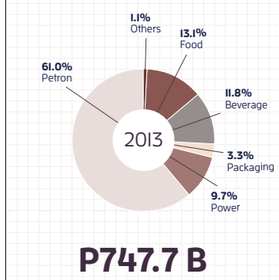
Aside from managing our liabilities, we also addressed issues related to the cross ownership between San Miguel and parent Top Frontier Investments Holdings, Inc. In October, we converted our 49% stake in Top Frontier to property dividends for SMC shareholders. The total 240,196,000 common shares were given out at the beginning of 2014 to SMC shareholders who received one Top Frontier common share for every ten SMC common shares. This provided investors in our company an opportunity to benefit from owning Top Frontier shares. Apart from its investment in SMC, Top Frontier also owns gold, nickel and copper mining assets that have considerable potential for development.

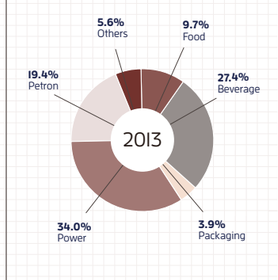
Well into the first quarter of 2014, we have chalked up significant milestones that include the opening of an additional 26-kilometer stretch of the Tarlac-Pangasinan-La Union Expressway; the near completion of the Petron's Refinery Master Plan Phase 2 (RMP-2) project; the construction of the Skyway Stage 3 and NAIA Expressway projects and ongoing work on our greenfield clean coal-fired power plants in Malita, Davao and Limay, Bataan.

Contribution by revenue	Contribution by EBITDA









San Miguel Brewery Inc.

It was a challenging year for San Miguel Brewery Inc. The new excise tax structure implemented on January 1, 2013, compounded by natural calamities and power supply shortage, made for difficult operating conditions, which resulted in generally weaker volumes. Number of cases sold shrunk to 204 million cases, 9% lower than 2012. Nonetheless, SMB managed to match its year-ago performance by posting revenues of P75.1 billion. More importantly, the company was able to protect its profitability and maintain healthy margins, delivering P21.6 billion in income from operations.

SMB maintained operating margins within 2012 levels due to tighter fixed cost management and improvements in operational efficiencies for both domestic and international operations.

In May 2013, SMB voluntarily delisted from the Philippine Stock Exchange in view of the minimum public float requirement. SMB tendered 51,425,799 shares, equivalent to 0.3337% of the total outstanding shares of the company, for a total amount of P1.03 billion.

Domestic Operations

The year was marked by a new excise tax regime for the alcoholic beverage industry, prompting industry players to raise selling prices which led to weaker consumption levels. Typhoons and an earthquake in Bohol, the power shortage and the siege of Zamboanga City, as well as a poor-performing agricultural sector, further tempered alcohol consumption. To address the impact of the price hikes and to boost sales, industry players drummed excitement via consumer and trade promotions and new products, ramping up the level of competition. As a result, volumes of SMB tapered off following the implementation of a February 2013 price increase for its major brands.

Despite these challenges, SMB strengthened its leadership in the beer industry, easily dominating the total alcohol market. Focus was directed towards key volume drivers and more targeted and less-expensive grassroots activations such as "Milyun-Milyong Panalo," the nationwide under-the-crown promo and Oktoberfest barangay street parties.

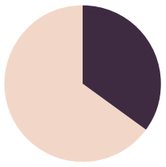
Red Horse Beer remained the country's favorite extra strong beer, reinforced by the "Origins" thematic campaign, "Pambansang Muziklaban Rock Challenge" and "Pasiklaban" barangay activations. Flagship brand San Miguel Pale Pilsen reinforced its image as the Filipino beer icon via its "Amanda" thematic campaign, "Sarap Mag Babad" summer program and the "Pilsen Time Na" activations, among others.

Meanwhile, SMB shifted the communication positioning for San Mig Light to "Only 100 Calories". To support this, San Mig Light launched several marketing initiatives including the "One Word" campaign, the "Bucket Nights" promo, outlet-based "Party All Night" events, and online digital activations.

MILESTONES

March

San Miguel Yamamura Packaging Corp. (SMYPC) completes 35% investment in Northern Cement Corporation (NCC).



35%
SMYPC

April

Philippine Airlines opens 12 new routes:
Kuala Lumpur, Malaysia; Darwin, Brisbane and Perth in Australia; Guangzhou in China; Abu Dhabi and Dubai in the United Arab Emirates; Doha in Qatar; and Riyadh, Jeddah and Dammam in Saudi Arabia. PAL also starts flying to Basco Batanes.



It also strengthened the position of the Lifestyle Brews, namely, San Miguel Premium All-Malt, Super Dry and Cerveza Negra, through the "Hands" TV commercial, cinema ad placements, consumer promos, a full- year online campaign, visibility programs, and the "Bites and Brews" bar activations. On the other hand, economy brand Gold Eagle Beer continued to strengthen its value proposition by focusing on rural areas and launching its "Jamming" campaign.

San Miguel Flavored Beers, meanwhile, continued to do well, cornering a larger share of the market through the "Playtime" bar tour, the "Talk" ad, a webisode program, and *sari-sari* store penetration and merchandising drive. In March, San Mig Zero was introduced to the market, backed by numerous awareness and trial-generating programs. This latest addition to SMB's portfolio aims to tap specific market segments, particularly consumers committed to a healthy lifestyle. Enhancements were made to the supply chain to support volumes, brand-specific initiatives and cost-effectiveness. These include improvements in penetration, availability and retailer-based servicing, the launch of online ordering, the installation and modification of production equipment and process optimization, among others.

The company was not spared from the impact of natural disasters that hit the country as typhoons and an earthquake in southern Philippines caused damage to facilities and affected our employees and business partners, thereby disrupting operations.

Amid numerous challenges, SMB continued to deliver a solid financial performance. Higher selling prices resulted in stable revenues. Company profitability remained strong, with robust margins resulting from continuing cost management and efficiency programs.

International Operations

With revenues reaching nearly US$344 million, 1% higher than the previous year, 2013 turned out to be one of San Miguel Beer International's strongest in recent memory. Sales revenues were higher across a majority of markets, with the turnaround of SMB Hong Kong, steady growth in Indonesia and improvements in South China and Thailand.

Operating income grew 68%, significantly higher than 2012 on the back of margin improvements and fixed-cost rationalization, particularly, more efficient advertising and promotion spending and volume growth in some of its subsidiaries. Most units, except for North China and Vietnam, posted improvements in 2013 versus last year. Growth was strongest in SMBHK. Steady growth was also seen in Indonesia, South China and Thailand.

Across SMB's overseas markets, our goal was to ensure that the generated volume contributed strongly to the growth in profit levels. Improvements were achieved through targeted price increases, combined with tighter cost controls and the efficient use of assets.

Led by the Anker brand, volumes in Indonesia grew on the back of territory expansion programs and better-targeted marketing initiatives. In November, we matched an industry-wide price increase that was implemented by other rival brewers in the first quarter of the year.

Despite lower volumes, Beer International posted a strong profit recovery in Hong Kong, with operating profits rising 33 times over the previous year. This turnaround was achieved through the restructuring of its distribution strategy, which resulted in the expansion of sales channels and a stronger territory focus in terms of sales management. SMBHK's leadership position was further strengthened by the launch of strategic programs aimed at enhancing San Miguel's brand equity and reinforcing its bond with consumers.

In Thailand, volumes grew despite the ongoing political unrest and an increase in excise taxes. Improved outlet penetration greatly benefitted San Mig Light, our fastest-growing brand in this highly attractive market.

Vietnam operations saw improvements in domestic volumes, driven by higher sales for the San Miguel brand and W1n Bia. Neighborhood outlet expansion programs have been successful, as has our incentive program for distributors of W1n Bia.

In China, our operations have been restructured and refocused to ensure that we capture volume growth in this large and important market. While we continued to face challenges in North China, our performance in South China continued to improve with significantly reduced losses versus the previous year. Our new going-to-market and distribution strategy worked well, improving the reach of our products. At the same time, the clustering of our distribution territories and promotional activities also increased operating efficiency.

Meanwhile, Beer International Exports continued to grow, with the United Arab Emirates, South Korea, Angola and Qatar all registering marked improvement from 2012.

Ginebra San Miguel, Inc.

With the imposition of a new excise tax regime effectively doubling tax rates for the hard liquor industry, Ginebra San Miguel Inc. continued to struggle amid a very difficult operating environment. Competition was fierce, as players stepped up their marketing and trade promotions to compensate for the increase in excise taxes. To stay afloat, GSMI was compelled to raise retail prices, resulting in lower volume sales during the first half of the year. Volumes recovered in the third quarter with our gin products growing by double-digits over the previous quarters.

Encouragingly, Ginebra San Miguel continued to strengthen its hold on the gin market, with the implementation of the "Lahing Ginebra" campaign, which proved a huge success in Luzon. Market share of the flagship brand grew nearly 3% over the previous year.

Ginebra's non-alcoholic segment appears to have gained traction, with volumes growing 20% compared to 2012. This is a direct result of efforts to expand and strengthen its distribution network.

GSMI's consolidated revenues grew 3% to P14.4 billion, as the company's pricing strategy allowed it to largely maintain sales revenues in the domestic liquor segment. Supported by robust volume sales growth, revenues of the non-alcoholic beverage segment grew nearly double-digits.

Major input costs were significantly reduced during the year due to better distillery efficiencies and an improved buying strategy. Alcohol usage cost shrunk by 3%, while increased usage of second-hand bottles also helped drive down costs. Lower volumes brought about by higher excise taxes, however, resulted in a higher operating loss of P793 million for 2013.

Buffeted by a strong second half, GSMI is looking to further reinforce its strategy of capitalizing on its flagship while at the same time aggressively promoting other gin brands to grow volumes for both its liquor and non-alcoholic business segments.

MILESTONES

April

SMC wins 30-year concession to build and operate the Ninoy Aquino International Airport Expressway (NAIAx).

NAIAx

links the three NAIA terminals to the:

- **SKYWAY**
- **CAVITEX**
- **PAGCOR Entertainment City**



San Miguel Pure Foods Company, Inc.

Consolidated revenues for San Miguel Pure Foods improved 4% over the previous year, reaching P99.8 billion with virtually all segments, led by the value-added business cluster, contributing to this growth. Volumes rose across most categories, spurred by ongoing innovation programs and an expanded distribution network. Overall, the Food Group strengthened its brands by improving already established products, developing successful new variants and supporting these with innovative marketing and activations.

Operating income likewise improved 6% to P5.51 billion, on account of better margins due to higher selling prices of meats, improved availability of cassava, lower pricing of dairy raw materials and better efficiencies.

In November, SMPFC inaugurated its Golden Bay Grain Terminal in Mabini, Batangas, the most modern bulk grain terminal in the country today. Capable of accommodating large vessels, this new facility will allow the company to save on freight costs and terminal fees. The full benefits of this project will be realized in the coming years as capacity is maximized.

Agro-Industrial

The Agro-Industrial segment delivered a 4% growth in revenues driven by higher volumes and better selling prices. Revenues of the poultry and fresh meats business grew by 5% despite a challenging year for the poultry industry, as supply outstripped market demand. The fresh meats business performed strongly on account of improvements in hog growing efficiencies and favorable selling prices. On the other hand, revenues of the feeds business increased by 3% resulting from better sales mix and the double-digit volume growth of gamefowl and aquatic feeds.

Milling

Revenues of the Milling segment grew by 4% on account of higher flour sales volume, despite lower selling prices reflecting the drop in wheat cost. This, combined with the growth in value-added flour blends and premixes, translated to an improvement in operating income.

In 2013, the number of third party-owned and operated "Kambal Pandesal" bakery outlets also reached 150 from 61 outlets in the previous year.

Value-Added Meats

Revenues of the Value-Added Meats segment rose 9% over 2012. This was mostly driven by the continued success of core brands such as Tender Juicy, Purefoods and Star. These, together with aggressive brand-building initiatives and new product launches, allowed sales to grow faster than industry.

Dairy and Others

The Dairy, Fats and Oils segment achieved revenue growth of 4% in 2013, owing to the modest performance of its core product lines of butter and margarine, and faster growth in emerging product categories such as jelly snacks, milk, all-purpose cream, cooking oil and salad aids. The ice cream segment also performed well, despite weaker industry sales, on account of higher volumes from export and food service channels. Operating income of the dairy segment grew significantly due to better dairy raw material prices on top of volume gains.

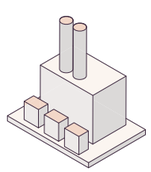
San Miguel Super Coffeemix Co. Inc., meanwhile, continued to reap the benefits of aggressive advertising and promotion such as TV placements, radio advertisements, and online digital campaigns. New product launches and a wider distribution reach also contributed to the overall sales revenue growth of 18%. Awareness for the San Mig Coffee brand was greatly improved following the renaming of the Food Group's Philippine Basketball Association franchise from B-MEG Derby Ace Llamados to San Mig Super Coffee Mixers.

The Food Group's international business continued to face challenges in 2013 as combined revenues declined by 15%. Revenues from Vietnam operations were adversely affected by unfavorable hog selling prices, which prompted the downsizing of livestock operations to minimize further losses. Indonesia, on the other hand, began showing improvement in the second half of the year as the business was able to expand its distribution network.

MILESTONES

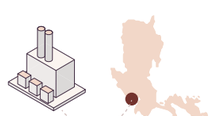
July

SMC Global Power Holdings Corp. breaks ground for a new clean-coal power plant in Davao.



October

SMC Global Power signs a concession agreement to operate and manage the power distribution facilities of the Albay Electric Cooperative (Aleco) for a period of 25 years; breaks ground for a clean-coal power plant in Limay, Bataan.



San Miguel Yamamura Packaging Corporation

San Miguel's packaging group brought in revenues of P25.2 billion in 2013, on the back of continuing customer penetration programs. The company was able to grow markets for its various business units, with growth being strongest in the Exports segment, at 23%. Product innovations also enabled the company to tap new customers.

Early in the year, SMYPC sealed a partnership with Poland's Can-Pack S.A. for a metal container plant in General Trias, Cavite. Aiming to compete globally and meet customers' changing needs, the facility will modernize production to include down-gauged 202 cans.

Across other facilities, SMYPC also implemented a capacity-building and equipment-modernization program.

Glass remains the most preferred packaging format in Asia, and as such, continues to be SMYPC's strongest segment, accounting for the biggest share in total revenues. In order to protect market share, SMYPC modernized one of its glass facilities and acquired ISO 22000 Food Safety Certification. As a result, exports of glass from SMYPC's China operations to the US grew by 15%, even as it expanded to new markets in Asia.

Despite higher metal can volumes, the Metals segment declined due to lower demand for metal closures from major customers, particularly as some clients in the pharmaceutical industry closed shop.

The Plastics segment turned in strong results, both in terms of growth in revenues and profitability. The business continues to benefit from the first-to-market advantage enjoyed by E-mats, a product designed specifically for use as poultry flooring. Together with sustained sales of plastic crates, the segment was able to grow its market share by 31%.

The Paper segment, on the other hand, posted revenue improvement of 16%, on the back of higher demand for cartons, which translated to better volumes. An expansion program undertaken in 2012 also allowed the company to double production capacity.

The PET segment registered double-digit revenue growth as volume sales for preforms increased. Major accounts for SMYPC's beverage-filling services were renewed.

In March 2013, SMYPC completed its acquisition of a 35% equity interest in Northern Cement Coporation.

Overseas, Malaysia operations maintained revenue performance on the back of reliable volumes from plastic films and woven products. Cospak of Australia also became wholly-owned by SMYPC. Cospak enables the company to reach various markets globally as its trading arm in the packaging business.

Moving forward, the Packaging Group is looking to innovate on more environment-friendly products through a "green" facility for metal cans. It is also looking to extract more synergies with other San Miguel companies, particularly, with Petron Corporation.

Given that Petron's RMP-2 project will increase production of propylene, the Packaging Group is looking at producing polypropylene products.

Petron Corporation

Petron Corporation's consolidated revenues grew 9% to P464 billion in 2013, mainly attributable to the full-year consolidation of Petron Malaysia, which contributed P183 billion in revenues.

Total volumes reached 81.5 million barrels, a 10% increase from 74.3 million barrels in 2012.

MILESTONES

October

The first 17-kilometer stretch of the Tarlac-Pangasinan-La Union Expressway (TPLEX), which runs from La Paz to Gerona in Tarlac, opens to the public.



Feeds subsidiary B-Meg celebrates 60th year.



November

San Miguel Pure Foods inaugurates Golden Bay Grain Teminal, a state-of-the art bulk grain facility in Mabini, Batangas.



Petron Malaysia accounted for 34.4 million barrels sold, the bulk of this increase, while retail volumes in its Philippine operations grew by nearly 3%.

Income from operations rose 49% to P11.7 billion, with Philippine operations growing substantially by 48% at P9.5 billion. Refining margins improved as regional crude prices were less volatile during the year. In addition, Petron Malaysia added P2.21 billion, an increase of 50% from 2012.

The RMP-2 project is nearing completion. The US$2-billion project will allow the company to convert low-margin outputs to high-value products and operate at nearly full refining capacity of 180,000 bpd. It will significantly increase production of high-value products and petrochemicals. Petron's refinery will be the first in the Philippines capable of producing products that meet Euro-IV standards. Full commercial operation of the project is slated by 2015.

The service station network expansion project is also in full gear. By the end of the year, the number of service stations totaled close to 2,200, giving Petron a stronger market presence and a wider reach.

Petron has also successfully re-branded nearly 300 stations in Malaysia as of end-2013. The company aims to complete the re-branding of the remaining stations in its network by the end of 2014. Ten new stations were also set up as part of its retail expansion program.

SMC Global Power Holdings Corporation

SMC Global Power executed on its strategy to increase capacity and extend its reach to areas outside Luzon, where it is currently the largest power producer.

In 2013, the company broke ground for new coal-fired power plants in Malita, Davao and Limay in Bataan. Set for completion by early 2016, these generation plants will initially provide an additional 900 MW to the company's current 2,615 MW capacity.

In September, SMC Global Power also acquired the co-generation power plant of Petron. The co-generation power plant added an initial 70 MW to total capacity. Another 70 MW unit currently under construction will be commercially available by the second half of 2014.

Meanwhile, SMC Global Power's existing power plants delivered consolidated revenues of P74.0 billion, a slight drop from last year due to lower Wholesale Electricity Spot Market (WESM) prices mainly from the supply months of November and December 2013, when an Energy Regulatory Commission (ERC) order voided WESM prices and instead imposed recalculated prices. Total off-take volumes of 16,163 GWH was up slightly against the previous year due to improvements in Sual's capacity utilization.

On the other hand, the power business' profitability improved with a 20% growth in income from operations at P20.5 billion, largely due to improved plant utilization.

Revenues from the Sual coal-fired power plant declined 5% to P31.8 billion owing to lower WESM prices, coupled with lower bilateral demand and sales price, which was brought about by a change in Meralco's price rate structure.

Revenues for the Ilijan power plant declined 5% to P38.5 billion, due to lower Meralco nominations, as well as below average WESM sales prices. Off-take volumes totaled 8,459 GWH, lower by 3% as a result of lower demand from Meralco.

The San Roque multi-purpose hydroelectric plant reported P4.61 billion in revenues, a decline over last year given the re-computation of the WESM prices to lower levels.

Infrastructure

San Miguel made great strides in infrastructure, particularly in tollways, as we opened our very first greenfield tollway project and began construction early this year of two other major, priority projects.

MILESTONES

November

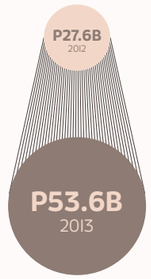
Philippine Airlines' inaugural flight to London takes off after a 15-year hiatus from Europe.



December

President Aquino formally inaugurates TPLEX with the opening of Phase IB, from Tarlac City to Paniqui, a total of 22.65 km.





210%
Net income grew 210% to P53.6 billion (without foreign exchange losses)

7% Increase in consolidated revenues



The bulk of revenues are now derived from new businesses.

We opened the first 22.65 kilometers of the Tarlac-Pangasinan-La Union Expressway, from Tarlac to Paniqui and allowed free access to vehicles traveling north, from November 2013 to January 2014. In April 2014, we completed Phase 1 of the project, which runs all the way to Rosales in Pangasinan. By early 2016, the remainder of the project that terminates at Rosario, La Union will be operational.

In May, we won the concession to build and operate the NAIA Expressway for a period of 30 years. This project involves the construction of an 8.8-kilometer toll road that will connect the Skyway system to PAGCOR City and Roxas Boulevard and provide fast access to NAIA Terminals 1, 2 and 3. We broke ground for this project early 2014 and are targeting its completion by 2016.

The NAIA Expressway is a vital component of our infrastructure masterplan as it extends the reach of the Skyway and South Luzon Expressway. With the addition of NAIAx, San Miguel essentially integrates the roads south of Metro Manila, which can provide a more efficient and synergistic tollway system.

In 2013, we began consolidating STAR Tollway into our books. This investment extends our reach further in the southern Luzon tollway system. With this, we are now involved in the operations and maintenance of the 42-km expressway that extends from SLEX in Sto. Tomas, all the way to Batangas City. Currently, STAR is undergoing expansion and rehabilitation to increase convenience and safety of motorists traveling south of Metro Manila.

In January 2014, we also broke ground for Skyway Stage 3, another project that will be of great benefit to the public. This project, which is in partnership with Citra Lamtoro, involves the construction of a 14-km elevated expressway with eight exit ramps, which will extend the existing Skyway from Buendia in Makati all the way to the North Luzon Expressway via Balintawak, decongesting some of our major thoroughfares, particularly EDSA.

Finally, the extension of the Boracay Airport runway is on schedule. Currently, preparatory works are ongoing at the site, with the start of construction targeted by the first half of this year. Work on the new terminal will also proceed by the fourth quarter of 2014. Once the project is complete by 2016, Boracay Airport will be able to accommodate larger aircraft, boosting tourism not just to the country's top tourist destination, but also to the rest of the Visayas region.

San Miguel Properties, Inc.

San Miguel Properties took in P1 billion in reservation sales, a record-high, on strong demand and interest for its new residential projects in Metro Manila, namely, One and Two Dover View in Mandaluyong and Doverhill in San Juan.

Total revenues reached P714 million, lower than last year due to an extraordinary sale in 2012. However, core retail sales grew a healthy 39%. Rental income also rose 5%, with all SMPI-managed buildings at 100% occupancy.

SMPI posted P143 million in operating income. Higher sales and marketing-related expenses were incurred for new, existing and pipeline projects, which resulted in record reservations.

In 2014, SMPI will continue to focus on generating revenues from existing San Miguel assets by developing quality residential projects. By the last quarter of 2014, the company expects to complete construction of a serviced-apartment project in Legaspi, Makati.

Also in 2013, SMPI voluntarily delisted from the Philippine Stock Exchange. SMPI tendered 1,072 shares representing 1.37471% of its total shares for the amount of P143,800 and was officially delisted May 16, 2013.

FINANCIAL POSITION

San Miguel Corporation's consolidated total assets as of December 2013 reached almost P1.2 trillion, P127.1 billion higher than 2012 mainly due to capital expenditure for projects of Petron and SMC Global Power.

On the liabilities side, short-term debt decreased by P7.9 billion, while long-term debt increased by P83.5 billion. SMC undertook medium-term funding at the parent level to ensure a supply of committed funding for our current projects. In March, the company established a medium-term note program of up to US$2 billion, taking in US$800 million worth of bonds which was 5.6x oversubscribed, with an interest rate of 4.875%. SMC prepaid its US$1.0 billion loan and availed of a new US$1.5 billion term loan. By year-end, total interest-bearing debt amounted to P450.7 billion, while consolidated net debt is at P259.1 billion.

Total equity rose from P348.9 billion in 2012 to P365.8 billion in 2013. The increase mainly came from income during the period.

The company's current ratio improved to 1.46x in 2013 against 1.39x in 2012, while total liability-to-equity ended at 2.20x as of December 2013 from 1.99x in 2012. Considering only interest-bearing debt, debt-to-equity ratio was 1.23x and 1.08x as of end 2013 and 2012, respectively. Net debt to EBITDA was 3.14x.



CORPORATE GOVERNANCE

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

As a responsible corporate citizen, the company has in place efficient policies and programs to ensure that we 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 the business dealings of the company.

SHAREHOLDERS' RIGHTS

The company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its 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 and it enjoys 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 2013 were the ratification of the corporate actions of the Board of Directors and Officers of the company, including the investment in Philippine Airlines, Inc. and Air Philippines Corporation; the issuance and Listing of the Series "2" Preferred Shares; the redemption of Series "1" preferred shares at a redemption price of P75.00 per share; the sale by the company of the common shares of San Miguel Pure Foods Company, Inc. by way of secondary offering to comply with the minimum public ownership requirement of the Securities and Exchange Commission and Philippine Stock Exchange; and the filing of application for voluntary delisting from the Philippine Stock Exchange of San Miguel Brewery Inc. and San Miguel Properties, Inc., among others.

Pre-Emptive Rights
Under the company's amended articles of incorporation, as approved by the shareholders in a meeting held on 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, 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, disclosures, announcements, and, upon request, periodic reports filed with the SEC. All disclosures of the company are likewise immediately available and copies 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 equal to or exceed its paid-up capital stock.

In 2013, the company declared cash dividends to the following classes of shares of the company, as follows :

Common	P1.40
Subseries "2-A"	P7.03125
Subseries "2-B"	P7.14844
Subseries "2-C"	P7.50

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 2013, Notices of the 2013 AGSM were sent to the stockholders on May 10, 2013. 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, through regular quarterly briefings, AGSMs, investor briefings and conferences, the company's website, and responses to email and telephone queries. The company's 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 disclosure 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 the 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, sale and divestment of significant assets that materially affect the share price performance of the company.

Securities Dealing
The company has adopted a policy which 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 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 and the Audit Committe Charter.

External Auditor
The accounting firm of R.G. Manabat & Company, formerly Manabat Sanagustin & Company CPAs, accredited by the SEC, served as the company's external auditors for the fiscal years 2012 and 2013.

The external auditor is selected and appointed by the shareholders upon the recommendation of the Board and subject to rotation every five years or earlier in accordance with SEC regulations. The external auditor's main function is to facilitate the environment of good corporate governance as reflected in the company's financial records and reports, through the conduct of an independent annual audit on the company's business and rendition of 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 P13 million both in 2012 and 2013.

Internal Audit
Internal audit is carried out by the San Miguel Group Audit (SMGA) which helps the organization accomplish its objectives by bringing 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 of their 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; determination of the company's mission, long-term strategy and objectives; and management of the company's risks through evaluation and ensuring the adequacy of the company's internal controls and procedures.

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

Composition
The Board consists of 15 members, each elected by the common stockholders during the AGSM. The Board members hold office for one year or 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 Series of 2012 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 and the President/COO both attended the AGSM for 2013.

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,

	17 Jan	21 Mar	11 Apr	10 May	11 Jun	12 Aug	19 Sept	17 Oct	11 Nov	12 Dec
Eduardo M. Cojuangco, Jr.	●	●	●	●	●	●	●	●	●	◙
Ramon S. Ang	●	●	●	●	●	●	●	●	●	●
Estelito P. Mendoza	●	●	-	●	●	●	●	●	●	●
Iñigo Zobel	●	●	●	●	●	◙	●	◙	●	●
Winston F. Garcia	●	●	●	-	●	●	●	●	●	●
Leo S. Alvez	●	●	●	●	●	●	●	●	●	●
Menardo R. Jimenez	●	●	●	●	●	●	●	●	●	●
Roberto V. Ongpin	●	●	●	●	●	●	◙	◙	●	●
Alexander J. Poblador	●	●	●	●	●	●	●	●	●	●
Ferdinand K. Constantino	●	●	●	●	●	●	●	●	●	●
Joselito D. Campos, Jr.	●	●	●	●	●	-	●	●	●	●
Eric O. Recto	●	●	●	●	●	●	●	●	●	●
Reynato S. Puno	●	●	●	●	●	●	●	●	●	●
Margarito B. Teves	●	●	-	-	●	●	●	●	●	●
Thomas A. Tan	●	●	●	●	●	●	●	●	●	●

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

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 2013, the Board held ten meetings. Set out below is the record of attendance of the directors at these meetings and at the AGSM.

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 of the Board 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 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, with the exception of 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 and 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 held one meeting in 2013.

Nomination and Hearing Committee. The Nomination and Hearing Committee is currently composed of six voting directors—one of whom is independent, Mr. Reynato S. Puno and 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 and amended by-laws of the company and applicable laws, rules and regulations.

In 2013, 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 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 three meetings in 2013, 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 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 five meetings in 2013 wherein the Committee reviewed and approved, among others, the company's 2012 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 2013 are set out in the table below. The Chairmen of each of the Board Committees attended the 2013 AGSM.

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 contains the policies, guidelines for 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.

Career advancement and developments are also provided by the company through numerous training programs and seminars. The company has also initiated activities centered

Executive Committee	Date of Meeting
	May 29
Eduardo M. Cojuangco, Jr. (C)	●
Ramon S. Ang	●
Estelito P. Mendoza	●
Menardo R. Jimenez	●
Roberto V. Ongpin	●
Ferdinand K. Constantino	●

Audit Committee	Date of Meeting			
	Mar 21	May 10	Aug 12	Nov 11
Margarito B. Teves (C)	●	-	●	●
Estelito P. Mendoza	-	●	●	●
Winston F. Garcia	●	-	●	●
Ferdinand K. Constantino	●	●	●	●
Leo S. Alvez	●	●	●	●

Nomination and Hearing Committee	Date of Meeting
	Jan 17
Estelito P. Mendoza (C)	●
Ramon S. Ang	●
Ferdinand K. Constantino	●
Reynato S. Puno	●
Alexander J. Poblador	●
Roberto V. Ongpin	●

Executive Compensation Committee	Date of Meeting		
	Apr 11	Jun 11	Aug 12
Menardo R. Jimenez (C)	●	●	●
Winston F. Garcia	●	●	●
Reynato S. Puno	●	●	●
Joselito D. Campos, Jr.	●	●	-
Ferdinand K. Constantino	●	●	●
Eric O. Recto	●	●	●

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 the attention of Management to any suspected wrong doing which is contrary to the principles of the Code of Ethics and violations 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 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, 2013

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 2013:

- endorsed for approval by the stockholders, and the stockholders approved the appointment of R.G. Manabat & Co. CPAs (formerly Manabat Sanagustin & Co. CPAs) as the company's independent external auditors for 2013.
- 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 of 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 Committee substantially met its mandate in 2013.

Margarito B. Teves
Chairman - Independent Director

Estelito P. Mendoza
Member

Winston F. Garcia
Member – Independent Director

Leo S. Alvez
Member

Ferdinand K. Constantino
Member



San Miguel has turned over 3,750 out of the total 5,000 homes committed to victims of Typhoon Sendong in Iligan, Cagayan de Oro (pictured here), Bukidnon and Negros Oriental.

ENABLING A BETTER PHILIPPINES

If there's one thing we've learned and taken to heart throughout our journey towards diversification, it's that our expansion has broadened the platform from which we can push forward our social development agenda.

Our commitment to bringing about meaningful social change is evident in the very projects we choose to undertake. For instance, our infrastructure projects, particularly our toll roads, will be drivers of long-term economic growth and will greatly improve daily commutes by decongesting our busiest roads. The upgrade of our oil refinery will help ensure the country's fuel supply security and set a new benchmark in environmental and fuel quality standards. Our greenfield power projects, on the other hand, will lower electricity rates and address the country's growing energy needs.

While these are just a few of the goals we have firmly set our sights on over the near-term, they provide a clear insight into the kind of initiatives that drive and inspire us as a company.

As we continue to make responsible investments aimed at bringing about a better Philippines, so too do we continue to work towards becoming an instrument of change for those who need our help the most.

Education
Education remains at the center of our corporate citizenship. We view education not just as a necessity, but as a means by which to empower the next generation. Through purposive and targeted scholarship programs, we aim to provide our youth the chance to realize their full potential, chart better futures for themselves, and contribute to the overall growth of our country.

In 2013, SMC, through the San Miguel Foundation, together with SMB, SMC Global Power, SMITS Inc. and SMYPC, sent a total of 89 students to various colleges and universities. SMYPC also supported an additional 150 scholars for their high school education. Likewise, SMC Global Power and GSMI supported 50 scholars taking courses accredited by the Technical Education and Skills Development Authority (TESDA).

In the same way, the "Tulong Aral" program of Petron Foundation enrolled a total of 3,127 scholars in elementary, high school, college and technical-vocational programs for school year 2013-2014.

Upon graduation, scholars were also given the opportunity to gain employment within the company.

We recognize that the quality of education is as essential to our children's success as the opportunity to learn.
To help ensure that public school students have access to an environment that is adequate and conducive to learning, we continued to partner with private foundation AGAPP (Aklat, Gabay, Aruga Tungo sa Pag-angat at Pag-asa) to build "Silid Pangarap" classrooms in poor barangays. Through a P50-million grant, SMC and its subsidiaries were able to sponsor the construction of 118 classrooms in 2013, in addition to the 141 that had been donated over the last three years.

Petron also built its 80th Petron School in San Miguel, Compostela Valley, bringing to 197 the total number of classrooms it has constructed since 2002. Petron broke ground for its 10th "Silid Pangarap" with AGAPP in 2013.

Noteworthy as well is Petron's Whole School Reading Program (WSRP). The program provided 977 teachers, principals and school officials in Mindanao additional training in teaching Reading as a subject. This project benefitted 38,560 students in 53 schools across the region. More than 40,000 books and learning materials were also distributed to beneficiary schools.

Petron also continued to implement its Youth in Entrepreneurship and Leadership Development (YIELD) program, providing 80 students the chance to undergo on-the-job-training at Petron service stations.

To enhance its engagement of important customer stakeholder groups, Petron also partnered with the Federation of Jeepney Operators and Drivers Association of the Philippines (FEJODAP) for its "Tsuper Kalinga ng Petron" program. Through this initiative, Petron was able to provide members and their dependents technical-vocational skills training in automotive servicing, computer programming and hardware and welding, among others.

Health and Nutrition
We believe that people are the foundation of a strong nation, and as such, our company and our subsidiaries continue to work towards improving the health and well-being of those residing in our host communities.

In 2013, GSMI held its third annual Magnolia Healthy Beverages School Caravan, which benefits more than 300,000 elementary and high school students every year. The campaign aims to educate and promote the value of healthy eating and drinking through various enrichment programs directed at enhancing students' physical and cognitive development. In line with this, detecto scales were deployed, and Magnolia Health Cards were issued to students for health and weight monitoring at participating schools.

In the same way, we continued our supplemental feeding programs, namely: "Malusog na Katawan, Matalas na Isipan" for public school students; and SMPFC's flagship CSR program, "Handog Lusog para sa Nutrisyon," a six-month long feeding program for kindergarten children across the country. Since it was launched in 2011, more than 4,500 children from 67 schools in Luzon, Visayas and Mindanao have benefited from the program.

On its second year, "Happy Tummies," a six-month long supplemental feeding program in Calauan, Laguna initiated by various SMC businesses and the SMC Pastoral Council, together with a number of employees, benefited 650 children. In addition, a total of 21,237 beneficiaries received medical care through our community and mobile clinics and medical and dental missions.

Our affiliate, flag carrier Philippine Airlines, through the PAL Foundation, has been instrumental in helping indigent patients receive proper medical treatment. Under its Medical Travel Grant program, deserving patients are given free air transport to Manila or foreign stations where they receive free medical surgery. For 2013, PAL flew 34 children in need of surgical operation for life-threatening illnesses.

Environmental Stewardship
As much of our operations depend on natural resources, we advocate the responsible use and protection of the environment. By doing so, we bring about long-term sustainability in our operations and help safeguard the environment for future generations.

In 2013, SMC participated in the "SLEX Tree Planting Project" of the Department of Environmental and Natural Resources (DENR), Career Executive Service Board, South Luzon Expressway Inc. and the Rotary Club of Makati-Rockwell. The project planted more than 3,000 seedlings along a 15.7-km road easement.

For its part, Petron continued to implement environmental projects aimed at protecting our water resources. These include the Bataan Integrated Coastal Management program, now on its 13th year, and sustaining initiatives such as the Bataan Coastal Land and Sea Use Zoning Plan.

The company also led the implementation of the Boracay Beach Management Program. It completed the first phase of the rehabilitation of Concepcion Creek in Marikina, in support of the DENR's "Adopt-an-Estero" program.



SMC mobilized its resources to come to the aid of those who were hardest-hit by typhoon Yolanda.



Through a P50-million grant, SMC and its subsidiaries were able to sponsor the construction of 118 AGAPP classrooms in 2013.

This commitment extends to the oil company's depots nationwide which have instituted their own "Adopt-an-Estero" activities.

Housing
With an average of 20 tropical storms hitting our country every year, we've learned that the best way to help those most affected by natural disasters is to ensure that they have homes that can provide a starting point from which they can rebuild their lives, and ultimately, protect, shelter and sustain them from future disasters.

By mid-2013, SMB completed and turned over all 300 houses it had committed in Disiplina Village in the City of Valenzuela, a flood-prone area close to the Tullahan River.

By the end of the year, we also turned over 3,750 out of the total 5,000 homes we committed to victims of Typhoon Sendong in Iligan, Cagayan de Oro, Bukidnon and Negros Oriental. As of this writing, another 430 units are being built.

Disaster Management
A vast majority of our countrymen, however, continue to be vulnerable to natural calamities. As we have done these past couple of years, we endeavored to be at the forefront of disaster response by establishing stronger ties with government agencies, ensuring that our internal processes allow for the quick deployment of goods and other resources such as rescue vehicles, mobile clinics, mobile water filtration systems and by fostering the spirit of volunteerism among our employees.

Certainly, we also recognize that regardless of these efforts, even the very best intentions and well-laid response plans of companies such as ours are often not enough in the face of massive calamities.

The devastation brought by Typhoon Yolanda to Eastern Visayas towards the end of the year was, quite simply, unimaginable.

Nonetheless, we sought to do our part in what eventually grew to become a global effort to provide aid and relief to the more than 16 million people affected. Our company mobilized all resources at our disposal to respond to the needs of the victims.

Through the San Miguel Foundation, we provided relief assistance worth over P14.5 million to 74,500 families in affected areas. Similarly, Petron assisted nearly 20,000 families through its "Bags of Hope" campaign, with each family receiving food and San Miguel products. It also donated P1.9 million in kind, including P1 million worth of fuel to the Philippine Red Cross for the activation of a resettlement site.

GSMI also invested P5 million to manufacture two units of a mobile water purification system to provide potable water for calamity victims.

We are particularly proud about how our own employees, their families, and our business partners responded to the call to assist in Yolanda relief efforts by contributing nearly P30 million in cash. Employees volunteered their time to repack relief goods, conduct soup kitchens and mount medical missions in disaster-stricken areas.

PAL Foundation, through its Humanitarian Cargo Grant, brought much-needed relief to areas hardest-hit by Yolanda. PAL was the first commercial airline to fly to Tacloban, the day after Yolanda hit, bringing first-responders to the city.

In the ensuing days and weeks, it also mounted numerous humanitarian flights to bring in relief goods from



Employee volunteers doing their share to build homes for typhoon victims in Mindanao.

government agencies and various non-profit organizations. It also flew for free about 770 government rescue, security, and medical personnel, including teams from the Philippine National Police, Department of Health and the Metro Manila Development Authority, as well as volunteer doctors and relief workers.

PAL also worked with Boeing and Airbus to have four new aircraft scheduled for delivery carry relief goods and volunteer workers from abroad. PAL was able to airlift more than 300 tons of relief goods, as well as rescue and rehabilitation materials and equipment, among others.

All things considered, PAL contributed a total grant of almost P14 million.

Typhoon Yolanda, however, was but one of the many instances we came to the aid of those in need. In the wake of heavy rains brought by the southwest monsoon (Habagat) and tropical storm in August 2013, SMC gave relief assistance to more than 70,000 affected families. For its part, Petron conducted a soup kitchen for 2,300 individuals and distributed relief goods to 1,000 families in Marikina.

Likewise, when a 7.2-magnitude earthquake struck Central Visayas in October, SMC and Petron provided relief goods to more than 7,500 families and conducted soup kitchens for 8,000 individuals.

PAL Foundation's Cargo Grant was also instrumental in providing aid to victims of the Bohol earthquake and typhoon Maring which hit Metro Manila and nearby provinces, and the insurgence in Zamboanga—all in all providing about P5 million worth of assistance.

All told, our disaster relief and assistance operations in 2013 benefitted some 150,000 families nationwide.

Empowering Others to Help

While we are proud of how far we have come in the area of corporate social responsibility, our experience in being part of a much larger, concerted effort to bring aid to Yolanda victims has taught us that oftentimes, enabling others to do their part and empowering them to help in their own way, is as important as our own efforts and donations.

Our very own employees have continuously played an active role in bringing about a positive impact on the lives of our countrymen. We take particular note of SMYPC employees who celebrated their 75th anniversary by completing over 8,000 hours of volunteer work in various social institutions.

We are now, more than ever, conscious of the fact that as a company, we are still just part of a much larger whole, working for a much larger cause: the upliftment of the Filipino people. This belief is at the core of everything that we do.

And while the road to a better Philippines may be a long and arduous one, we are here for the long haul—eager and committed to fulfill our role as enabler of our country's growth, development and progress.



A volunteer from San Miguel Brewery Inc. plants her own tree for the Trees Brew Life project.

BOARD OF DIRECTORS

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

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

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

Leo S. Alvez
Member, Audit Committee

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

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

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

Roberto V. Ongpin
Member, Executive Committee
Member, Nomination & Hearing Committee

Alexander J. Poblador
Member, Nomination & Hearing Committee

Eric O. Recto
Member, Executive Compensation Committee

Thomas A. Tan

Iñigo Zobel

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

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

Margarito B. Teves
Independent Director
Chairman, Audit Committee

KEY EXECUTIVES

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

Ramon S. Ang
Vice Chairman & President & Chief Operating Officer

Ferdinand K. Constantino
Chief Finance Officer & Treasurer

Virgilio S. Jacinto
Corporate Secretary & General Counsel

SAN MIGUEL BREWERY INC.

President
Roberto N. Huang

SAN MIGUEL BREWING INTERNATIONAL LTD.

Managing Director
Carlos Antonio M. Berba

GINEBRA SAN MIGUEL INC.

President
Bernard D. Marquez

SAN MIGUEL PURE FOODS COMPANY, INC.

President
Francisco S. Alejo III

SAN MIGUEL YAMAMURA PACKAGING CORP.

President
Ferdinand A. Tumpalan

PETRON CORPORATION

President
Lubin B. Nepomuceno

SMC GLOBAL POWER HOLDINGS CORPORATION

President
Alan T. Ortiz

Vice President & General Manager
Elenita D. Go

SAN MIGUEL PROPERTIES, INC.

Vice President & General Manager
Karlo Marco P. Estavillo

SELECTED FINANCIAL DATA DECEMBER 31, 2013, 2012 AND 2011

(In Millions, Except Per Share and Statistical Data)

	2013	2012 [A]	2011 [A]
For the Year			
Sales	**P747,720**	P699,359	P535,531
Net Income Attributable to Equity Holders of the Parent Company	**P38,053**	P26,806	P17,720
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company [B]	**P13.43**	P8.72	P5.06
Taxes	**P105,420**	P99,918	P89,943
Property Dividends	**P42,299**	-	-
Cash Dividends	**P10,962**	P11,498	P8,292
Cash Dividends Per Common Share [C]	**P1.40**	P1.75	P1.05
At Year-End			
Working Capital	**P153,460**	P104,181	P117,201
Total Assets	**P1,170,087**	P1,042,970	P897,254
Property, Plant and Equipment-net	**P425,832**	P371,987	P318,882
Equity Attributable to Equity Holders of the Parent Company	**P237,707**	P252,249	P231,584
Equity Per Share Attributable to Equity Holders of the Parent Company			
Common	**P66.34**	P71.88	P66.49
Preferred	**P75.00**	P76.57	P76.32
Number of Common Shares Outstanding			
- Net of Treasury Shares	**2,376,994,783**	2,372,653,621	2,369,031,302
Number of Preferred Shares Outstanding	**1,067,000,000**	1,067,000,000	970,506,353
Number of Common Stockholders	**37,892**	38,999	39,883
Number of Employees	**18,095**	18,275	17,151
Financial Statistics			
% Return on Average Equity Attributable to Equity Holders of the Parent Company	**15.53**	11.08	7.86
Current Ratio	**1.46**	1.39	1.62
Debt to Equity Ratio [D]	**2.20**	1.99	1.98
Market Price			
Common Share - High	**P125.00**	P123.00	P189.50
- Low	**P57.30**	P100.00	P105.70
Series "1" Preferred Share - High	**-**	P80.00	P100.00
- Low	**-**	P73.00	P65.00
Series "2" Preferred Share			
Subseries 2-A - High	**P80.50**	P75.20	-
- Low	**P74.50**	P74.50	-
Subseries 2-B - High	**P82.00**	P81.50	-
- Low	**P74.50**	P74.00	-
Subseries 2-C - High	**P84.00**	P77.90	-
- Low	**P74.50**	P74.50	-

A Restated figures due to retroactive effects of the adoption of the changes in accounting standards adopted in 2013 (see Note 3 of the Consolidated FInancial Statements)
B Based on the weighted average number of shares outstanding during the year
C Based on the number of shares outstanding at the date of each declaration
D Total debt to equity, where total debt represents total liabilities

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

SAN MIGUEL CORPORATION

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, 2013, 2012 and 2011, 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 audit.

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

R.G. Manabat & Co.
The KPMG Center, 9/F
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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, 2013 and 2012, 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, 2013, 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, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2013, in accordance with Philippine Financial Reporting Standards.

R. G. Manabat & Co.

March 27, 2014
Makati City, Metro Manila

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PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-3, Group A, valid until November 22, 2014
IC Accreditation No. F-0040-R, Group A, valid until September 11, 2014
BSP Accredited, Category A, valid until December 17, 2014

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Millions)

		December 31		January 1
			2012	2012
	Note	**2013**	As restated (Note 3)	As restated (Note 3)
ASSETS				
Current Assets				
Cash and cash equivalents	*9, 40, 41*	**P191,613**	P125,507	P128,864
Trade and other receivables - net	*4, 10, 13, 33, 35, 39, 40, 41*	**168,141**	122,544	84,311
Inventories	*4, 11*	**79,391**	80,075	65,471
Current portion of biological assets - net	*17*	**3,427**	3,792	4,124
Prepaid expenses and other current assets	*4, 12, 13, 14, 34, 40, 41*	**37,636**	31,600	22,592
		480,208	363,518	305,362
Assets held for sale	*5, 8, 13*	**8,798**	9,373	2,268
Total Current Assets		**489,006**	372,891	307,630
Noncurrent Assets				
Investments and advances - net	*4, 5, 13*	**60,654**	162,414	167,725
Available-for-sale financial assets	*4, 14, 40, 41*	**42,048**	1,570	2,068
Property, plant and equipment - net	*4, 15, 34*	**425,832**	371,987	318,882
Investment property - net	*4, 16*	**4,176**	3,780	2,850
Biological assets - net of current portion	*4, 17*	**1,911**	1,932	1,812
Goodwill - net	*4, 5, 18, 38*	**41,752**	48,724	30,990
Other intangible assets - net	*4, 5, 18*	**36,032**	34,075	11,348
Deferred tax assets	*4, 24*	**15,608**	10,308	9,470
Other noncurrent assets - net	*4, 19, 33, 35, 39, 40, 41*	**53,068**	35,289	44,479
Total Noncurrent Assets		**681,081**	670,079	589,624
		P1,170,087	P1,042,970	P897,254
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	*20, 33, 40, 41*	**P143,226**	P151,097	P82,342
Accounts payable and accrued expenses	*5, 13, 21, 33, 35, 40, 41*	**117,490**	84,623	61,594
Finance lease liabilities - current portion	*4, 34, 40, 41*	**15,654**	15,456	15,388
Income and other taxes payable		**13,058**	11,123	9,039
Dividends payable	*36*	**3,311**	3,247	2,153
Current maturities of long-term debt - net of debt issue costs	*22, 33, 40, 41*	**42,807**	3,164	19,335
		335,546	268,710	189,851
Liabilities directly associated with assets held for sale	*8*	**-**	-	578
Total Current Liabilities		**335,546**	268,710	190,429
Noncurrent Liabilities				
Long-term debt - net of current maturities and debt issue costs	*22, 33, 40, 41*	**264,690**	220,881	191,789
Deferred tax liabilities	*24*	**11,061**	12,975	13,232
Finance lease liabilities - net of current portion	*4, 34, 40, 41*	**179,394**	179,697	192,873
Other noncurrent liabilities	*4, 5, 23, 33, 35, 40, 41*	**13,619**	11,770	7,999
Total Noncurrent Liabilities		**468,764**	425,323	405,893
Equity	*22, 25, 36, 37, 39*			
Equity Attributable to Equity Holders of the Parent Company				
Capital stock - common		**16,414**	16,408	16,397
Capital stock - preferred		**10,187**	10,187	4,852
Additional paid-in capital		**178,085**	177,762	103,511
Revaluation increment		**764**	1,467	1,443
Reserve for retirement plan		**862**	(176)	1,224
Cumulative translation adjustments		**4,863**	5,031	5,265
Retained earnings:				
Appropriated		**28,230**	27,219	24,315
Unappropriated		**138,256**	154,475	142,071
Treasury stock		**(139,954)**	(140,124)	(67,441)
		237,707	252,249	231,637
Amounts recognized directly in equity relating to assets held for sale	*8*	**-**	-	(53)
		237,707	252,249	231,584
Non-controlling Interests	*2, 6*	**128,070**	96,688	69,348
Total Equity		**365,777**	348,937	300,932
		P1,170,087	P1,042,970	P897,254

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(In Millions, Except Per Share Data)

	Note	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
SALES	*33*	**P747,720**	P699,359	P535,531
COST OF SALES	*26*	**631,611**	595,262	432,139
GROSS PROFIT		**116,109**	104,097	103,392
SELLING AND ADMINISTRATIVE EXPENSES	*27*	**(61,036)**	(52,652)	(46,972)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*20, 22, 30, 34*	**(30,970)**	(29,800)	(27,414)
INTEREST INCOME	*31*	**3,539**	4,253	4,617
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES	*13*	**(967)**	2,638	2,777
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	*6, 13, 14, 15, 16*	**41,192**	4,549	1,046
OTHER INCOME (CHARGES) - Net	*32, 40, 41*	**(13,439)**	12,979	(13)
INCOME BEFORE INCOME TAX		**54,428**	46,064	37,433
INCOME TAX EXPENSE	*24, 42*	**3,700**	8,406	8,597
NET INCOME		**P50,728**	P37,658	P28,836
Attributable to:				
Equity holders of the Parent Company		**P38,053**	P26,806	P17,720
Non-controlling interests	*6*	**12,675**	10,852	11,116
		P50,728	P37,658	P28,836
Earnings Per Common Share Attributable to Equity Holders of the Parent Company	*37*			
Basic		**P13.43**	P8.72	P5.06
Diluted		**13.36**	8.67	5.02

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(In Millions)

	Note	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
NET INCOME		**P50,728**	P37,658	P28,836
OTHER COMPREHENSIVE INCOME				
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS				
Equity reserve for retirement plan	*35*	**1,985**	(3,345)	(2,558)
Income tax benefit (expense)		**(592)**	957	752
Share in other comprehensive income (loss) of associates and joint ventures - net	*13*	**(480)**	370	608
		913	(2,018)	(1,198)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS				
Gain (loss) on exchange differences on translation of foreign operations		**219**	(1,777)	382
Net gain (loss) on available-for-sale financial assets	*14*	**1,767**	(462)	(1,236)
Income tax benefit (expense)		**(10)**	1	-
		1,976	(2,238)	(854)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**2,889**	(4,256)	(2,052)
TOTAL COMPREHENSIVE INCOME - Net of tax		**P53,617**	P33,402	P26,784
Attributable to:				
Equity holders of the Parent Company		**P38,923**	P25,211	P16,456
Non-controlling interests	*6*	**14,694**	8,191	10,328
		P53,617	P33,402	P26,784

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(In Millions)

		Equity Attributable to Equity Holders of the Parent Company												
		Capital Stock		Additional		Reserve for	Cumulative Translation Adjustments		Retained Earnings				Non-	
	Note	Common	Preferred	Paid-in Capital	Revaluation Increment	Retirement Plan	Translation Reserve	Fair Value Reserve	Appropri-ated	Unappro-priated	Treasury Stock	Total	controlling Interests	Total Equity
As of January 1, 2013, As previously reported		**P16,408**	**P10,187**	**P177,762**	**P1,352**	**P -**	**P5,612**	**(P524)**	**P27,219**	**P154,303**	**(P140,124)**	**P252,195**	**P97,585**	**P349,780**
Adjustments due to Philippine Accounting Standards (PAS) 19, Philippine Financial Reporting Standards (PFRS) 11 and others	*3*	-	-	-	**115**	**(176)**	**(90)**	**33**	-	**172**	-	**54**	**(897)**	**(843)**
As of January 1, 2013, As restated		**16,408**	**10,187**	**177,762**	**1,467**	**(176)**	**5,522**	**(491)**	**27,219**	**154,475**	**(140,124)**	**252,249**	**96,688**	**348,937**
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*	-	-	-	-	-	-	**(481)**	-	-	-	**(481)**	**1**	**(480)**
Equity reserve for retirement plan	*35*	-	-	-	-	**1,038**	-	-	-	-	-	**1,038**	**355**	**1,393**
Net gain on available-for-sale financial assets	*14*	-	-	-	-	-	-	**1,756**	-	-	-	**1,756**	**1**	**1,757**
Other comprehensive income (loss)		-	-	-	-	**1,038**	**(1,443)**	**1,275**	-	-	-	**870**	**2,019**	**2,889**
Net income		-	-	-	-	-	-	-	-	**38,053**	-	**38,053**	**12,675**	**50,728**
Total comprehensive income (loss)		-	-	-	-	**1,038**	**(1,443)**	**1,275**	-	**38,053**	-	**38,923**	**14,694**	**53,617**
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 (ESPP) reverted to treasury shares	*39*	-	-	-	-	-	-	-	-	-	**(315)**	**(315)**	-	**(315)**
Stock options	*39*	-	-	**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, 32*	-	-	-	-	-	-	-	-	**(42,299)**	-	**(42,299)**	-	**(42,299)**
Cash dividends:	*36*													
Common		-	-	-	-	-	-	-	-	**(3,329)**	-	**(3,329)**	**(8,345)**	**(11,674)**
Preferred		-	-	-	-	-	-	-	-	**(7,633)**	-	**(7,633)**	**(2,153)**	**(9,786)**
As of December 31, 2013	*25*	**P16,414**	**P10,187**	**P178,085**	**P764**	**P862**	**P4,079**	**P784**	**P28,230**	**P138,256**	**(P139,954)**	**P237,707**	**P128,070**	**P365,777**

Forward

		Equity Attributable to Equity Holders of the Parent Company												
		Capital Stock		Additional		Reserve for	Cumulative Translation Adjustments		Retained Earnings				Non-	
	Note	Common	Preferred	Paid-in Capital	Revaluation Increment	Retirement Plan	Translation Reserve	Fair Value Reserve	Appropri-ated	Unappro-priated	Treasury Stock	Total	controlling Interests	Total Equity
As of January 1, 2012, As previously reported		P16,397	P4,852	P103,511	P1,443	P -	P5,662	(P451)	P24,315	P141,126	(P67,441)	P229,414	P69,686	P299,100
Adjustments due to PAS 19 and PFRS 11	3	-	-	-	-	1,224	(55)	56	-	945	-	2,170	(338)	1,832
As of January 1, 2012, As restated		16,397	4,852	103,511	1,443	1,224	5,607	(395)	24,315	142,071	(67,441)	231,584	69,348	300,932
Loss on exchange differences on translation of foreign operations		-	-	-	-	-	(99)	-	-	-	-	(99)	(1,678)	(1,777)
Share in other comprehensive income (loss) of associates and joint ventures	*13*	-	-	-	-	-	-	377	-	-	-	377	(7)	370
Equity reserve for retirement plan	*35*	-	-	-	-	(1,400)	-	-	-	-	-	(1, 400)	(988)	(2, 388)
Net gain (loss) on available-for-sale financial assets	*14*	-	-	-	-	-	-	(473)	-	-	-	(473)	12	(461)
Other comprehensive loss		-	-	-	-	(1,400)	(99)	(96)	-	-	-	(1,595)	(2,661)	(4,256)
Net income		-	-	-	-	-	-	-	-	26,806	-	26,806	10,852	37,658
Total comprehensive income (loss)		-	-	-	-	(1,400)	(99)	(96)	-	26,806	-	25,211	8,191	33,402
Issuance of common shares	*25*	11	-	118	-	-	-	-	-	-	-	129	-	129
Issuance of Series "2" preferred shares	*25*	-	5,335	73,903	-	-	-	-	-	-	-	79,238	-	79,238
Conversion of exchangeable bonds from treasury shares	*25*	-	-	43	-	-	-	-	-	-	105	148	-	148
Redemption of Series "1" preferred shares	*25*	-	-	-	-	-	-	-	-	-	(72,788)	(72,788)	-	(72,788)
Stock options	*39*	-	-	187	-	-	-	-	-	-	-	187	-	187
Net addition to non-controlling interests and others	*5, 6, 13*	-	-	-	24	-	14	-	-	-	-	38	27,326	27,364
Appropriations - net	*25*	-	-	-	-	-	-	-	2,904	(2,904)	-	-	-	-
Cash dividends:	*36*													
Common		-	-	-	-	-	-	-	-	(4,148)	-	(4,148)	(6,024)	(10,172)
Preferred		-	-	-	-	-	-	-	-	(7,350)	-	(7,350)	(2,153)	(9,503)
As of December 31, 2012	*25*	P16,408	P10,187	P177,762	P1,467	(P176)	P5,522	(P491)	P27,219	P154,475	(P140,124)	P252,249	P96,688	P348,937

Forward

	Note	Capital Stock: Common	Capital Stock: Preferred	Additional Paid-in Capital	Revaluation Increment	Reserve for Retirement Plan	Cumulative Translation Adjustments: Translation Reserve	Cumulative Translation Adjustments: Fair Value Reserve	Retained Earnings: Appropriated	Retained Earnings: Unappropriated	Treasury Stock	Total	Non-controlling Interests	Total Equity
		Equity Attributable to Equity Holders of the Parent Company												
As of January 1, 2011, As previously reported		P16,343	P4,852	P101,406	P1,391	P -	P5,241	P124	P5,671	P150,544	(P69,541)	P216,031	P50,794	P266,825
Adjustments due to PAS 19 and PFRS 11	3	-	-	-	-	-	(75)	84	-	743	-	3,131	186	3,317
As of January 1, 2011, As restated		16,343	4,852	101,406	1,391	2,379	5,166	208	5,671	151,287	(69,541)	219,162	50,980	270,142
Gain (loss) on exchange differences on translation of foreign operations		-	-	-	-	-	494	-	-	-	-	494	(112)	382
Share in other comprehensive income (loss) of associates	13	-	-	-	-	-	-	617	-	-	-	617	(9)	608
Equity reserve for retirement plan	35	-	-	-	-	(1,155)	-	-	-	-	-	(1,155)	(651)	(1,806)
Net loss on available-for-sale financial assets	14	-	-	-	-	-	-	(1,220)	-	-	-	(1,220)	(16)	(1,236)
Other comprehensive income (loss)		-	-	-	-	(1,155)	494	(603)	-	-	-	(1,264)	(788)	(2,052)
Net income		-	-	-	-	-	-	-	-	17,720	-	17,720	11,116	28,836
Total comprehensive income (loss)		-	-	-	-	(1,155)	494	(603)	-	17,720	-	16,456	10,328	26,784
Issuance of common shares	25	54	-	894	-	-	-	-	-	-	57	948	-	948
Conversion of exchangeable bonds from treasury shares	25	-	-	30	-	-	-	-	-	-	2,043	87	-	87
Reissuance of treasury shares	25	-	-	928	-	-	-	-	-	-	2,043	2,971	-	2,971
Stock options	39	-	-	253	-	-	-	-	-	-	-	253	-	253
Addition to non-controlling interests	5, 6, 13	-	-	-	-	-	-	-	-	-	-	52	15,526	15,578
Appropriations - net	25	-	-	-	52	-	-	-	18,644	(18,644)	-	-	-	-
Cash dividends:	36													
Common		-	-	-	-	-	-	-	-	(2,469)	-	(2,469)	(5,395)	(7,864)
Preferred		-	-	-	-	-	-	-	-	(5,823)	-	(5,823)	(2,091)	(7,914)
		16,397	4,852	103,511	1,443	1,224	5,660	(395)	24,315	142,071	(67,441)	231,637	69,348	300,985
Amounts recognized directly in equity relating to assets held for sale		-	-	-	-	-	(53)	-	-	-	-	(53)	-	(53)
As of December 31, 2011	25	P16,397	P4,852	P103,511	P1,443	P1,224	P5,607	(P395)	P24,315	P142,071	(P67,441)	P231,584	P69,348	P300,932

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(In Millions)

	Note	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P54,428**	P46,064	P37,433
Adjustments for:				
Depreciation, amortization and others - net	*7, 28*	**43,825**	5,117	19,241
Interest expense and other financing charges	*30*	**30,970**	29,800	27,414
Interest income	*31*	**(3,539)**	(4,253)	(4,617)
Equity in net losses (earnings) of associates and joint ventures	*13*	**967**	(2,638)	(2,777)
Gain on sale of investments and property and equipment	*32*	**(41,192)**	(4,549)	(1,046)
Operating income before working capital changes		**85,459**	69,541	75,648
Changes in noncash current assets, certain current liabilities and others	*38*	**9,553**	(27,392)	(19,826)
Cash generated from operations		**95,012**	42,149	55,822
Interest and other financing charges paid		**(21,423)**	(16,961)	(14,405)
Income taxes paid		**(11,832)**	(9,192)	(12,818)
Net cash flows provided by operating activities		**61,757**	15,996	28,599
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	*38*	**(512)**	(18,591)	(775)
Additions to investments and advances	*13*	**(26,814)**	(23,159)	(16,338)
Additions to property, plant and equipment	*7, 15*	**(65,865)**	(52,917)	(26,424)
Payments of other liabilities	*13*	**-**	(2,122)	(24,485)
Decrease (increase) in other noncurrent assets and others		**(26,341)**	8,545	(6,457)
Proceeds from sale of investments and property and equipment	*6, 8, 13, 15, 16*	**72,962**	24,568	1,347
Interest received		**3,476**	2,465	3,454
Dividends received from associates	*13*	**3,857**	4,949	2,637
Net cash flows used in investing activities		**(39,237)**	(56,262)	(67,041)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		**853,769**	752,957	492,117
Long-term borrowings		**146,370**	59,671	55,399
Payments of:				
Short-term borrowings		**(865,777)**	(699,152)	(483,672)
Long-term borrowings		**(80,225)**	(59,551)	(13,904)
Proceeds from issuance of Series "2" preferred shares	*25*	**-**	79,238	-
Redemption of Series "1" preferred shares	*25*	**-**	(72,788)	-
Payments of finance lease liabilities		**(19,168)**	(17,394)	(11,769)
Cash dividends paid	*36*	**(10,951)**	(10,609)	(6,801)
Proceeds from issuance of capital stock	*25*	**69**	129	948
Proceeds from reissuance of treasury stock	*25*	**-**	-	2,971
Proceeds from issuance of undated subordinated capital securities of a subsidiary		**30,546**	-	-
Dividends paid to non-controlling shareholders		**(10,454)**	(7,969)	(7,650)
Decrease in non-controlling interests		**(1,616)**	(1,138)	-
Net proceeds from issuance of preferred shares of subsidiaries	*6*	**-**	14,216	14,829
Net cash flows provided by financing activities		**42,563**	37,610	42,468
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,023**	(701)	(181)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**66,106**	(3,357)	3,845
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**125,507**	128,864	125,105
CASH AND CASH EQUIVALENTS ASSOCIATED WITH ASSETS HELD FOR SALE	*8*	**-**	-	(86)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*9*	**P191,613**	P125,507	P128,864

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share Data and Number of Shares)

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 in the Philippines. 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 the production, processing and marketing of beverage, food and packaging products, energy, mining, fuel and oil, infrastructure, telecommunications, airline, and management and development of real estate properties.

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 (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on March 27, 2014.

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 (P000,000), 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
	2013	2012	
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 (SMBHK) and subsidiaries, PT Delta Djakarta Tbk [(e)] and subsidiary, San Miguel (Baoding) Brewery Company Limited [(a)], San Miguel Brewery Vietnam Limited [(a)], San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited}]	**51.17**	51.00	Philippines
Ginebra San Miguel, Inc. (GSMI) and subsidiaries [including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc. (EPSBPI) [(b)], Ginebra San Miguel International, Ltd. (GSMIL), Ginebra San Miguel International Holdings Ltd. (GSMIHL), Global Beverage Holdings Ltd. (GBHL) and Siam Holdings Ltd. (SHL)]	**77.36**	77.36	Philippines
San Miguel Foods and Beverage International Limited (SMFBIL) and subsidiaries [including PT San Miguel Indonesia Foods & Beverages (PTSMIFB) [(a)], San Miguel (Thailand) Co. Ltd. (SMTCL) [(c)], San Miguel (Guangdong) Foods & Beverages Co. Ltd. (SMGFB) [(a)] and San Miguel (Vietnam) Co. Ltd. (SMVCL) [(d)]]	**100.00**	100.00	British Virgin Islands (BVI)
Food Business:			
San Miguel Pure Foods Company, Inc. (SMPFC) and subsidiaries [including San Miguel Foods, Inc. (SMFI), San Miguel Mills, Inc. (SMMI) and subsidiaries {including Golden Avenue Corp. (GAC) [(e)] and Golden Bay Grain Terminal Corporation (GBGTC)}, The Purefoods-Hormel Company, Inc., Magnolia, Inc. and subsidiaries (including Golden Food & Dairy Creamery Corporation (GFDCC) and Sugarland Corporation), San Miguel Super Coffeemix Co., Inc., PT San Miguel Pure Foods Indonesia and San Miguel Pure Foods International, Limited (SMPFIL) [including San Miguel Pure Foods Investment (BVI) Limited and subsidiary, and San Miguel Hormel (Vn) Co., Ltd. (SMHVN)]	**85.37**	84.92	Philippines

Forward

	Percentage of Ownership		Country of Incorporation
	2013	2012	
Packaging Business:			
San Miguel Yamamura Packaging Corporation (SMYPC) and subsidiaries, SMC Yamamura Fuso Molds Corporation and Can Asia, Inc. (CAI) [(f)]	**65.00**	65.00	Philippines
San Miguel Yamamura Packaging International Limited (SMYPIL) and subsidiaries [including San Miguel Phu Tho Packaging Co. Ltd. [(a)], Zhaoqing San Miguel Yamamura Glass Co., Ltd., Foshan San Miguel Packaging Co. Ltd., 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. and San Miguel Yamamura Australasia Pty. Ltd. (SMYA) [(a, g)] and subsidiaries]	**65.00**	65.00	BVI
Mindanao Corrugated Fibreboard, Inc. (Mincorr)	**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), PowerOne Ventures Energy Inc. (PVEI), SMC Consolidated Power Corporation (SCPC) and San Miguel Consolidated Power Corporation (SMCPC)]	**100.00**	100.00	Philippines
Fuel and Oil Business:			
SEA Refinery Corporation (SRC) and subsidiary, Petron Corporation (Petron) and subsidiaries [including Petron Marketing Corporation (PMC), Petron Freeport Corporation, Petrogen Insurance Corporation (Petrogen), Overseas Ventures Insurance Corporation (Ovincor) [(a)], Petron Singapore Trading Pte., Ltd., New Ventures Realty Corporation (NVRC) and subsidiaries, Petron Global Limited (PGL), Petron Oil & Gas International Sdn. Bhd. (POGI) including Petron Fuel International Sdn Bhd, Petron Oil (M) Sdn Bhd and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia) [(a, l)], Petron Finance (Labuan) Limited, Limay Energen Corporation (LEC) and Petrochemical Asia (HK) Limited (PAHL)]	**100.00**	100.00	Philippines
Infrastructure Business:			
San Miguel Holdings Corp. (SMHC) and subsidiaries [including Rapid Thoroughfares Inc. (Rapid) and subsidiary, Private Infra Dev Corporation (PIDC) [(a, r)], Trans Aire Development Holdings Corp. (TADHC) [(a)], Optimal Infrastructure Development, Inc. (Optimal), Vertex Tollways Devt. Inc. (Vertex) [(m)], Universal LRT Corporation (BVI) Limited (ULC) [(a)], Terramino Holdings, Inc. (THI) and subsidiary [(a, n)], Citra Metro Manila Tollways Corporation (CMMTC) [(a, o)], Alloy Manila Toll Expressways Inc. (AMTEX) [(a, p)] and Sleep International (Netherlands) Cooperatief U.A. (Sleep) and Wiselink Investment Holdings, Inc. (Wiselink) {collectively own Cypress Tree Capital Investments, Inc. (Cypress) including Star Infrastructure Development Corporation (SIDC) and Star Tollway Corporation (STC) (collectively the Cypress Group)} [(a, q)]]	**100.00**	100.00	Philippines
Telecommunications Business:			
Vega Telecom, Inc. (Vega) and subsidiaries [including Two Cassandra-CCI Conglomerates, Inc. [(a)], Perchpoint Holdings Corp. [(a)] and Power Smart Capital Limited [(a)] [collectively own Bell Telecommunication Philippines, Inc. (BellTel) [(a)]] and A.G.N. Philippines, Inc. (AGNP)]	**100.00**	100.00	Philippines
Eastern Telecommunications Philippines, Inc. (ETPI) and subsidiary, Telecommunications Technologies Phils., Inc. (TTPI)	**77.70**	77.70	Philippines
Real Estate Business:			
San Miguel Properties, Inc. (SMPI) and subsidiaries [including Excel Unified Land Resources Corporation, First HQ Ayala Business Centers, Inc., SMPI Makati Flagship Realty Corp. (SMPI Flagship), SMC Originals, Inc. (SMC Originals) and Integrated Geosolutions, Inc.] [(a)]	**99.68**	99.68	Philippines
Mining Business:			
Clariden Holdings, Inc. (Clariden) and subsidiaries [(h)] [including V.I.L. Mines, Incorporated, Asia-Alliance Mining Resources Corp. (AAMRC) [(i)], Prima Lumina Gold Mining Corp., South Western Cement Corporation (SWCC) [(j)], Excelon Asia Holding Corporation (EAHC), New Manila Properties, Inc. (NMPI) and Philnico Holdings Limited (PHL) including Pacific Nickel Philippines, Inc. (PNPI), Philnico Industrial Corporation (PIC) and Philnico Processing Corp. (PPC) (collectively the Philnico Group) [(k)]]	-	100.00	Philippines
Others:			
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
Anchor Insurance Brokerage Corporation (AIBC)	**58.33**	58.33	Philippines
SMC Shipping and Lighterage Corporation (SMCSLC) and subsidiaries [including MG8 Terminal Inc. (MG8), SMC Cebu Shipyard Land, Inc. (SMCCSLI) and Mactan Shipyard Corporation (MSC)]	**70.00**	70.00	Philippines
Challenger Aero Air Corp.	**100.00**	100.00	Philippines
San Miguel Equity Securities Inc. (SMESI)	**100.00**	100.00	Philippines
San Miguel Equity Investments Inc. (SMEII)	**100.00**	100.00	Philippines
Autosweep Post Corp. (Autosweep) [(s)]	**100.00**	-	Philippines

(a) The financial statements of these subsidiaries were audited by other auditors.
(b) Consolidated to GSMI effective January 27, 2012 (Note 5).
(c) Sold on February 15, 2012 (Note 8).
(d) The State Securities Commission of Vietnam approved the dissolution of SMVCL on May 31, 2012.
(e) Consolidated to SMMI effective June 2012. Formerly Cobertson Realty Corporation (CRC) (Note 5).
(f) Incorporated on November 12, 2012 (Note 6).
(g) Formerly San Miguel Yamamura Knox Pty. Ltd. (SMYK) (Note 6).
(h) Sold on August 30, 2013 (Note 6).
(i) Consolidated to Clariden effective September 6, 2012 (Note 5).
(j) Consolidated to Clariden effective July 19, 2013 (Note 5).
(k) Consolidated to Clariden effective January 11, 2013 (Note 5).
(l) Consolidated to Petron effective March 30, 2012 (Note 5).
(m) Incorporated on May 31, 2013 (Note 6).
(n) Consolidated effective December 28, 2012 (Note 5).
(o) Consolidated effective December 28, 2012. 37.33% owned by THI and 23.50% owned through Atlantic Aurum Investments BV (Atlantic) in 2012 (Note 5). Sold on September 27, 2013 (Note 6).
(p) Consolidated to SMHC effective February 2012 (Note 5).
(q) Consolidated to SMHC effective June 28, 2013 (Note 5).
(r) Consolidated to SMHC effective December 27, 2013 (Note 5).
(s) Incorporated on June 20, 2013 (Note 6).

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 consolidated financial statements 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 SMB, GSMI, SMPFC, SMYPC, SMYPIL, SMYAC, Petron, TADHC, ULC, ETPI, SMPI, AIBC and SMCSLC in 2013 and 2012, and PIDC, Sleep, Wiselink and Cypress in 2013 and AMTEX and AAMRC in 2012 (Note 6).

A change in the ownership interest of 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 profit or loss; 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 or Revised Standards, Amendments to Standards and Interpretations

The FRSC approved the adoption of a number of new or revised standards, amendments to standards and interpretations as part of PFRS.

Adopted Effective 2013

The Group has adopted the following PFRS effective January 1, 2013 and accordingly, changed its accounting policies in the following areas:

- Presentation of Items of Other Comprehensive Income *(Amendments to PAS 1, Presentation of Financial Statements)*. The amendments: (a) require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future, if certain conditions are met, from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the consolidated statements of comprehensive income to consolidated statements of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard.

  As a result of the adoption of the amendments to PAS 1, the Group has modified the presentation of items comprising other comprehensive income in the consolidated statements of comprehensive income. Items that may be reclassified to profit or loss subsequently are presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's financial position and performance. Comparative information has been re-presented accordingly.

- Disclosures: Offsetting Financial Assets and Financial Liabilities *(Amendments to PFRS 7, Financial Instruments: Disclosures)*. The amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the consolidated statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the consolidated statements of financial position.

  The adoption of these amendments did not have an effect on the consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements,* introduces a new approach in determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it has power over an investee; (b) it is exposed or has rights to variable returns from its involvement with that investee; and (c) it has the ability to affect those returns through its power over that investee. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements,* and Philippine Interpretation Standards Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities.*

  As a result of the adoption of PFRS 10, the Group reassessed control over its investees based on the new control model effective January 1, 2013. The reassessment resulted in changes in consolidation conclusion and in the current accounting for an investee (Note 5).

- PFRS 11, *Joint Arrangements,* focuses on the rights and obligations of joint arrangements, rather than the legal form. The new standard: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) eliminates the option of using the equity method or proportionate consolidation for jointly controlled entities that are now called joint ventures, and only requires the use of equity method. PFRS 11 supersedes PAS 31, *Interests in Joint Ventures,* and Philippine Interpretation SIC 13, *Jointly Controlled Entities - Non-monetary Contributions by Venturers.*

  As a result of the adoption of PFRS 11, the Group assessed that it has rights to the net assets of the arrangement based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement and has classified the arrangement as a joint venture. The Group eliminated the use of proportionate consolidation and is now applying the equity method (Note 13).

- PFRS 12, *Disclosure of Interests in Other Entities,* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows.

  As a result of the adoption of PFRS 12, the Group has expanded the disclosures on its interests in other entities (Notes 6 and 13).

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11 and PFRS 12)*. The amendments simplify the process of adopting PFRS 10, PFRS 11 and PFRS 12, and provide a relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the consolidated financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees.

  The Group has applied the transitional provision of the amendments to PFRS 10, PFRS 11 and PFRS 12.

- PFRS 13, *Fair Value Measurement*, replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

  The adoption of the new standard did not have a significant effect on the measurement of the Group's assets and liabilities. Additional disclosures are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- PAS 19, *Employee Benefits* (Amended 2011). The amendments include the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability of entities to recognize all changes in the defined benefit retirement obligation and plan assets in profit or loss; and (b) interest income on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit retirement obligation.

  As a result of the adoption of the amendments to PAS 19, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit retirement plan. Actuarial gains and losses are recognized immediately in other comprehensive income and the corridor method was eliminated. Also, the interest income on plan assets recognized in profit or loss is now calculated based on the rate used to discount the defined benefit retirement obligation.

- PAS 28, *Investments in Associates and Joint Ventures* (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest.

  The adoption of these amendments did not have an effect on the consolidated financial statements.

- *Improvements to PFRS 2009-2011* contain amendments to 5 standards with consequential amendments to other standards and interpretations.

  - Comparative Information beyond Minimum Requirements *(Amendments to PAS 1)*. The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third consolidated statement of financial position (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements) are not required.

    As a result of the adoption of the amendments to PAS 1, the Group has not included comparative information in the notes to the consolidated financial statements in respect of the opening consolidated statement of financial position as of January 1, 2012. The amendments only affect presentation and have no impact on the consolidated financial statements.

  - Presentation of the Opening Statement of Financial Position and Related Notes *(Amendments to PAS 1)*. The amendments clarify that: (a) the opening consolidated statement of financial position is required only if there is: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification which has a material effect upon the information in the consolidated statement of financial position; (b) except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, notes related to the opening consolidated statement of financial position are no longer required; and (c) the appropriate date for the opening consolidated statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative

information requirements. The amendments explain that the requirements for the presentation of notes related to the additional comparative information and those related to the opening consolidated statement of financial position are different, because the underlying objectives are different.

As a result of the adoption of the amendments to PAS 1, the Group has not included comparative information in the notes to the consolidated financial statements in respect of the opening consolidated statement of financial position as of January 1, 2012. The amendments only affect presentation and have no impact on the consolidated financial statements.

- Classification of Servicing Equipment *(Amendments to PAS 16, Property, Plant and Equipment)*. The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of property, plant and equipment in PAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, *Inventories*.

  The adoption of these amendments did not have a significant effect on the consolidated financial statements.

- Income Tax Consequences of Distributions *(Amendments to PAS 32, Financial Instruments Presentation)*. The amendments clarify that PAS 12, *Income Taxes* applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. The amendments remove the perceived inconsistency between PAS 32 and PAS 12. Before the amendments, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments.*

  The adoption of these amendments did not have an effect on the consolidated financial statements.

- Segment Assets and Liabilities *(Amendments to PAS 34)*. This is amended to align the disclosure requirements for segment assets and segment liabilities in the interim consolidated financial statements with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual consolidated financial statements for that reportable segment.

  The adoption of these amendments did not have an effect on the consolidated financial statements.

Additional disclosures required by the new or revised standards, amendments to standards and interpretations were included in the consolidated financial statements, where applicable.

ned benefit retirement obligation and interests in joint ventures on the Group's consolidated financial
e completion of purchase price allocation exercise on the acquisitions made in 2012 and reclassification

The following table summarizes the impact of the adoption of the changes in accounting policies related to the defined benefit retirement obligation and interests in joint ventures on the Group's consolidated financial position, consolidated financial performance and consolidated cash flows. Other adjustments include the effect of the completion of purchase price allocation exercise on the acquisitions made in 2012 and reclassification adjustments to conform to current year presentation.

Consolidated Statements of Financial Position Accounts

	December 31, 2012					January 1, 2012				
	As Previously Reported	Adjustments			As Restated	As Previously Reported	Adjustments			As Restated
		PAS 19	PFRS 11	Others			PAS 19	PFRS 11		
ASSETS										
Current Assets										
Cash and cash equivalents	P125,631	P -	(P124)	P -	P125,507	P128,975	P -	(P111)	P -	P128,864
Trade and other receivables - net	122,599	-	(55)	-	122,544	84,472	-	(161)	-	84,311
Inventories	80,222	-	(147)	-	80,075	65,720	-	(249)	-	65,471
Current portion of biological assets - net	3,792	-	-	-	3,792	4,124	-	-	-	4,124
Prepaid expenses and other current assets	31,612	-	(12)	-	31,600	22,620	-	(28)	-	22,592
	363,856	-	(338)	-	363,518	305,911	-	(549)	-	305,362
Assets held for sale	9,373	-	-	-	9,373	2,268	-	-	-	2,268
Total Current Assets	373,229	-	(338)	-	372,891	308,179	-	(549)	-	307,630
Noncurrent Assets										
Investments and advances - net	161,625	-	789	-	162,414	166,854	-	871	-	167,725
Available-for-sale financial assets	1,570	-	-	-	1,570	2,068	-	-	-	2,068
Property, plant and equipment - net	370,689	-	(673)	1,971	371,987	319,626	-	(744)	1,973	318,882
Investment property - net	3,780	-	-	-	3,780	2,850	-	-	-	2,850
Biological assets - net of current portion	1,932	-	-	-	1,932	1,812	-	-	-	1,812
Goodwill - net	49,953	-	-	(1,229)	48,724	30,990	-	-	(1,226)	30,990
Other intangible assets - net	34,131	-	(56)	-	34,075	11,407	-	(59)	-	11,348
Deferred tax assets	8,826	1,485	(3)	-	10,308	8,233	1,240	(3)	-	9,470
Other noncurrent assets - net	32,228	2,967	94	-	35,289	38,517	5,869	93	-	44,479
Total Noncurrent Assets	664,734	4,452	151	742	670,079	582,357	7,109	158	747	589,624
	P1,037,963	P4,452	(P187)	P742	P1,042,970	P890,536	P7,109	(P391)	P747	P897,254

Forward

Consolidated Statements of Financial Position Accounts (Continued)

	December 31, 2012					January 1, 2012			
	As Previously Reported	Adjustments PAS 19	Adjustments PFRS 11	Adjustments Others	As Restated	As Previously Reported	Adjustments PAS 19	Adjustments PFRS 11	As Restated
LIABILITIES AND EQUITY									
Current Liabilities									
Loans payable	P151,274	P -	(P177)	P -	P151,097	P82,588	P -	(P246)	P82,342
Accounts payable and accrued expenses	84,665	-	(42)	-	84,623	61,629	-	(35)	61,594
Finance lease liabilities - current portion	15,456	-	-	-	15,456	15,388	-	-	15,388
Income and other taxes payable	11,124	-	(1)	-	11,123	9,041	-	(2)	9,039
Dividends payable	3,247	-	-	-	3,247	2,153	-	-	2,153
Current maturities of long-term debt - net of debt issue costs	3,279	-	(115)	-	3,164	19,453	-	(118)	19,335
	269,045	-	(335)	-	268,710	190,252	-	(401)	189,851
Liabilities directly associated with assets held for sale	-	-	-	-	-	578	-	-	578
Total Current Liabilities	269,045	-	(335)	-	268,710	190,830	-	(401)	190,429
Noncurrent Liabilities									
Long-term debt - net of current maturities and debt issue costs	220,938	-	(57)	-	220,881	191,967	-	(178)	191,789
Deferred tax liabilities	12,084	845	-	46	12,975	11,257	1,975	-	13,232
Finance lease liabilities - net of current portion	179,698	-	(1)	-	179,697	192,873	-	-	192,873
Other noncurrent liabilities	6,418	5,436	(84)	-	11,770	4,509	3,581	(91)	7,999
Total Noncurrent Liabilities	419,138	6,281	(142)	46	425,323	400,606	5,556	(269)	405,893
Equity									
Equity Attributable to Equity Holders of the Parent Company									
Capital stock - common	16,408	-	-	-	16,408	16,397	-	-	16,397
Capital stock - preferred	10,187	-	-	-	10,187	4,852	-	-	4,852
Additional paid-in capital	177,762	-	-	-	177,762	103,511	-	-	103,511
Revaluation increment	1,352	-	-	115	1,467	1,443	-	-	1,443
Reserve for retirement plan	-	(176)	-	-	(176)	-	1,224	-	1,224
Cumulative translation adjustments	5,088	(9)	(9)	(39)	5,031	5,264	1	-	5,265
Retained earnings:									
Appropriated	27,219	-	-	-	27,219	24,315	-	-	24,315
Unappropriated	154,303	(61)	233	-	154,475	141,126	729	216	142,071
Treasury stock	(140,124)	-	-	-	(140,124)	(67,441)	-	-	(67,441)
	252,195	(246)	224	76	252,249	229,467	1,954	216	231,637
Amounts recognized directly in equity relating to assets held for sale	4	-	-	-	-	(53)	-	-	(53)
	252,195	(246)	224	76	252,249	229,414	1,954	216	231,584
Non-controlling interests	97,585	(1,583)	66	620	96,688	69,686	(401)	63	69,348
Total Equity	349,780	(1,829)	290	696	348,937	299,100	1,553	279	300,932
	P1,037,963	P4,452	(P187)	P742	P1,042,970	P890,536	P7,109	(P391)	P897,254

Consolidated Statements of Income Accounts

	For the Year Ended December 31, 2012					For the Year Ended December 31, 2011				
	As Previously Reported	Adjustments PAS 19	Adjustments PFRS 11	Adjustments Others	As Restated	As Previously Reported	Adjustments PAS 19	Adjustments PFRS 11	Adjustments Others	As Restated
SALES	P698,868	P -	(P557)	P1,048	P699,359	P535,775	P -	(P623)	P379	P535,531
COST OF SALES	(594,732)	(18)	536	(1,048)	(595,262)	(432,321)	(25)	586	(379)	(432,139)
GROSS PROFIT	104,136	(18)	(21)	-	104,097	103,454	(25)	(37)	-	103,392
SELLING AND ADMINISTRATIVE EXPENSES	(51,353)	(1,372)	73	-	(52,652)	(47,500)	392	136	-	(46,972)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(29,826)	-	26	-	(29,800)	(27,443)	-	29	-	(27,414)
INTEREST INCOME	4,254	-	(1)	-	4,253	4,618	-	(1)	-	4,617
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	2,691	-	(53)	-	2,638	2,824	-	(47)	-	2,777
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	4,549	-	-	-	4,549	1,046	-	-	-	1,046
OTHER INCOME (CHARGES) - Net	12,981	-	(2)	-	12,979	(12)	-	(1)	-	(13)
INCOME TAX EXPENSE	(8,812)	406	-	-	(8,406)	(8,483)	(114)	-	-	(8,597)
NET INCOME	P38,620	(P984)	P22	P -	P37,658	P28,504	P253	P79	P -	P28,836
Attributable to:										
Equity holders of the Parent Company	P27,579	(P790)	P17	P -	P26,806	P17,518	P141	P61	P -	P17,720
Non-controlling interests	11,041	(194)	5	-	10,852	10,986	112	18	-	11,116
	P38,620	(P984)	P22	P -	P37,658	P28,504	P253	P79	P -	P28,836
Earnings Per Common Share Attributable to Equity Holders of the Parent Company										
Basic	P9.05				P8.72	P4.97				P5.06
Diluted	8.99				8.67	4.94				5.02

Consolidated Statements of Comprehensive Income Accounts

	For the Year Ended December 31, 2012				For the Year Ended December 31, 2011			
	As Previously Reported	Adjustments		As Restated	As Previously Reported	Adjustments		As Restated
		PAS 19	PFRS 11			PAS 19	PFRS 11	
NET INCOME	P38,620	(P984)	P22	P37,658	P28,504	P253	P79	P28,836
OTHER COMPREHENSIVE INCOME								
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS								
Equity reserve for retirement plan	-	(3,345)	-	(3,345)	-	(2,558)	-	(2,558)
Income tax expense	-	957	-	957	-	752	-	752
Share in other comprehensive income of associates and joint ventures	400	-	(30)	370	645	-	(37)	608
	400	(2,388)	(30)	(2,018)	645	(1,806)	(37)	(1,198)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS								
Gain (loss) on exchange differences on translation of foreign operations	(1,785)	(11)	19	(1,777)	356	-	26	382
Net loss on available-for-sale financial assets	(462)	-	-	(462)	(1,236)	-	-	(1,236)
Income tax expense	1	-	-	1	-	-	-	-
	(2,246)	(11)	19	(2,238)	(880)	-	26	(854)
OTHER COMPREHENSIVE LOSS - Net of tax	(1,846)	(2,399)	(11)	(4,256)	(235)	(1,806)	(11)	(2,052)
TOTAL COMPREHENSIVE INCOME - Net of tax	P36,774	(P3,383)	P11	P33,402	P28,269	(P1,553)	P68	P26,784
Attributable to:								
Equity holders of the Parent Company	P27,403	(P2,201)	P9	P25,211	P17,417	(P1,014)	P53	P16,456
Non-controlling interests	9,371	(1,182)	2	8,191	10,852	(539)	15	10,328
	P36,774	(P3,383)	P11	P33,402	P28,269	(P1,553)	P68	P26,784

Consolidated Statements of Cash Flows Accounts

	For the Year Ended December 31, 2012				For the Year Ended December 31, 2011			
	As Previously Reported	Adjustments		As Restated	As Previously Reported	Adjustments		As Restated
		PAS 19	PFRS 11			PAS 19	PFRS 11	
Net cash flows provided by operating activities	P16,815	(P629)	P -	P15,996	P28,660	P3	(P64)	P28,599
Net cash flows used in investing activities	(58,030)	629	1,138	(56,262)	(66,941)	(3)	(97)	(67,041)
Net cash flows provided by financing activities	38,572	-	(1,138)	37,610	42,335	-	133	42,468
Effect of exchange rate changes on cash and cash equivalents	(701)	-	-	(701)	(181)	-	-	(181)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(P3,344)	P -	P -	(P3,357)	P3,873	P -	(P28)	P3,845

The impact of the adoption of PAS 19 for the current year is as follows: increase in other comprehensive income by P1,393; increase in retirement expense by P256 and decrease in income tax expense by P77.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing the consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new or revised standards, amendments to standards and interpretations on the respective effective dates:

- Recoverable Amount Disclosures for Non-financial Assets *(Amendments to PAS 36, Impairment of Assets)*. The amendments clarify that the recoverable amount disclosure only applies to impaired assets (or cash-generating unit) and require additional disclosures to be made on fair value measurement on impaired assets when the recoverable amount is based on fair value less costs of disposal. The amendments harmonize the disclosure requirement for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not plan to adopt these amendments early.

- Offsetting Financial Assets and Financial Liabilities *(Amendments to PAS 32)*. The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not plan to adopt these amendments early.

- Philippine Interpretation IFRIC 21, *Levies*. The interpretation provides guidance on accounting for levies in accordance with the requirements of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. An entity does not recognize a liability at an earlier date even if it has no realistic opportunity to avoid the triggering event. Other standards should be applied to determine whether the debit side is an asset or expense. Outflows within the scope of PAS 12, fines and penalties and liabilities arising from emission trading schemes are explicitly excluded from the scope. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014. Earlier application is permitted. The Group does not plan to adopt these amendments early.

- Novation of Derivatives and Continuation of Hedge Accounting *(Amendments to PAS 39, Financial Instruments: Recognition and Measurement)*. The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments are effective for annual periods beginning on or after January 1, 2014. Early application is permitted. However, if an entity applies the amendments for an earlier period, then it should disclose that fact. Although the amendments are applied retrospectively, if an entity had previously discontinued hedge accounting as a result of a novation, then the previous hedge accounting for that relationship cannot be reinstated. The Group does not plan to adopt these amendments early.

- Defined Benefit Plans: Employee Contributions *(Amendments to PAS 19)*. The amendments apply to contributions from employees or third parties to the defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service (i.e., employee contributions that are calculated according to a fixed percentage of salary). The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after July 1, 2014. Earlier application is permitted. The Group does not plan to adopt these amendments early.

- PFRS 9, *Financial Instruments (2009, 2010 and 2013)*. PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. PFRS 9 (2013) introduces the following amendments: (a) a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the consolidated financial statements; (b) changes to address the so-called 'own credit' issue that were already included in PFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and (c) removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for the companies to make the transition to the new requirements. The IASB is currently discussing some limited amendments to the classification and measurement requirements and the expected credit loss impairment model to be included. Once the deliberations are complete, the IASB expects to publish a final version of the standard that will include all of the phases: (a) Classification and Measurement, (b) Impairment, and (c) Hedge Accounting. That version of the standard will include a new mandatory effective date. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on the classification and measurement of financial liabilities. The Group does not plan to adopt this standard early.

- 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 sales 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, *Construction Contracts*, or PAS 18, *Revenue*, and the timing of revenue recognition. The Philippine Securities and Exchange Commission (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.

The Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification

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

'Day 1' Profit. 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' profit) in profit or loss 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 profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Financial Assets
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 value in accordance with the Group's documented risk management or investment strategy. 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 profit or loss as incurred. Fair value changes and realized gains or losses are recognized in profit or loss. 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 profit or loss 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 and 41).

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 profit or loss 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 and 41).

HTM Investments. HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on the HTM investments 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 profit or loss when the HTM investments are derecognized or impaired.

The Group has no investments accounted for under this category as of December 31, 2013 and 2012.

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 equity are transferred to and recognized in profit or loss.

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 and 41).

Financial Liabilities
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 and 41).

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 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, 34 and 41).

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 profit or loss. 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 profit or loss.

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 fair value hedges as of December 31, 2013 and 2012.

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 profit or loss.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in equity are transferred from equity 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 equity are transferred from equity to profit or loss in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects profit or loss.

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 equity is retained in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is recognized in profit or loss.

The Group has no outstanding derivatives accounted for as a cash flow hedge as of December 31, 2013 and 2012.

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 profit or loss. On disposal of a foreign operation, the cumulative value of any such gains and losses recorded in equity is transferred to and recognized in profit or loss.

The Group has no hedge of a net investment in a foreign operation as of December 31, 2013 and 2012.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss during the year incurred.

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.

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 profit or loss.

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that 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 for specific impairment purposes 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 profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

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 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 profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted using the historical effective rate of return on the asset.

Classification of Financial Instruments between Debt and Equity
From the perspective of the issuer, a financial instrument is classified as debt instrument 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.

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 profit or loss.

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 asset and settle the liability 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 and materials and supplies are valued at the lower of cost and net realizable value.

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 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.
Materials, supplies and others	-	at cost, using the moving-average method.
Coal	-	at cost, using the first-in, first-out method.

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

Net realizable value of goods in process 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.

For petroleum products, crude oil, and tires, batteries and accessories, the 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.

Net realizable value of materials and supplies, including coal, is the current replacement cost.

Containers (i.e., returnable bottles and shells) 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 under deferred containers included 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.

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.

Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing poultry livestock, hogs and cattle, 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 the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets have no active market and no active market for similar assets prior to point of harvest are 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.

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 values and any resulting gain or loss is recognized in profit or loss.

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 profit or loss. 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 profit or loss. Costs related to the acquisition, other than those associated with the issue 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 profit or loss.

- *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 so 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 profit or loss.

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 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 associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in 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 of those 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 associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the 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 of the associate or joint venture and its carrying value. 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 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 profit or loss.

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 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 that 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 of 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.

Construction in progress (CIP) represents structures under construction and is stated at cost. 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. CIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commences 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 - 16
Service stations and other equipment	1 1/2 - 10
Machinery and equipment	3 - 40
Telecommunications equipment	3 - 25
Transportation equipment	5 - 10
Tools and small equipment	2 - 10
Office equipment, furniture and fixtures	2 - 10
Molds	2 - 5
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 profit or loss 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 commences 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
Tools and small equipment	2 - 5

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 profit or loss 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 intangible assets acquired in a business combination is its fair value as at the date of acquisition. Subsequently, intangible assets are measured 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 profit or loss 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 profit or loss 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
Computer software and licenses	2 - 8
Airport concession right	25
Toll road concession rights	25 - 36 or unit of usage
Mineral rights and evaluation assets	19 - 30
Leasehold rights	20 or term of the lease, whichever is shorter
Land use rights	25 - 50 or term of the lease, whichever is shorter

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 profit or loss 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 must provide with the infrastructure, to whom it must 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 (i.e., construction or upgrade services and operation services) 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 its 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 these 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 an expense 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 (CA), 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, as determined above, 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 profit or loss 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 profit or loss.

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:

- Stage 1 and Stage 2 of the South Metro Manila Skyway (SMMS or the Skyway Project);
- Stage 1 and Stage 2 Phase I of the Southern Tagalog Arterial Road (STAR or the STAR Project); and
- Tarlac-Pangasinan-La Union Toll Expressway (TPLEX or the TPLEX Project).

In exchange for the fulfillment of the Group's obligations under the CA, 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 unit of usage method based on the proportion of actual traffic volume to the total expected traffic volume over the concession period, or 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 profit or loss 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 profit or loss 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 profit or loss.

Intangible Asset - Mineral Rights and Evaluation Assets
The Group's mineral rights and evaluation assets have finite lives and are measured at costs 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 profit or loss as incurred.

Amortization of mineral rights and evaluation assets is recognized in profit or loss 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.

Gains or losses 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 profit or loss.

Deferred Exploration and Development Costs
Deferred exploration and development costs comprise of 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 under mine development costs.

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. 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 profit or loss 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 profit or loss. 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 liquefied petroleum gas cylinders remain the property of the Group and are loaned to dealers upon payment by the latter of an amount equivalent to 100% 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 profit or loss.

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 purposes of the fair value disclosure, 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, as explained above.

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 can be made of the amount of the obligation. 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. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. 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.

Share 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 profit or loss as accrued.

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 will flow to the Group and the amount of revenue can be reliably measured. 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 Telecommunications Services
Revenue from telecommunications services are 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 profit or loss.

Revenue from Airport Operations
Landing, take-off and parking fees are recognized upon rendering of the service which is the period from landing up 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 Toll Operations
Revenue from toll operations is recognized upon the sale of toll tickets. Toll fees received in advance, through the E-pass account, is recognized as income upon the holders' availment of the toll road services.

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 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.

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 as a shareholder to receive the payment is established.

Rent income from investment property is recognized on a straight-line basis over the term of the lease. 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 if the Group disposes of its investment in 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.

Cost and Expense Recognition
Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Share-based Payment Transactions
The cost of Long-term Incentive Plan for Stock Options (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. The cost of 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, as described in the previous paragraph.

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 profit or loss.

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 profit or loss 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 are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. 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.

Retirement Costs
The Parent Company and majority of its subsidiaries have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees. 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.

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.

Defined benefit costs comprise of the following:
- Service costs
- Net interest on the net defined benefit retirement liability or asset
- Remeasurements of net 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 profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary using the projected unit credit method.

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 profit or loss.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise.

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 profit or loss. 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 at the reporting date are retranslated to the functional currency at the exchange rate at that 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 retranslated 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 retranslation are recognized in profit or loss, except for differences arising on the retranslation of AFS financial assets, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, 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 profit or loss 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 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 profit or loss.

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 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 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 profit or loss 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 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. 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 profit or loss. 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 Group. 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 profit or loss.

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:

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 machinery and equipment and transportation 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, machinery and equipment and transportation equipment. Accordingly, the Group accounted for the agreements as finance lease and recognized the power plants, machinery and equipment, transportation equipment and finance lease liabilities at the present value of the agreed monthly payments (Notes 15 and 34).

Finance lease liabilities recognized in the consolidated statements of financial position amounted to P195,048 and P195,153 as of December 31, 2013 and 2012, respectively (Note 34).

The combined carrying amounts of power plants, machinery and equipment and transportation equipment under finance lease amounted to P193,356 and P198,561 as of December 31, 2013 and 2012, respectively (Notes 15 and 34).

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 P1,428, P1,139 and P412 in 2013, 2012 and 2011, respectively (Note 34).

Rent expense recognized in the consolidated statements of income amounted to P3,315, P3,019 and P2,569 in 2013, 2012 and 2011, respectively (Notes 26, 27 and 34).

Applicability of Philippine Interpretation IFRIC 12. In accounting for the Group's transactions in connection with its CA 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 CA 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 CA, will be turned over to the ROP (Note 34).

Management determined that the consideration receivable from the ROP, in exchange for the fulfillment of the Group's obligations under the CA, 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 CA (Note 34) 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 total franchise fees over 25 years and its subsequent amortization; and (iii) present value of infrastructure retirement obligation (IRO).

   (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 and will be amortized simultaneously with the cost related to the Airport Project because only at that time when significant maintenance of the Boracay Airport also commence. 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) Skyway Project; (ii) STAR Project; and (iii) TPLEX Project.

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

c. *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 Project Concession Arrangement. The Group has not recognized any profit margin on the construction of the Airport Project 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.

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).

Consolidation of Entities in which the Group has Less Than Majority of the Voting Rights. The Group considers that it controls PAHL and PIDC even though it owns less than 50% of these entities and less than 50% of the voting rights. The Group had determined that it is the largest stockholder of PAHL and PIDC with 45.86% and 45% equity interests, respectively. In addition, the Group also determined, by virtue of the extent of the Group's participation in the BOD and management of PAHL and PIDC, that it: (i) has power over these entities; (ii) is exposed and has rights to variable returns from its involvement with these entities; and (iii) has the ability to use its power over these entities to affect the amount of returns (Note 5).

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of Thai San Miguel Liquor Co. Ltd. (TSML) and Thai Ginebra Trading (TGT) based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements 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 44).

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 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, 35 and 41.

Allowance for Impairment Losses on Trade and Other Receivables. 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 collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the customers' 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 assets.

The allowance for impairment losses on trade and other receivables amounted to P8,450 and P6,387 as of December 31, 2013 and 2012, respectively.

The carrying amounts of trade and other receivables amounted to P168,141 and P122,544 as of December 31, 2013 and 2012, respectively (Note 10).

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 P2,136 and P1,020 as of December 31, 2013 and 2012, respectively.

The carrying amount of inventories amounted to P79,391 and P80,075 as of December 31, 2013 and 2012, 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.

The allowance for impairment losses on AFS financial assets amounted to P78 as of December 31, 2013.

The carrying amount of AFS financial assets amounted to P42,406 and P1,621 as of December 31, 2013 and 2012, respectively (Note 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 P437,279 and P381,092 as of December 31, 2013 and 2012, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P156,966 and P140,385 as of December 31, 2013 and 2012, respectively (Note 15).

Investment property, net of accumulated depreciation and amortization amounted to P4,184 and P3,788 as of December 31, 2013 and 2012, respectively. Accumulated depreciation and amortization of investment property amounted to P752 and P1,361 as of December 31, 2013 and 2012, 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 P7,950 and P6,214 as of December 31, 2013 and 2012, respectively. Accumulated amortization of deferred containers amounted to P9,607 and P8,293 as of December 31, 2013 and 2012, 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 P28,784 and P26,851 as of December 31, 2013 and 2012, respectively (Note 18).

Estimated Useful Lives of Intangible Assets - Airport and Toll Road Concession Rights. The Group estimates the useful life of airport concession right based on the period over which the asset is expected to be available for use, which is 25 years. For the Group's toll road concession rights, the estimated useful lives are based on the period of 25 to 36 years or based on the ratio of actual traffic volume of the underlying toll roads compared to the total expected traffic volume of the remaining concession period. 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 and toll road concession rights amounted to P13,946 and P20,883 as of December 31, 2013 and 2012, 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 P41,752 and P48,724 as of December 31, 2013 and 2012, respectively (Note 18).

The combined carrying amounts of licenses and trademarks and brand names amounted to P7,248 and P7,224 as of December 31, 2013 and 2012, respectively (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 especially 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's acquisitions have resulted in goodwill.

The Group is currently completing the purchase price allocation exercise on acquisitions made during the year. The identifiable assets and liabilities at fair value are based on provisionary amounts as at the acquisition date, which is allowed under PFRS 3, *Business Combinations,* within 12 months from the acquisition date.

The carrying amount of goodwill arising from business combinations amounted to P1,572 and P18,272 in 2013 and 2012, respectively (Notes 5, 18 and 38).

Estimates of 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 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.

The Group's mining activities are all in the exploratory stages as of December 31, 2013.

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, 2013. 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, 2013 and 2012.

Deferred exploration and development costs included as part of "Other noncurrent assets" account in the consolidated statements of financial position amounted to P526 and P232 as of December 31, 2013 and 2012, respectively (Notes 19 and 34).

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 P15,608 and P10,308 as of December 31, 2013 and 2012, 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 P11,455 and P9,113 as of December 31, 2013 and 2012, 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 P530,899 and P574,316 as of December 31, 2013 and 2012, 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 35 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 P26,013 and P24,573 as of December 31, 2013 and 2012, respectively (Note 35).

Asset Retirement Obligation. The Group has ARO arising from leased service stations, depots, blending plant and franchised stores and locators. Determining the 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 3.94% to 9.42% 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 Group also has an ARO arising from its refinery. However, such obligation is not expected to be settled in the foreseeable future and therefore a reasonable estimate of fair value cannot be determined. Thus, the ARO included under "Other noncurrent liabilities" account in the consolidated statements of financial position amounting to P1,004 and P997 as of December 31, 2013 and 2012, respectively, covers only the Group's leased service stations and depots (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, 2013 and 2012 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 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 annual franchise fee already recognized in intangible asset amounted to P892 and P282 as of December 31, 2013 and 2012, respectively (Note 18).

The carrying amount of the IRO recognized in CIP - airport concession arrangement amounted to P819 and P652 as of December 31, 2013 and 2012, respectively (Note 12).

Percentage of Completion - Airport 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 Project cost. The Group reviews and revises, when necessary, the estimate of Airport Project cost as it progresses, to appropriately adjust the amount of construction cost and revenue recognized at the end of each reporting period (Note 12).

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 5 to 8 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 amounting to P18 as of December 31, 2013 is included as part of "Other noncurrent liabilities" account in the consolidated statements of financial position (Note 23).

5. Business Combinations

Fuel and Oil

- PAHL

The Parent Company through Petron has 33% equity interest in PAHL, a company incorporated in Hong Kong. PAHL indirectly owns, among other assets, a 160,000-metric ton polypropylene production plant in Mariveles, Bataan.

On December 31, 2012, Petron acquired additional 135,652,173 ordinary B shares of PAHL which increased Petron's ownership in PAHL to 45.86%.

Although the Group owns less than half of the voting power of PAHL, management has assessed, in accordance with PFRS 10, that the Group has control over PAHL on a de facto basis (Note 4). In accordance with the transitional provision of PFRS 10, the Group applied acquisition accounting on its investment in PAHL from the beginning of the current period.

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

The following summarizes the recognized amounts of assets and liabilities at the business combination date:

	2013
Assets	
Cash and cash equivalents	**P432**
Trade and other receivables	**637**
Inventories	**1,048**
Prepaid expenses and other current assets	**272**
Property, plant and equipment - net	**2,863**
Deferred tax assets	**70**
Other noncurrent assets - net	**104**
Liabilities	
Loans payable	**(1,792)**
Accounts payable and accrued expenses	**(2,393)**
Other noncurrent liabilities	**(2)**
Total Identifiable Net Assets at Fair Value	**P1,239**

The fair value of the trade and other receivables amounts to P637. 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 business combination as follows:

	Note	2013
Carrying amount of investment at January 1, 2013		**P866**
Non-controlling interest measured at proportionate interest in identifiable net assets		**671**
Total identifiable net assets at fair value		**(1,239)**
Goodwill	*18, 38*	**P298**

In 2013, PAHL contributed net income of P104 to the Group's financial performance.

- Petron Malaysia

On March 30, 2012, the Parent Company through POGI, Petron's indirect offshore subsidiary, completed the acquisition of 65% of Esso Malaysia Berhad (EMB), and 100% of ExxonMobil Malaysia Sdn Bhd (EMMSB) and ExxonMobil Borneo Sdn Bhd (EMBSB) for an aggregate purchase price of US$577. POGI also served the notice of mandatory general offer (MGO) to acquire the remaining 94,500,000 shares representing 35% of the total voting shares of EMB for RM3.59 per share from the public. As a result of the MGO, POGI acquired an additional 22,679,063 shares from the public and increased its interest in EMB to 73.4%.

On April 23, 2012, the Companies Commission of Malaysia (CCM) approved the change of name of EMMSB to Petron Fuel International Sdn Bhd and of EMBSB to Petron Oil (M) Sdn Bhd.

On July 11, 2012, CCM approved the change of name of EMB to Petron Malaysia Refining & Marketing Bhd.

Petron 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:

	2012*
Assets	
Cash and cash equivalents	P5,633
Trade and other receivables - net	12,811
Inventories	13,160
Prepaid expenses and other current assets	314
Property, plant and equipment - net	17,199
Deferred tax assets	28
Other noncurrent assets - net	6,273
Liabilities	
Loans payable	(4,195)
Accounts payable and accrued expenses	(18,294)
Income and other taxes payable	(64)
Long-term debt - net of debt issue cost	(10,123)
Deferred tax liabilities	(1,164)
Other noncurrent liabilities	(700)
Total Identifiable Net Assets at Fair Value	P20,878

The fair value of the trade and other receivables amounts to P12,811. The gross amount of the receivables is P12,857, of which P46 is expected to be uncollectible at the acquisition date (Note 10).

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

	Note	2012*
Total cash consideration transferred		P24,790
Non-controlling interest measured at proportionate interest in identifiable net assets		5,445
Total identifiable net assets at fair value		(20,878)
Goodwill	*18, 38*	P9,357

**As restated (Note 3).*

Goodwill arising from the acquisition is attributable to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Petron. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

- LEC

In January 2012, LEC became a wholly-owned subsidiary of Petron when it purchased the 60% equity share of Two San Isidro SIAI-Assets, Inc.

The primary purpose of LEC is to build, operate, maintain, sell and lease power generation plants, facilities, equipment and other related assets and generally engage in the business of power generation and sale of electricity generated by its facilities.

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

	2012
Assets	
Cash and cash equivalents	P3,514
Trade and other receivables	2
Prepaid expenses and other current assets	39
Other noncurrent assets - net	35
Liabilities	
Accounts payable and accrued expenses	(10)
Income and other taxes payable	(144)
Total Identifiable Net Assets at Fair Value	P3,436

The fair value of the trade and other receivables amounts to P2. None of the receivables has been impaired and it is expected that the full amount can be collected.

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

- Parkville Estates Development Corp. (PEDC)

In April 2012, the Parent Company through NVRC, a subsidiary of Petron, acquired 100% of the outstanding capital stock of PEDC for a total consideration of P132.

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

	2012
Asset	
Property, plant and equipment - net	P117
Liabilities	
Accounts payable and accrued expenses	(5)
Total Identifiable Net Asset at Fair Value	P112

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

	Note	2012
Total cash consideration transferred		P132
Total identifiable net asset at fair value		(112)
Goodwill	*18, 38*	P20

- Mariveles Landco Corporation (MLC)

On July 26, 2012, the Parent Company through NVRC, a subsidiary of Petron, acquired 60% of MLC's shares of stock for a total consideration of P30.

NVRC has elected to measure non-controlling interest at proportionate interest in identifiable net liabilities.

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

	2012
Assets	
Trade and other receivables	P10
Prepaid expenses and other current assets	2
Property, plant and equipment - net	64
Liabilities	
Accounts payable and accrued expenses	(58)
Other noncurrent liabilities	(36)
Total Identifiable Net Liabilities at Fair Value	(P18)

The fair value of the trade and other receivables amounts to P10. 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	2012
Total cash consideration transferred		P30
Non-controlling interest measured at proportionate interest in identifiable net liabilities		(7)
Total identifiable net liabilities at fair value		18
Goodwill	*18, 38*	P41

Infrastructure

- PIDC

The Parent Company through Rapid, a wholly-owned subsidiary of SMHC, has a 35% equity interest in PIDC. PIDC is a company primarily engaged in the business of construction and development of various infrastructure projects such as roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges. PIDC holds the toll road concession rights representing the contract to finance, design, construct, operate and maintain the TPLEX Project.

On September 12, 2011, Rapid advanced P1,111 as deposit for future stock subscription to 1,111,228 common shares of PIDC. As of December 31, 2012, one of the conditions for the issuance of the subscribed shares to Rapid has not yet been met.

On December 27, 2013, the Toll Regulatory Board (TRB) approved the issuance of stock certificates to Rapid covering the 1,111,228 common shares of PIDC representing additional 10% equity interest, thereby increasing Rapid's ownership interest in PIDC to 45%.

With the increase in ownership interest in PIDC to 45%, Rapid determined that it controls PIDC effective December 27, 2013 (Note 4).

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	**2013**
Assets		
Cash and cash equivalents		**P845**
Trade and other receivables		**1,601**
Prepaid expenses and other current assets		**1,051**
Property, plant and equipment - net		**64**
Other intangible assets - toll road concession rights	*18*	**10,652**
Other noncurrent assets - net		**43**
Liabilities		
Accounts payable and accrued expenses		**(1,306)**
Long-term debt - net of debt issue costs		**(6,941)**
Total Identifiable Net Assets at Fair Value		**P6,009**

The fair value of the trade and other receivables amounts to P1,601. None of the receivables has been impaired and it is expected that the full amount can be collected.

Total identifiable net assets at fair value is equal to the consideration transferred and non-controlling interest measured at proportionate interest in identifiable net assets.

- Sleep and Wiselink

In 2013, the Parent Company through SMHC, acquired 58.31% membership interest in Sleep and 50% of the outstanding capital stock of Wiselink, for a total consideration of P1,098.

Sleep is a cooperative incorporated under the laws of the Netherlands. Sleep has a 40% equity interest in Cypress. Wiselink, a holding company, has a 60% equity interest in Cypress.

Cypress owns 100% of SIDC and 60% of STC, with the remaining 40% indirectly owned by Cypress through SIDC (collectively the "Cypress Group"). The Cypress Group holds the toll road concession rights of the STAR Project representing the following: (1) Stage 1 - operation and maintenance of the 22.16-kilometer toll road from Sto. Tomas to Lipa City; and (2) Stage 2 - financing, design, construction, operation and maintenance of the 19.74-kilometer toll road from Lipa City to Batangas City.

With the acquisition of Sleep and Wiselink, SMHC effectively owns 53.32% of the Cypress Group. As such, SMHC obtained control and consolidated the Cypress Group effective June 28, 2013.

From the date of acquisition to December 31, 2013, the Cypress Group contributed net income of P21 to the Group's financial performance.

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	**2013**
Assets		
Cash and cash equivalents		**P182**
Trade and other receivables - net		**149**
Prepaid expenses and other current assets		**15**
Property, plant and equipment - net		**16**
Other intangible assets - toll road concession rights	*18*	**2,074**
Deferred tax assets		**43**
Liabilities		
Accounts payable and accrued expenses		**(1,378)**
Income and other taxes payable		**(2)**
Long-term debt - net of debt issue costs		**(1,128)**
Deferred tax liabilities		**(29)**
Other noncurrent liabilities		**(49)**
Total Identifiable Net Liabilities at Fair Value		**(P107)**

The fair value of the trade and other receivables amounts to P149. The gross amount of the receivables is P164, of which P15 is expected to be uncollectible at the acquisition date (Note 10).

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

	Note	**2013**
Total consideration transferred		**P1,098**
Non-controlling interest measured at proportionate interest in identifiable net assets		**69**
Total identifiable net liabilities at fair value		**107**
Goodwill	*18, 38*	**P1,274**

Goodwill arising from the acquisition 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.

- THI and CMMTC

On December 28, 2012, the Parent Company through SMHC, acquired 100% of the outstanding capital stock of THI for P3.

THI had a 37.33% equity interest in CMMTC, a company primarily engaged in the business of designing, constructing and financing of toll roads. CMMTC holds the toll road concession rights representing the costs of construction and development of Stage 1 and Stage 2 of the SMMS.

THI also has 100% equity interest in Assetvalues Holding Company Inc. (AVHCI). AVHCI is engaged in the business of investing in real and personal properties, stocks, bonds and other securities or evidence of indebtedness of any corporation, association or entity. AVHCI has 15.43% equity interest in Skyway O&M Corporation, the operator of SMMS.

An option agreement was entered into by SMHC, Padma Fund L.P. (Padma) and THI wherein Padma, or its nominated assignee, obtained the rights to purchase and acquire up to 49% equity ownership interest in THI. The option is exercisable within two (2) years from the acquisition by SMHC of all the outstanding shares of THI or until December 28, 2014. The option price paid by Padma amounting to US$0.25 is presented as part of "Accounts payable and accrued expenses" account as of December 31, 2013 (Note 21) and "Other noncurrent liabilities" account as of December 31, 2012 (Note 23).

With the acquisition of THI, which then owned 37.33% of the outstanding capital stock of CMMTC, and the existing 23.5% indirect ownership in CMMTC through Atlantic, SMHC effectively owns 60.83% of CMMTC. As such, SMHC obtained control and consolidated CMMTC effective December 28, 2012.

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	2012
Assets		
Cash and cash equivalents		P2,785
Trade and other receivables - net		259
Prepaid expenses and other current assets		290
Investments and advances		13,970
Property, plant and equipment - net		14
Investment property - net		1
Other intangible assets - toll road concession rights	*18*	20,601
Other noncurrent assets		2
Liabilities		
Loans payable		(11,158)
Accounts payable and accrued expenses		(665)
Income and other taxes payable		(546)
Long-term debt - net of debt issue costs		(8,488)
Deferred tax liabilities		(331)
Other noncurrent liabilities		(2,780)
Total Identifiable Net Assets at Fair Value		P13,954

The fair value of the trade and other receivables amounts to P259. The gross amount of the receivables is P758, of which P499 is expected to be uncollectible at the acquisition date (Note 10).

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

	Note	2012
Total cash consideration transferred		P3
Investment cost of THI		13,922
Equity interest held before business combination		3,236
Total consideration transferred		17,161
Non-controlling interest measured at proportionate interest in identifiable net assets		5,393
Total identifiable net assets at fair value		(13,954)
Goodwill	*18, 38*	P8,600

As discussed in Note 6, on September 27, 2013, THI sold to Atlantic Aurum Investments Philippines Corporation (AAIPC), a wholly-owned subsidiary of Atlantic, 25,409,482 common shares of CMMTC, representing 37.33% of the outstanding capital stock of CMMTC.

- AMTEX

In February 2012, the Parent Company through SMHC, acquired 60% of the outstanding capital stock of AMTEX for a total consideration of P90.

AMTEX is a company engaged in the business of operating and maintaining toll road facilities and providing related services such as technical advisory services in the operation and maintenance of toll road and toll road facilities.

With the acquisition of the 60% equity interest by SMHC and the existing 18.61% indirect ownership through Atlantic, the Group effectively owns 78.61% of AMTEX and consolidated AMTEX effective February 2012.

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:

	2012
Assets	
Cash and cash equivalents	P22
Trade and other receivables	6
Prepaid expenses and other current assets	17
Investments and advances	120
Property, plant and equipment - net	2
Investment property - net	71
Deferred tax assets	1
Liabilities	
Accounts payable and accrued expenses	(94)
Other noncurrent liabilities	(40)
Total Identifiable Net Assets at Fair Value	P105

The fair value of the trade and other receivables amounts to P6. 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	2012
Total cash consideration transferred		P90
Non-controlling interest measured at proportionate interest in identifiable net assets		42
Total identifiable net assets at fair value		(105)
Goodwill	*18, 38*	P27

Telecommunications

- ETPI

On October 20, 2011, the Parent Company through SMESI, executed a Share Purchase Agreement (the Agreement) with ISM Communications Corporation, for the purchase of 37.7% of the outstanding and issued shares of stock of ETPI for P1,508. The acquisition of ETPI was authorized by the BOD of the Parent Company during the meetings held on December 16, 2010 and September 22, 2011.

Upon signing of the Agreement, SMESI paid P302 as initial payment. The balance amounting to P1,206 is included as part of "Accounts payable and accrued expenses" account as of December 31, 2013 (Note 21).

The current portion of the Group's outstanding payable related to the purchase of ETPI shares amounting to P98 as of December 31, 2012 is included as part of "Accounts payable and accrued expenses" account (Note 21), while the noncurrent portion amounting to P1,108 as of December 31, 2012 is included as part of "Other noncurrent liabilities" account in the consolidated statements of financial position (Note 23).

With the acquisition of the 37.7% by SMESI and of the 40% ownership by AGNP, the Parent Company obtained control and consolidated ETPI effective October 20, 2011.

As a result of the transaction, the Group recognized goodwill amounting to P726 in 2011, which is the difference between the consideration transferred and the identifiable net assets at fair value (Note 38).

Food

- GAC

In June 2012, following the approval of SMMI's BOD, SMMI, a wholly-owned subsidiary of SMPFC, acquired from CRC's individual stockholders, the subscribed capital stock of CRC equivalent to 25,000 shares for P358. CRC became a subsidiary of SMMI and was consolidated into SMPFC through SMMI.

CRC is a Philippine company engaged in the purchase, acquisition, development or use for investment, among others, of real and personal property, to the extent permitted by law.

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

	2012
Asset	
Property, plant and equipment	P400
Liabilities	
Accounts payable and accrued expenses	(42)
Total Identifiable Net Asset at Fair Value	P358

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

Subsequently, SMMI subscribed to an additional 45,000 CRC shares with par value of P1,000.00 per share and paid P45.

In December 2012, following the approval of the BOD and stockholders of CRC to change the latter's corporate name, the SEC issued the Certificates of Filing of Amended Articles of Incorporation and Amended By-laws reflecting the change in corporate name of CRC to Golden Avenue Corp.

- GFDCC

In September 2011, Magnolia, a wholly-owned subsidiary of SMPFC, acquired the subscription rights of certain individuals in GFDCC for P105. GFDCC became a subsidiary and was consolidated into SMPFC through Magnolia.

GFDCC is a company engaged in the toll manufacturing of ice cream products.

As a result of the transaction, the Group recognized goodwill amounting to P6 in 2011, which is the difference between the consideration transferred and the identifiable net assets at fair value (Note 38).

Beverage

- EPSBPI

On January 27, 2012, the Parent Company through GSMI, acquired 100% of the outstanding capital stock of EPSBPI for P200.

EPSBPI is a company primarily engaged in the manufacturing and bottling of alcoholic and non-alcoholic beverages.

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

	2012
Assets	
Cash and cash equivalents	P57
Trade and other receivables	18
Inventories	4
Prepaid expenses and other current assets	24
Property, plant and equipment - net	1,063
Other noncurrent assets	97
Liabilities	
Accounts payable and accrued expenses	(489)
Long-term debt	(800)
Deferred tax liabilities	(1)
Total Identifiable Net Liabilities at Fair Value	(P27)

The fair value of the trade and other receivables amounts to P18. 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	2012
Total consideration transferred		P200
Total identifiable net liabilities at fair value		27
Goodwill	*18, 38*	P227

Goodwill arising from the acquisition is attributable to the benefit of expected synergies with the Group's beverage business, revenue growth, and future development specifically on tolling services with third parties.

Mining

- Clariden

On November 11, 2011, the Parent Company acquired 100% of the outstanding capital stock of Clariden for a total consideration of P5.

Clariden's primary purpose is to acquire by purchase, exchange, assignment or otherwise, and to sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, deal in and operate, enjoy and dispose of, all properties of every kind and description and whenever situated and to the extent permitted by law.

Total identifiable net liabilities at fair value is equal to the consideration of the purchase made by the Parent Company.

- AAMRC

On September 6, 2012, the Parent Company through Clariden, acquired 1,140,000 shares representing 60% ownership of the outstanding capital stock of AAMRC for a total consideration of P275.

AAMRC is a company primarily engaged in the business of operating iron mines, and of prospecting, exploration and mining, milling, concentrating, smelting, treating, refining and processing of metals for market.

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

	2012
Assets	
Trade and other receivables	P70
Other noncurrent assets	233
Total Identifiable Assets at Fair Value	P303

The fair value of the trade and other receivables amounts to P70. None of the receivables has been impaired and it is expected that the full amount can be collected.

Total identifiable assets at fair value is equal to the consideration of the purchase made by Clariden and non-controlling interest measured at proportionate interest in identifiable assets.

- EAHC, NMPI and PHL

On January 11, 2013, the Parent Company through Clariden, acquired 100% of the outstanding capital stock of EAHC, NMPI and PHL for a total consideration of P1,450.

With the acquisition of EAHC, NMPI and PHL, which collectively controls the Philnico Group, Clariden obtained control and consolidated the Philnico Group effective January 11, 2013.

Clariden 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	**2013**
Assets		
Cash and cash equivalents		**P18**
Trade and other receivables		**5**
Prepaid expenses and other current assets		**68**
Property, plant and equipment		**37**
Other intangible assets - mineral rights and evaluation assets	*18*	**12,956**
Deferred tax assets		**31**
Other noncurrent assets		**24**
Liabilities		
Accounts payable and accrued expenses		**(999)**
Deferred tax liabilities		**(711)**
Other noncurrent liabilities		**(10,644)**
Total Identifiable Net Assets at Fair Value		**P785**

The fair value of trade and other receivables amounts to P5. None of the receivables has been impaired and it is expected that the full amount can be collected.

Total identifiable net assets at fair value is equal to the consideration of the purchase made by Clariden and non-controlling interest measured at proportionate interest in identifiable net assets.

From the date of acquisition, the Philnico Group has contributed net loss of P971 to the Group's financial performance.

- SWCC

On July 19, 2013, the Parent Company through Clariden, acquired 4,100,372 shares representing 100% of the outstanding capital stock of SWCC for a total consideration of P251.

SWCC is primarily engaged in the business of manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale, of cements 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	**2013**
Assets		
Land		**P98**
Other intangible assets - mineral rights and evaluation assets	*18*	**155**
Liabilities		
Accounts payable and accrued expenses		**(2)**
Total Identifiable Net Assets at Fair Value		**P251**

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

As discussed in Note 6, the Parent Company and Top Frontier executed a Share Purchase Agreement on August 15, 2013 for the sale of 100% of the outstanding and issued shares of stock of Clariden, the assignment of the subscription rights of the Parent Company in Clariden and the assignment of certain advances by the Parent Company in Clariden and certain subsidiaries of Clariden in favor of Top Frontier.

Real Estate

- SMPI Flagship

  SMPI, a subsidiary of the Parent Company, entered into a Joint Venture Agreement (JVA) with Government Services Insurance System (GSIS) to establish the SMPI-GSIS JVC which holds ownership and title to the real property owned by GSIS primarily to develop the property into a first class high-rise service apartment and manage and operate the same.

  Under the JVA, GSIS has the option to sell to SMPI all the shares of stock of the SMPI-GSIS JVC issued in the name of GSIS and its nominees under certain terms and conditions (Note 34).

  On June 7, 2011, GSIS exercised its option by executing a Deed of Absolute Sale over all its shares of stock representing 48% equity in the SMPI-GSIS JVC in favor of SMPI. The total consideration for the sale amounted to P399. As such, SMPI-GSIS JVC became a wholly-owned subsidiary of SMPI.

  On March 12, 2012, the BOD of SMPI-GSIS JVC approved the change in its corporate name to SMPI Makati Flagship Realty Corp. and change in its registered office address from 117 Vernida 2, Legaspi St., Legaspi Village, Makati City, to 3rd Floor, San Miguel Corporation Head Office Complex, 40 San Miguel Avenue, Mandaluyong City, which is also its principal place of business. The SEC approved the change in corporate name and registered office address on July 12, 2012.

Others

- SMCSLC

  On May 26, 2011, the Parent Company through SMCSLC executed an Asset and Share Purchase Agreement relating to the purchase of 100% of the issued shares of Keppel Cebu Shipyard Land, Inc. (KCSLI) through which SMCSLC obtained an indirect ownership over a parcel of land, certain fixed assets, foreshore leases and land use rights.

  On August 18, 2011, SMCSLC incorporated MSC. MSC's primary purpose is to engage in the business of construction, building, fabrication, repair, conversion or extension of ships, boats and other kinds of vessels and marine equipment, machinery and structures including offshore rigs. MSC leases the land owned by KCSLI.

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

  On May 23, 2012, the SEC approved the change in corporate name of Keppel Cebu Shipyard Land, Inc. to SMC Cebu Shipyard Land, Inc.

As discussed in Note 4, the Group is currently completing the purchase price allocation exercise on acquisitions made during the year. 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.

If the foregoing acquisitions have occurred on January 1, 2013, management estimates that consolidated revenue would have been P748,010, and consolidated net income for the year would have been P50,701. 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, 2013.

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6. Investments in Subsidiaries

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

Fuel and Oil

- Petron

  On February 6 and March 11, 2013, the Parent Company through Petron, issued undated subordinated capital securities at an issue price of 100% and 104.25% amounting to US$500 and US$250, respectively. At the option of the issuer, the securities may be redeemed after five and a half years or on any distribution payment date thereafter. The proceeds were applied by Petron towards capital and other expenditures in respect of Refinery Master Plan Phase 2 (RMP-2) Project and used for general corporate purposes. The securities were listed on the Hong Kong Stock Exchange.

  On August 6, 2013, Petron made a distribution amounting to US$28 to the holders of the undated subordinated capital securities.

- PGL

  On February 24, 2012, the Parent Company through Petron, acquired PGL, a company incorporated in the British Virgin Islands. PGL has issued an aggregate of 31,171,180 common shares with a par value of US$1.00 per share to Petron. PGL issued 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 series B at an issue price equal to the par value of each share of US$1.00 to a third party investor.

Infrastructure

- THI and CMMTC

  On September 27, 2013, the Parent Company through THI, a wholly-owned subsidiary of SMHC, entered into a Deed of Sale of Shares with AAIPC, a wholly-owned subsidiary of Atlantic, for the sale of 25,409,482 common shares of CMMTC, representing THI's 37.33% ownership interest in CMMTC for a total consideration of P13,759.

As a result of the sale, CMMTC ceases to be a subsidiary of the Group. The Group derecognized the assets (including goodwill) and liabilities, and the carrying amount of non-controlling interest. As a result of the transaction, the Group recognized a 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.

- Vertex and Optimal

  On May 6, 2013, the Department of Public Works and Highways (DPWH) issued the Notice of Award to Optimal, a wholly-owned subsidiary of SMHC, awarding the Ninoy Aquino International Airport (NAIA) Expressway Project which links the three NAIA terminals to the Skyway Project, the Manila-Cavite Toll Expressway and the Entertainment City of the Philippine Amusement and Gaming Corporation. The concession period will be thirty years and the project cost will be approximately P23,600. The Notice of Award provides, among others, the incorporation of a special-purpose company for the NAIA Expressway Project.

  In accordance with the provisions of the Notice of Award, SMHC incorporated Vertex on May 31, 2013, a wholly-owned subsidiary, with an initial authorized capital stock of P100, divided into 100,000,000 shares and paid-up capital of P6. Vertex's primary purpose of business is to engage in and carry on a construction, development and contracting business involving tollways, its facilities, interchanges, roads, highways, bridges, tunnels, airports, airfield, railroads, infrastructure works and other related public works, including operation and maintenance thereof.

  On June 5, 2013, Vertex paid an upfront fee to the DPWH amounting to P11,000 for the NAIA Expressway Project, presented as part of "Project development costs" under "Other intangible assets" account in the 2013 consolidated statement of financial position (Note 18). The concession agreement was signed on July 8, 2013.

  On October 1, 2013, the BOD and stockholders of Vertex resolved and approved the increase in authorized capital stock from P100 divided into 100,000,000 common shares to P16,500 divided into 16,500,000,000 common shares, both with a par value of P1.00 per share. The application for the increase in the authorized capital stock and the Amendment of Articles of Incorporation to reflect the said increase was filed with the SEC on November 27, 2013 and was approved on December 13, 2013.

- SMHC

  On April 13, 2012, the BOD and stockholders of SMHC resolved and approved the increase in authorized capital stock from P1,000 divided into 1,000,000 shares to P5,000 divided into 5,000,000 shares, both with a par value of P1,000.00 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 28, 2012 and was approved on February 11, 2013.

  On May 29, 2013, the BOD and stockholders of SMHC approved to further increase its authorized capital stock from P5,000 divided into 5,000,000 common shares to P35,000 divided into 35,000,000 common shares, both with a par value of P1,000.00 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 27, 2013 and was approved on January 21, 2014.

- Rapid

  On September 24, 2013, the BOD and stockholders of Rapid resolved and approved to increase its authorized capital stock from P400 divided into 4,000,000 common shares to P1,800 divided into 18,000,000 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 27, 2013 and was approved on January 30, 2014.

- TADHC

  On September 7, 2012, the BOD and stockholders of TADHC resolved and approved the increase in authorized capital stock from P810 divided into 7,900,000 common shares and 200,000 preferred shares, both with a par value of P100.00 per share, to P1,520 divided into 15,000,000 common shares and 200,000 preferred shares, both with a par value of P100.00 per share.

  On October 30, 2012, SMHC executed a Subscription Agreement with TADHC for the subscription of additional 5,840,724 common shares out of the existing shares. Total subscription paid amounted to P728 which also includes full settlement of previous subscription amounting to P144. SMHC also paid P124 as advances for the subscription of additional 1,775,000 common shares from the increase in capital stock of TADHC under the Subscription Agreement.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on December 28, 2012 and was approved on February 25, 2013.

  On December 9, 2013, SMHC subscribed for an additional 2,610,580 common shares at P100.00 per share. SMHC paid a total of P315, including the unpaid subscription amounting to P54.

Food

- SMPFC

  On November 23, 2012, the Parent Company completed the secondary offering of a portion of its common shares of stock in SMPFC following the crossing of such shares at the PSE on November 21, 2012. The offer consisted of 25,000,000 common shares, inclusive of an over-allotment of 2,500,000 common shares at a price of P240.00 per share. The completion of the secondary offering resulted in the increase of SMPFC's public ownership from 0.08% to 15.08% of its outstanding common shares.

  As a result of the transaction, the Group recognized a gain of P2,419 included as part of "Gain on sale of investments and property and equipment" account in the 2012 consolidated statement of income.

- SMMI

  In July 2012, SMMI subscribed to an additional 7,000,000 GBGTC shares with a par value of P100.00 per share, bringing the total number of shares owned to 12,000,000 shares.

  GBGTC is a Philippine company with the primary purpose of providing and rendering general services connected with and incidental to the operation and management of port terminals engaged in handling and/or trading of grains, among others.

  GBGTC started its commercial operations in September 2013.

Beverage

- SMB

  On February 15, 2013, the BOD of SMB approved the voluntary delisting of SMB's common shares from the PSE following the SEC's denial of all requests made (including the request of SMB) for the extension of the grace period for listed companies to comply with the PSE's minimum public ownership requirement and the PSE's imposition of a trading suspension on the common shares of SMB effective January 1, 2013. A petition for the same was thereafter filed by SMB with the PSE on February 20, 2013.

  To comply with the PSE requirements on voluntary delisting, SMB undertook a tender offer to buy back all of the common shares held by the public (other than those held by its major stockholders and directors) at an offer price of P20.00 per common share. The tender offer commenced on March 4, 2013 and ended on April 3, 2013. A total of 51,425,799 SMB common shares were tendered and accepted by SMB, equivalent to 0.3337% of the total outstanding shares of SMB, and were accordingly recorded as treasury shares.

  The PSE has approved the petition of the voluntary delisting of SMB in its April 24, 2013 board meeting and has authorized SMB's delisting effective May 15, 2013.

Energy

- SPI

  On September 23, 2013, the Parent Company through SPI, a wholly-owned subsidiary of SMC Global, acquired from Petron the 2 x 35 Megawatt (MW) Co-Generation Solid Fuel-Fired Power Plant (Power Plant Phase 1) and all other pertinent machinery, equipment, facilities and structures being constructed and installed which comprise the additional 2 x 35 MW Co-Generation Solid Fuel-Fired Power Plant (Power Plant Phase 2) for P15,000.

Mining

- Clariden and Subsidiaries

  On August 15, 2013, Top Frontier executed a Share Purchase Agreement (the Agreement) with the Parent Company for Top Frontier's purchase of 100% of the outstanding and issued shares of stock of Clariden, the assignment of the subscription rights of the Parent Company in Clariden to Top Frontier, and the assignment of SMC's receivables in Clariden and certain subsidiaries of Clariden in favor of Top Frontier. The sale by the Parent Company of Clariden and all of its rights and interests therein was authorized by the BOD of the Parent Company during its meeting held on August 12, 2013.

  On August 30, 2013 (the Closing date), the transaction was completed with the Parent Company and Top Frontier executing the following: (i) the Deed of Absolute Sale of Shares covering 100% of the Clariden shares owned by the Parent Company 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 totaling 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, as partial payment of the consideration for the purchase of the Clariden shares and the assignment of the subscription rights, Top Frontier paid the Parent Company an initial payment of P427 on September 9, 2013. The remaining balance of the total consideration for the purchase of the shares and the assignment of the subscription rights amounting to P2,312, presented as part of "Other noncurrent assets" account in the consolidated statements of financial position, is collectible in two installments (Note 19). The first payment amounting to P1,099, inclusive of 5.75% interest per annum, is collectible at the end of the 5th year from Closing Date, while the remaining balance of 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 amounting to P725, presented as part of "Other noncurrent assets" account in the consolidated statements of financial position, is collectible in five equal installments beginning from the first 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.

  As a result of the sale, Clariden ceases to be a subsidiary of the Group. The Group derecognized the assets and liabilities, and the carrying amount of non-controlling interests. As a result of the transaction, 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.

Packaging

- CAI

  On November 12, 2012, the Parent Company through SMYPC, incorporated CAI, a wholly-owned subsidiary, with an authorized capital stock of P1,000 divided into 10,000,000 shares and paid-up capital of P63.

  CAI is primarily engaged to carry on 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.

  On January 1, 2013, SMYPC spun-off its Metal Container Plant to be sold to, and operated by CAI.

  On January 15, 2013, the 35% equity interest in CAI was purchased by 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, 2013.

  CAI has started operations on January 1, 2013.

- SMYA

  On October 1, 2013, the BOD of SMYPIL approved the acquisition of the remaining 35% shares in SMYK from James Huntly Knox and SMYK employees holding Management Incentive Shares for US$13.71.

  With the additional investment, SMYPIL has obtained 100% ownership in SMYK. On October 25, 2013, the Australian Securities and Investments Commission approved the change in its name to San Miguel Yamamura Australasia Pty. Ltd.

- Mincorr

  On November 20, 2013, the SEC approved Mincorr's application for the Amendment of Articles of Incorporation for the increase in authorized capital stock from P500 divided into 450,000 common shares and 50,000 preferred shares, both with a par value of P1,000.00 per share to P650 divided into 600,000 common shares and 50,000 preferred shares, both with a par value of P1,000.00 per share.

Real Estate

- SMPI

  On December 28, 2012, SMPI received a letter from the PSE imposing trading suspension until June 30, 2013 due to failure to comply with the minimum public ownership requirement.

  On February 5, 2013, the BOD of SMPI approved the filing of the petition for voluntary delisting and conduct of a tender for the acquisition of common shares held by the minority shareholders of SMPI. On March 4, 2013, SMPI filed with the PSE the petition for voluntary delisting. Out of the 1,072 shares tendered by the minority shareholders, only 309 shares were transferred and recorded as treasury shares for an equivalent transaction value of P41. On April 25, 2013, the PSE approved the voluntary delisting of SMPI's common shares which took effect on May 6, 2013.

- SMPI Flagship and SMC Originals

  On July 30, 2012, the BOD and stockholders of SMPI Flagship resolved and approved the increase in authorized capital stock from P625 divided into 625,000,000 shares to P1,308 divided into 1,308,000,000 shares, both with a par value of P1.00 per share. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on October 16, 2012 and was approved on October 31, 2012.

  SMPI Flagship has not yet started commercial operations as of December 31, 2013.

  On October 9, 2012, the BOD of Highriser Group, Inc. approved the change of corporate name to SMC Originals, Inc. The approval from the SEC was obtained in January 2013.

Others

- SMEII

  On March 28, 2012, the BOD and stockholders of SMEII resolved and approved the increase in authorized capital stock from P100 divided into 100,000,000 shares to P14,300 divided into 14,300,000,000 shares, both with a par value of P1.00 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 28, 2012. On January 30, 2013, the BOD and stockholders of SMEII approved to further increase its authorized capital stock to P21,425 divided into 21,425,000,000 shares with a par value of P1.00 per share. The application with the SEC was amended to reflect the foregoing change which was approved by the SEC on March 4, 2013.

- SMC Infra Resources Inc. (SMC Infra)

  On May 16, 2012, the BOD and stockholders of SMC Infra resolved and approved the increase in authorized capital stock from P100 divided into 100,000,000 shares to P500 divided into 500,000,000 shares, both with par value of P1.00 per share. The application for the increase in authorized capital stock was approved by the SEC on January 11, 2013.

- Autosweep

  On June 20, 2013, the Parent Company incorporated Autosweep, a wholly-owned subsidiary, with an initial authorized capital stock of P400 divided into 400,000,000 shares and paid-up capital of P50.

The details of the Group's material non-controlling interests are as follows:

	December 31, 2013			December 31, 2012		
	Petron	**SMB**	**SMPFC**	Petron	SMB	SMPFC
Percentage of non-controlling interests	**31.74%**	**48.83%**	**14.63%**	31.74%	49%	15.08%
Carrying amount of non-controlling interests	**P75,359**	**P15,824**	**P20,591**	P43,047	P14,665	P20,923
Net income attributable to non-controlling interests	**P3,303**	**P6,365**	**P1,611**	P1,268	P7,804	P1,426
Other comprehensive income (loss) attributable to non-controlling interests	**P1,603**	**(P24)**	**(P28)**	(P956)	(P1,568)	(P79)
Dividends paid to non-controlling interests	**P3,784**	**P4,622**	**P1,917**	P1,812	P4,614	P1,601

The following are the unaudited condensed financial information of investments in subsidiaries with material non-controlling interest:

	December 31, 2013			December 31, 2012		
	Petron	**SMB**	**SMPFC**	Petron	SMB	SMPFC
Current assets	**P183,960**	**P24,742**	**P53,683**	P145,853	P31,023	P37,266
Noncurrent assets	**173,498**	**68,168**	**19,161**	134,480	65,603	31,305
Current liabilities	**(176,570)**	**(33,116)**	**(24,971)**	(139,932)	(10,860)	(22,234)
Noncurrent liabilities	**(69,000)**	**(26,759)**	**(5,513)**	(63,498)	(55,161)	(5,315)
Net assets	**P111,888**	**P33,035**	**P42,360**	P76,903	P30,605	P41,022
Sales	**P463,638**	**P75,053**	**P99,773**	P424,795	P75,580	P95,787
Net income	**P5,092**	**P12,521**	**P4,084**	P1,780	P15,098	P4,262
Other comprehensive income (loss)	**2,835**	**(39)**	**(146)**	(3,376)	(1,406)	(296)
Total comprehensive income (loss)	**P7,927**	**P12,482**	**P3,938**	(P1,596)	P13,692	P3,966
Cash flows provided by operating activities	**P33,752**	**P13,670**	**P6,956**	P1,854	P16,799	P3,099
Cash flows used in investing activities	**(43,329)**	**(3,839)**	**(2,899)**	(63,681)	(3,136)	(3,570)
Cash flows provided by (used in) financing activities	**32,539**	**(17,918)**	**(1,311)**	65,407	(9,689)	(191)
Effects of exchange rate changes on cash and cash equivalents	**471**	**326**	**4**	(438)	(294)	10
Net increase (decrease) in cash and cash equivalents	**P23,433**	**(P7,761)**	**P2,750**	P3,142	P3,680	(P652)

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, feeds production, poultry and livestock farming, processing and selling of poultry and meat products, processing and marketing of refrigerated and canned meat products, manufacturing and marketing of flour products, premixes and flour-based products, dairy-based products, breadfill, desserts, cooking oil, importation and marketing of coffee and coffee-related products.

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, 2013, 2012 and 2011

	Beverage			Food			Packaging			Energy			Fuel and Oil			Infrastructure			Telecommunications			Others			Eliminations			Consolidated		
	2013	2012*	2011*	**2013**	2012*	2011*	**2013**	2012*	2011*	**2013**	2012	2011	**2013**	2012*	2011*	**2013**	2012	2011	**2013**	2012*	2011*	**2013**	2012*	2011*	**2013**	2012*	2011*	**2013**	2012*	2011*
Sales																														
External sales	**P88,936**	P89,448	P86,453	**P99,754**	P95,759	P89,549	**P18,559**	P17,566	P18,943	**P72,212**	P73,910	P70,737	**P459,102**	P420,269	P269,116	**P6,473**	P134	P116	**P1,347**	P1,225	P238	**P1,337**	P1,048	P379	**P -**	P -	P -	**P747,720**	P699,359	P535,531
Inter-segment sales	**516**	155	179	**19**	28	42	**6,628**	6,894	5,171	**1,832**	746	708	**4,536**	4,526	4,840	**-**	-	-	**-**	-	-	**4,059**	4,227	4,401	**(17,590)**	(16,576)	(15,341)	**-**	-	-
Total sales	**P89,452**	P89,603	P86,632	**P99,773**	P95,787	P89,591	**P25,187**	P24,460	P24,114	**P74,044**	P74,656	P71,445	**P463,638**	P424,795	P273,956	**P6,473**	P134	P116	**P1,347**	P1,225	P238	**P5,396**	P5,275	P4,780	**(P17,590)**	(P16,576)	(P15,341)	**P747,720**	P699,359	P535,531
Result																														
Segment result	**P20,476**	P21,345	P18,914	**P5,510**	P5,177	P6,080	**P1,589**	P2,284	P2,127	**P20,541**	P17,123	P16,720	**P10,580**	P8,682	P15,470	**P3,868**	(P77)	(P74)	**(P239)**	(P442)	(P671)	**(P7,554)**	(P2,883)	(P2,160)	**P302**	P236	P14	**P55,073**	P51,445	P56,420
Interest expense and other financing charges																												**(30,970)**	(29,800)	(27,414)
Interest income																												**3,539**	4,253	4,617
Equity in net earnings (losses) of associates and joint venures																												**(967)**	2,638	2,777
Gain on sale of investments and property and equipment																												**41,192**	4,549	1,046
Other income (charges) - net																												**(13,439)**	12,979	(13)
Income tax expense																												**(3,700)**	(8,406)	(8,597)
Net income																												**P50,728**	P37,658	P28,836
Attributable to:																														
Equity holders of the Parent Company																												**P38,053**	P26,806	P17,720
Non-controlling interests																												**12,675**	10,852	11,116
Net Income																												**P50,728**	P37,658	P28,836

**As restated (Note 3).*

For the Years Ended December 31, 2013, 2012 and 2011

	Beverage			Food			Packaging			Energy			Fuel and Oil			Infrastructure			Telecommunications			Others			Eliminations			Consolidated		
	2013	2012*	2011*	**2013**	2012*	2011*	**2013**	2012*	2011*	**2013**	2012	2011	**2013**	2012*	2011*	**2013**	2012	2011	**2013**	2012*	2011*	**2013**	2012*	2011*	**2013**	2012*	2011*	**2013**	2012*	2011*
Other Information																														
Segment assets	**P78,069**	P86,251	P81,718	**P68,398**	P50,954	P43,627	**P33,132**	P34,094	P31,969	**P292,344**	P255,516	P260,418	**P346,524**	P267,869	P175,500	**P41,186**	P30,210	P3,141	**P11,432**	P9,977	P9,691	**P258,556**	P205,840	P230,308	**(P128,866)**	(P130,803)	(P152,050)	**P1,000,775**	P809,908	P684,322
Investments in and advances to associates and joint ventures	**720**	789	871	**-**	6,317	6,153	**3,636**	1,500	-	**6,012**	13,421	13,484	**892**	1,641	2,505	**7,465**	5,949	8,723	**7,515**	8,154	8,786	**34,414**	124,643	127,203	-	-	-	**60,654**	162,414	167,725
Goodwill and trademarks and brand names																												**41,995**	48,961	31,232
Other assets																												**42,257**	2,006	2,237
Assets held for sale																												**8,798**	9,373	2,268
Deferred tax assets																												**15,608**	10,308	9,470
Consolidated Total Assets																												**P1,170,087**	P1,042,970	P897,254
Segment liabilities	**P23,574**	P22,735	P23,889	**P15,854**	P14,617	P10,849	**P6,383**	P5,851	P5,789	**P16,941**	P13,360	P13,675	**P72,522**	P42,919	P23,017	**P31,141**	P18,631	P3,003	**P21,062**	P19,529	P18,829	**P76,109**	P102,871	P110,421	**(P135,125)**	(P146,494)	(P141,900)	**P128,461**	P94,019	P67,572
Loans payable																												**143,226**	151,097	82,342
Long-term debt																												**307,497**	224,045	211,124
Finance lease liabilities																												**195,048**	195,153	208,261
Income and other taxes payable																												**13,058**	11,123	9,039
Dividends payable and others																												**5,959**	5,621	4,174
Liabilities directly associated with assets held for sale																												**-**	-	578
Deferred tax liabilities																												**11,061**	12,975	13,232
Consolidated Total Liabilities																												**P804,310**	P694,033	P596,322
Capital expenditures	**P1,278**	P1,098	P2,952	**P1,978**	P1,957	P598	**P2,383**	P1,161	P1,347	**P4,123**	P4,772	P620	**P51,412**	P41,848	P18,794	**P69**	P7	P36	**P1,231**	P394	P72	**P3,391**	P1,680	P2,005	**P -**	P -	P -	**P65,865**	P52,917	P26,424
Depreciation and amortization of property, plant and equipment (Note 28)	**2,295**	2,312	2,103	**932**	884	895	**1,415**	1,575	1,688	**5,404**	5,194	5,432	**5,253**	4,690	3,566	**28**	12	6	**428**	537	181	**1,012**	790	707	**-**	-	-	**16,767**	15,994	14,578
Noncash items other than depreciation and amortization of property, plant and equipment	**2,106**	1,219	1,272	**1,959**	1,193	1,309	**1,057**	257	(111)	**9,724**	(8,386)	600	**3,558**	(748)	161	**1,303**	8	4	**15**	26	91	**5,701**	(3,387)	1,209	**-**	-	-	**25,423**	(9,818)	4,535
Loss (reversal) on impairment of goodwill, property, plant and equipment, and other noncurrent assets	**1,539**	(1,427)	77	-	19	6	-	348	-	-	-	-	-	-	-	**-**	-	-	**-**	-	45	**96**	1	-	**-**	-	-	**1,635**	(1,059)	128

**As restated (Note 3).*

8. Assets Held for Sale

a) Bank of Commerce (BOC)

On May 8, 2012, SMPI, together with the other stockholders of BOC, executed a Share Purchase Agreement with Commerce International Merchant Bankers (CIMB Bank), a subsidiary of CIMB Group Sdn Bhd. of Malaysia, covering the sale of up to 65,083,087 fully paid ordinary shares, equivalent to 58% equity interest in BOC for a total consideration of up to approximately P12,000. Under the provisions of the agreement, the completion of the sale is subject to certain closing conditions, inclusive of the mandatory approvals from the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) and the Bank of Negara Malaysia. On November 7, 2012, the Bank of Negara Malaysia approved CIMB Bank's proposed acquisition of BOC subject to the attainment of the relevant approvals from the BSP.

The Monetary Board of the BSP, based on its letter dated November 20, 2012, approved the proposed acquisition.

The sale, however, was not consummated in 2012 pending the compliance of certain provisions of the Share Purchase Agreement.

Accordingly, the carrying amount of the investment as of December 31, 2012 of P8,785 representing 44,817,164 common shares was reclassified to "Assets held for sale" account in the 2012 consolidated statement of financial position.

In June 2013, CIMB and SMPI have mutually decided not to proceed with the sale of BOC shares.

SMPI's management is still committed to sell its equity ownership interest, and in the process of negotiating the sale to a prospective buyer. Accordingly, the investment in BOC is still classified as part of "Assets held for sale" account in the 2013 consolidated statement of financial position.

Management determined that the carrying amount of investment in BOC as of December 31, 2013 is fully recoverable, thus, no impairment loss was recognized in 2013.

b) Petron Mega Plaza

Petron had properties consisting of office units located at Petron Mega Plaza with a total floor area of 19,686 square meters covering the 28th - 31st floors and 33rd - 44th floors and 196 parking spaces amounting to P588. During the latter part of 2012, a prospective buyer tendered an offer to purchase the said properties. The management of Petron made a counter offer in December 2012 effectively rendering the Petron Mega Plaza office units and parking spaces as assets held for sale as of December 31, 2012.

The sale was consummated during the second quarter of 2013.

As a result of the transaction, the Group 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.

c) Prestigio Realty, Inc. (Prestigio)

In 2013, SMPI entered into a memorandum of agreement for the sale of Prestigio shares to a certain individual. Management believes that the sale will push through rendering the investment as assets held for sale as of December 31, 2013.

Accordingly, the carrying amount of the investment amounting to P13 as of December 31, 2013 was reclassified to "Assets held for sale" account in the 2013 consolidated statement of financial position.

d) SMTCL

On December 27, 2011, the Parent Company through SMFBIL, signed a Share Sale and Purchase Agreement to sell its outstanding shares in SMTCL to Pepsi Thai Trading Co., for a purchase price of US$35. The sale was completed on February 15, 2012. As a result of the transaction, the Group recognized a gain of P63, included as part of "Gain on sale of investments and property and equipment" account in the 2012 consolidated statement of income.

e) PT San Miguel Yamamura Utama Indoplas (SMYUI)

In 2011, the Parent Company through SMYPIL and Nihon Yamamura Glass Co. Ltd. (NYG), entered into a non-binding Memorandum of Understanding (MOU), wherein NYG offered to buy 51% equity interest in SMYUI. On December 2, 2011, the BOD of SMYPIL unanimously accepted NYG's offer and approved the share sale transaction as contemplated in the MOU. The disposal was completed in January 2012. As a result of the transaction, the Group recognized a gain of P22, included as part of "Gain on sale of investments and property and equipment" account in the 2012 consolidated statement of income.

9. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	2013	2012*
Cash in banks and on hand		**P38,202**	P31,238
Short-term investments		**153,411**	94,269
	40, 41	**P191,613**	P125,507

**As restated (Note 3).*

Cash in banks earns 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.

10. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2013	2012*
Trade		**P66,056**	P52,454
Non-trade	*13, 39*	**91,697**	54,903
Amounts owed by related parties	*33, 35*	**18,838**	21,574
		176,591	128,931
Less allowance for impairment losses	*4*	**8,450**	6,387
	40, 41	**P168,141**	P122,544

**As restated (Note 3).*

Trade receivables are non-interest bearing and are generally on a 30 to 45-day term.

Non-trade receivables include interest receivable and receivable from employees. These are generally collectible on demand.

The movements in the allowance for impairment losses are as follows:

	Note	2013	2012
Balance at beginning of year		**P6,387**	P5,225
Charges for the year	*27*	**3,372**	575
Amounts written off		**(197)**	(125)
Acquisition of subsidiaries	*5*	**15**	545
Translation adjustments and others		**(1,127)**	167
Balance at end of year		**P8,450**	P6,387

The aging of receivables is as follows:

December 31, 2013	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P52,684**	**P58,049**	**P18,813**	**P129,546**
Past due:				
Less than 30 days	**5,905**	**1,424**	**6**	**7,335**
30-60 days	**3,337**	**4,515**	**-**	**7,852**
61-90 days	**1,385**	**3,528**	**-**	**4,913**
Over 90 days	**2,745**	**24,181**	**19**	**26,945**
	P66,056	**P91,697**	**P18,838**	**P176,591**

December 31, 2012	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P40,514	P25,959	P21,574	P88,047
Past due:				
Less than 30 days	4,083	11,675	-	15,758
30-60 days	2,931	564	-	3,495
61-90 days	1,148	798	-	1,946
Over 90 days	3,778	15,907	-	19,685
	P52,454	P54,903	P21,574	P128,931

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.

11. Inventories

Inventories consist of:

	2013	2012*
Finished goods and goods in process (including petroleum products)	**P60,232**	P58,371
Materials and supplies (including coal)	**17,815**	20,510
Containers	**1,344**	1,194
	P79,391	P80,075

**As restated (Note 3).*

The cost of finished goods and goods in process amounted to P61,068 and P58,598 as of December 31, 2013 and 2012, 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 decreased by P1,398 and P921 as of December 31, 2013 and 2012, respectively.

The cost of materials and supplies amounted to P18,636 and P21,155 as of December 31, 2013 and 2012, respectively.

Containers at cost amounted to P1,823 and P1,342 as of December 31, 2013 and 2012, 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 fair value of agricultural produce less costs to sell, which formed part of finished goods inventory, amounted to P813 and P550 as of December 31, 2013 and 2012, respectively, with corresponding costs at point of harvest amounting to P654 and P461, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P159 and P89 as of December 31, 2013 and 2012, respectively.

12. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	**2013**	2012*
Prepaid taxes and licenses		**P27,438**	P21,447
Raw land inventory and real estate projects		**3,924**	3,703
Option deposit	*13, 40, 41*	**1,110**	1,026
CIP - airport concession arrangement	*4*	**819**	652
Derivative assets	*40, 41*	**681**	91
Prepaid insurance		**361**	404
AFS financial assets - current portion	*14, 40, 41*	**358**	51
Prepaid rent		**273**	304
Financial assets at FVPL	*40, 41*	**117**	147
Others		**2,555**	3,775
		P37,636	P31,600

**As restated (Note 3).*

The Group's CIP - airport concession arrangement includes the following: (a) costs incurred on the design of the upgrade component of the development of the Boracay Airport; (b) cost of a parcel of land earmarked for such upgrade; (c) capitalized borrowing cost; (d) cost incurred for the acquisition of the right of way related to such upgrade; and (e) the present value of the IRO (Note 34). This will be transferred and recognized as cost of construction upon commencement of the construction of the new terminal and runway (Note 4). The interest expense related to the accretion of the IRO amounting to P4 in 2013, 2012 and 2011, was recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income (Note 30).

"Others" consist of advances to officers and employees and prepayments for various operating expenses.

The methods and assumptions used to estimate the fair values of financial assets at FVPL, derivative assets and AFS financial assets are discussed in Note 41.

13. Investments and Advances

Investments and advances consist of:

	Note	**2013**	2012*
Investments in Associates and Joint Ventures - at Equity			
Acquisition Cost			
Balance at beginning of year		**P157,789**	P160,362
Additions		**9,613**	21,530
Declaration of property dividends	*32*	**(44,431)**	-
Disposal		**(43,296)**	-
Reclassification to investments in subsidiaries	*5*	**(2,813)**	(3,495)
Reclassification to assets held for sale	*8*	**-**	(8,211)
Reclassification to AFS financial assets	*14*	**(35,903)**	-
Redemption		**-**	(12,899)
Others		**2,185**	502
Balance at end of year		**43,144**	157,789
Accumulated Equity in Net Earnings (Losses)			
Balance at beginning of year		**(5,210)**	(996)
Equity in net earnings (losses)		**(967)**	2,638
Dividends		**(3,857)**	(6,472)
Declaration of property dividends	*32*	**6,944**	-
Disposal		**(5,130)**	-
Redemption		**-**	945
Reclassification to investments in subsidiaries	*5*	**355**	(933)
Reclassification to assets held for sale	*8*	**-**	(574)
Reclassification to AFS financial assets	*14*	**74**	-
Share in other comprehensive income (loss)		**(304)**	370
Others		**1,256**	(188)
Balance at end of year		**(6,839)**	(5,210)
		36,305	152,579
Advances		**24,349**	9,835
		P60,654	P162,414

**As restated (Note 3).*

Investments in Associates:

a. Trustmark Holdings Corporation (Trustmark) and Zuma Holdings and Management Corporation (Zuma)

On April 3, 2012, the Parent Company through SMEII, signed Investment Agreements with the Lucio Tan Group to subscribe to the unissued common shares equivalent to 49% of the outstanding capital stock of Trustmark and Zuma for a total consideration of P21,506.

With the acquisition of the 49% equity interests in Trustmark and Zuma, SMEII indirectly owns 43.23% and 48.98% beneficial interests in Philippine Airlines, Inc. (PAL) and Air Philippines Corporation (APC), respectively, as of December 31, 2013.

PAL, the national flag carrier of the Philippines, and APC are primarily engaged in the business of air transportation for the carriage of passengers and cargo within and outside the Philippines.

b. Atlantic

On October 11, 2011, the Parent Company through SMHC, entered into a Sale and Purchase Agreement of Shares with PT Matra Sarana Arsitama, a corporation organized and existing under the laws of the Republic of Indonesia, for the purchase of 16,022,041 Class B common shares, representing 46.53% of the outstanding capital stock of Atlantic for US$132 or P5,871. Atlantic has indirect equity interests in the companies holding the concessions to construct, operate and maintain the SMMS and South Luzon Expressway.

On December 29, 2011, SMHC entered into an Option Agreement with Padma, a corporation organized and existing under the laws of Cayman Islands, for the option to purchase up to 53.47% of the outstanding capital stock of Atlantic. SMHC paid US$40 or P1,754 as option deposit for the option to purchase the shares. The option deposit was returned to SMHC on January 26, 2012.

On May 24, 2012, SMHC and Padma entered into another Option Agreement (the Agreement) for the option to acquire additional 4.47% equity interest in Atlantic and up to 100% of the outstanding capital stock of certain corporations where Padma holds ownership interest for US$25 or P1,110. The option is exercisable at any time from the execution of the Agreement or such other date as may be agreed upon by the parties in writing. The option deposit shall be returned upon the issuance of a written notice by SMHC confirming that the option shall not be exercised. The option deposit is presented as part of "Prepaid expenses and other current assets" account in the consolidated statements of financial position as of December 31, 2013 and 2012 (Note 12).

c. Fortunate Star Limited (Fortunate Star)

On December 27, 2013, the Parent Company entered into a subscription agreement with Fortunate Star, a corporation organized and existing under the Laws of Cayman Islands, for the subscription of 133,703,629 shares with par value of US$1.00 per share or a total subscription amount of US$133 or P5,821.

Fortunate Star is a company primarily engaged in the business of an investment company, act as promoters, entrepreneurs, financiers, capitalists, concessionaires, merchant, brokers, traders, dealers, agents, importers and exporters and executes all kinds of investments, financial, commercial, mercantile, trading and other operations.

d. Northern Cement Corporation (NCC)

On March 1, 2013, the Parent Company through SMYPC, completed the acquisition of 104,500,000 common shares, equivalent to 35% equity interest in NCC for P3,500.

NCC is primarily engaged in manufacturing, developing, processing, exploiting, buying and selling cement and/or other products derived therefrom.

e. Liberty Telecoms Holdings, Inc. (LTHI)

The Parent Company through Vega, has 41.48% stake in LTHI representing 643,700,669 common shares and 587,951,737 preferred shares. The preferred shares are voting, non-redeemable and participating.

LTHI, a public company listed on the PSE, is a holding company with ownership interests in telecommunication companies that offer internet broadband services.

The fair value of the Group's investment in LTHI common shares amounting to P1,056 and P1,513 as of December 31, 2013 and 2012, respectively, has been categorized as Level 1 in the fair value hierarchy based on the quoted market price of LTHI shares in active markets available at the reporting date.

The fair value of the Group's investment in LTHI preferred shares amounting to P964 and P1,382 as of December 31, 2013 and 2012, respectively, has been categorized as Level 2 in the fair value hierarchy based on inputs other than quoted prices included within Level 1 that are observable for the asset at the reporting date.

f. Top Frontier

On January 6, 2010, the Parent Company acquired a 49% stake via equity infusion in Top Frontier consisting of its subscription to 2,401,960 common shares from its unissued capital stock for P44,676. On January 7, 2010, Top Frontier issued in the name of the Parent Company 2,401,960 common shares with a par value of P100.00 per share.

On October 22, 2010, Top Frontier issued in the name of the Parent Company 2,598,040 preferred shares of Top Frontier amounting to P48,324.

The preferred shares are entitled to preferential dividends at a fixed rate per annum of 3% of the issue price which will be payable quarterly in arrears and in cash. The dividends on the preferred shares are cumulative from and after the issue date of the preferred shares.

The preferred shares are non-voting. These are redeemable in whole or in part, at the sole option of Top Frontier, equal to its issue price plus any accrued and unpaid preferential dividend, upon notice to the holders.

The preferred shares are entitled to participate and share in the retained earnings remaining after payment of the preferential dividends at the same rate as the common shares and shall have pre-emptive right to issuances or dispositions of any class of shares of Top Frontier.

On June 18, 2012, Top Frontier redeemed a total of 693,500 preferred shares out of the 2,598,040 preferred shares issued to the Parent Company, at a total redemption price of P12,899. As a result of the transaction, the Group recognized a gain amounting to P945 included as part of "Gain on sale of investments and property and equipment" account in the 2012 consolidated statement of income.

On July 16, 2013, the BOD and stockholders of Top Frontier approved the stock split of Top Frontier's common shares via change in par value from P100.00 per share to P1.00 per share. As a result of such stock split, the Parent Company's investment in Top Frontier's common shares increased from 2,401,960 shares to 240,196,000 shares.

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 (1) common share of Top Frontier for every ten (10) common shares of the Parent Company. Fractional shares below 10 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 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 32).

As a result of the dividend distribution, the remaining investment in 2,561,031 common shares and 1,904,540 preferred shares of Top Frontier amounting to P35,829 were reclassified to "Available-for-sale financial assets" account in the 2013 consolidated statement of financial position (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 32).

On December 18, 2013, the PSE approved the application for the listing by way of introduction of all the common shares of Top Frontier. The shares were listed on the PSE on January 13, 2014.

The fair value of Top Frontier shares applied a combination of the following approaches below:

Net Asset Value (NAV) Method. The NAV method bases the valuation of an entity's equity on the net realizable value of its assets less its liabilities and preferred stockholdings. The values based on the most recent audited financial statements, adjusted to reflect current market value, were used as basis for the NAV.

Relative Valuation Method - Price-to-Book Value (PBV) Approach. To estimate the fair value of shares under this method, the net book value of an entity to be used, and the determination of the appropriate price-to-book value multiple to be used, were determined. To arrive at an entity's equity shares fair value, the computed net assets is multiplied by the selected PBV multiple.

In determining the appropriate book value, the most recent available financial statements were used. The net book value is obtained by deducting the reported total liabilities from an entity's total assets.

A representative PBV multiple was derived by evaluating the PBV multiples of comparable entities. The entity's comparability is typically assessed in terms of business activity, industry grouping, capitalization, asset structure, turnover level, and growth trends.

The fair market value of Top Frontier shares has been categorized as Level 2 in the fair value hierarchy based on the inputs used in the valuation techniques.

g. Meralco

On May 14, 2012, the Group received the stock certificates for the property dividend from Meralco consisting of 1,042,801,676 common shares of stock of Rockwell Land Corporation with a book value of P1,522. The shares received from Meralco as property dividends were sold through the PSE at P2.01 per share on July 27, 2012. As a result of the sale, the Group recognized a gain of P571, included as part of "Gain on sale of investments and property and equipment" account in the 2012 consolidated statement of income.

On July 19, 2013, the Parent Company sold 64,333,330 shares of common stock in Meralco at P270.00 per share. As a result of the sale, the Group recognized a gain of P9,706, included as part of "Gain on sale of investments and property and equipment" account in the 2013 consolidated statement of income.

On September 30, 2013, the Parent Company, together with SMPFC and SMC Global, entered into a Share Purchase Agreement with JG Summit Holdings, Inc. (JG Summit), for the sale of the remaining 305,689,397 shares of stock of Meralco for P71,837. The sale is subject to the satisfaction of certain closing conditions, which were satisfied by all of the parties on December 11, 2013.

As of December 31, 2013, the Group received P40,400 as payments and the remaining balance amounting to P31,437 is included as part of "Non-trade" under "Trade and other receivables" account in the 2013 consolidated statement of financial position (Note 10). The remaining balance was paid by JG Summit on March 25, 2014.

As a result of the sale, the Group recognized a gain of P30,717, included as part of "Gain on sale of investments and property and equipment" account in the 2013 consolidated statement of income.

Investments in 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 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%. The acquisition was funded through advances made by GSMI to GBHL, which has an existing loan agreement with SWL for the same amount.

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, GSMI group's share in TGT increased from 40% to 44.9%. The acquisition was funded through advances made by GSMI to GBHL which has an existing loan agreement with SWL for the same amount.

Advances:

a. SMPI provided US dollar-denominated deposits to Primeria Commercio Holdings, Inc. (PCHI), a future investee of SMPI, amounting to P800 and P794 as of December 31, 2013 and 2012, respectively. The deposits will be applied against future stock subscriptions of SMPI to the shares of stock of PCHI.

b. In 2011, Vega has made deposits to a telecommunications company, a future investee, amounting to P5,958 as of December 31, 2013 and 2012, to be applied against future stock subscriptions.

c. In 2013, SMC Global and SMEC made deposits to land holding companies for the purchase of parcels of land.

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 associates and joint ventures which are accounted for using the equity method are as follows:

	December 31, 2013								December 31, 2012									
	Trustmark and Zuma	Atlantic	Fortunate Star	NCC	LTHI	TGT and TSML**	Others	Total	Trustmark and Zuma	Atlantic	LTHI	Top Frontier	Meralco	PIDC*	PAHL*	TGT and TSML**	Others	Total
Country of incorporation	Philippines	Netherlands	Cayman Islands	Philippines	Philippines	Thailand			Philippines	Netherlands	Philippines	Philippines	Philippines	Philippines	Hong Kong	Thailand		
Percentage of ownership	49.00%	46.53%	20.00%	35.00%	41.48%	44.90%			49.00%	46.53%	41.48%	49.00%	33.19%	35.00%	33.00%	44.90%		
Share in net income (loss)	(P3,219)	P275	P -	P206	(P600)	(P75)	P2,446	(P967)	(P2,645)	P126	(P632)	(P166)	P5,648	P1	(P68)	(P53)	P427	P2,638
Share in other comprehensive income (loss)	-	(393)	-	-	(39)	6	122	(304)	-	184	-	-	7	-	-	(30)	209	370
Share in total comprehensive income (loss)	(P3,219)	(P118)	P -	P206	(P639)	(P69)	P2,568	(P1,271)	(P2,645)	P310	(P632)	(P166)	P5,655	P1	(P68)	(P83)	P636	P3,008
Dividends received from associates	P -	P -	P -	P70	P -	P -	P3,787	P3,857	P -	P -	P -	P1,860	P4,520	P -	P -	P -	P92	P6,472
Carrying amount of investments in associates and joint ventures	P15,642	P7,287	P5,821	P3,636	P1,557	P720	P1,642	P36,305	P18,861	P3,142	P2,196	P76,364	P47,575	P1,545	P866	P789	P1,241	P152,579

The following are the unaudited condensed financial information of the Group's material investments and associates and joint ventures:

	December 31, 2013					December 31, 2012							
	Trustmark and Zuma	Atlantic	NCC	LTHI	TGT and TSML**	Trustmark and Zuma	Atlantic	LTHI	Top Frontier	Meralco	PIDC*	PAHL*	TGT and TSML**
Current assets	P28,477	P7,407	P2,061	P889	P1,319	P17,853	P7,993	P1,153	P763	P92,243	P5,789	P2,414	P1,372
Noncurrent assets	97,608	57,498	3,325	3,208	1,536	81,723	58,001	4,247	165,805	124,830	6,174	3,130	1,636
Current liabilities	(80,385)	(6,930)	(699)	(5,251)	(642)	(50,556)	(17,162)	(4,921)	(10,895)	(59,518)	(1,210)	(2,393)	(720)
Noncurrent liabilities	(41,135)	(50,840)	(141)	(368)	(609)	(36,523)	(32,043)	(456)	(26,098)	(89,828)	(6,937)	(1,802)	(532)
Net assets (liabilities)	P4,565	P7,135	P4,546	(P1,522)	P1,604	P12,497	P16,789	P23	P129,575	P67,727	P3,816	P1,349	P1,756
Sales	P85,045	P11,534	P4,022	P447	P1,124	P85,024	P10,870	P587	P -	P285,270	P -	P4,897	P1,220
Net income (loss)	(P6,924)	P4,590	P760	(P1,446)	(P167)	(P5,892)	P1,034	(P1,523)	(P339)	P17,158	(P69)	(P130)	(P119)
Other comprehensive income (loss)	-	(1,341)	-	(96)	-	-	726	-	-	26	-	-	-
Total comprehensive income (loss)	(P6,924)	P3,249	P760	(P1,542)	(P167)	(P5,892)	P1,760	(P1,523)	(P339)	P17,184	(P69)	(P130)	(P119)

** Reclassified to investments in subsidiaries in 2013 (Note 5).*
*** Accounted for using the equity method as a result of the adoption of PFRS 11 (Note 3).*

14. Available-for-Sale Financial Assets

Available-for-sale financial assets consist of:

	Note	2013	2012
Equity securities	*13*	**P41,347**	P505
Government and other debt securities		**815**	804
Proprietary membership shares and others		**244**	312
	4, 40, 41	**42,406**	1,621
Less current portion	*12*	**358**	51
	40, 41	**P42,048**	P1,570

Equity Securities

Indophil Resources NL (Indophil). The Parent Company through Coastal View Exploration Corporation (Coastal View), a subsidiary of SMHC, has approximately 3.99% equity interest in Indophil.

Indophil is an Australian company listed in the Australian Stock Exchange, which owns a 37.5% beneficial interest in Sagittarius Mines, Inc. (SMI). SMI has the rights to the Tampakan gold and copper mine in South Cotabato.

The fair value of the investment in Indophil amounted to P314 and P491 as of December 31, 2013 and 2012, respectively.

Government Securities

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 6% to 8.875% in 2013 and 2012.

Ovincor's ROP9 Bonds are maintained at the HSBC Bank Bermuda Limited and carried at fair value with fixed annual interest rates of 8.250% to 8.875%.

The fair value of Ovincor's ROP9 Bonds amounted to P630 and P625 as of December 31, 2013 and 2012, respectively.

The methods and assumptions used to estimate the fair value of AFS financial assets are discussed in Note 41.

15. Property, Plant and Equipment

Property, plant and equipment consist of:

	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Machinery and Equipment	Telecommunications Equipment	Transportation Equipment	Tools and Small Equipment	Office Equipment, Furniture and Fixtures	Molds	Leasehold Improvements	Construction in Progress	Total
Cost														
January 1, 2012*	P16,214	P32,524	P214,319	P37,810	P6,070	P86,054	P7,394	P10,870	P2,494	P4,797	P809	P1,550	P21,007	P441,912
Additions	627	216	-	116	1,348	2,253	190	1,501	209	360	236	44	45,817	52,917
Disposals/reclassifications/ acquisition of subsidiaries	6,044	8,002	-	11,298	7,159	(1,615)	(58)	(86)	(136)	185	(338)	114	(164)	30,405
Currency translation adjustments	(221)	(1,020)	-	(480)	(301)	(1,582)	-	(33)	(35)	(64)	(4)	(2)	(15)	(3,757)
December 31, 2012*	22,664	39,722	214,319	48,744	14,276	85,110	7,526	12,252	2,532	5,278	703	1,706	66,645	521,477
Additions	1,999	6,554	7,441	1,086	2,130	4,883	228	591	226	272	474	415	39,566	65,865
Disposals/reclassifications/ acquisition of subsidiaries	778	334	-	(255)	(789)	2,479	(759)	(116)	(9)	(206)	(354)	50	2,361	3,514
Currency translation adjustments	33	894	-	73	52	2,280	-	47	57	20	6	5	(78)	3,389
December 31, 2013	**25,474**	**47,504**	**221,760**	**49,648**	**15,669**	**94,752**	**6,995**	**12,774**	**2,806**	**5,364**	**829**	**2,176**	**108,494**	**594,245**
Accumulated Depreciation and Amortization														
January 1, 2012*	2,581	12,074	10,628	18,579	4,221	48,465	5,406	2,939	1,805	3,716	638	655	-	111,707
Additions	146	1,378	5,185	2,337	977	3,886	444	817	191	342	195	96	-	15,994
Disposals/reclassifications/ acquisition of subsidiaries	(51)	3,857	-	7,510	4,132	(809)	(30)	(98)	(144)	244	(220)	(12)	-	14,379
Currency translation adjustments	(12)	(376)	-	(330)	(178)	(684)	-	(28)	(27)	(55)	(3)	(2)	-	(1,695)
December 31, 2012*	2,664	16,933	15,813	28,096	9,152	50,858	5,820	3,630	1,825	4,247	610	737	-	140,385
Additions	137	1,547	5,312	2,364	1,175	4,151	338	952	221	343	106	121	-	16,767
Disposals/reclassifications/ acquisition of subsidiaries	24	(129)	-	(226)	(687)	619	(714)	(159)	60	(215)	(261)	291	-	(1,397)
Currency translation adjustments	(13)	286	-	51	33	838	-	3	(7)	13	4	3	-	1,211
December 31, 2013	**2,812**	**18,637**	**21,125**	**30,285**	**9,673**	**56,466**	**5,444**	**4,426**	**2,099**	**4,388**	**459**	**1,152**	**-**	**156,966**
Accumulated Impairment Losses														
January 1, 2012	385	3,812	-	-	-	7,007	45	13	20	41	-	-	-	11,323
Additions (reversals) for the year	-	(1,502)	-	-	-	(4)	-	-	-	-	-	1	-	(1,505)
Disposals/reclassifications/ acquisition of subsidiaries	-	(48)	-	-	-	(14)	-	-	(6)	(1)	-	-	-	(69)
Currency translation adjustments	-	(235)	-	-	-	(404)	-	(1)	(1)	(3)	-	-	-	(644)
December 31, 2012	385	2,027	-	-	-	6,585	45	12	13	37	-	1	-	9,105
Additions for the year	-	388	-	-	-	1,145	-	-	4	2	-	-	-	1,539
Disposals/reclassifications/ acquisition of subsidiaries	(119)	-	-	-	-	(6)	(45)	(1)	-	-	-	-	-	(171)
Currency translation adjustments	-	248	-	-	-	721	-	1	1	3	-	-	-	974
December 31, 2013	**266**	**2,663**	**-**	**-**	**-**	**8,445**	**-**	**12**	**18**	**42**	**-**	**1**	**-**	**11,447**
Carrying Amount														
December 31, 2012*	P19,615	P20,762	P198,506	P20,648	P5,124	P27,667	P1,661	P8,610	P694	P994	P93	P968	P66,645	P371,987
December 31, 2013	**P22,396**	**P26,204**	**P200,635**	**P19,363**	**P5,996**	**P29,841**	**P1,551**	**P8,336**	**P689**	**P934**	**P370**	**P1,023**	**P108,494**	**P425,832**

*As restated (Note 2).

Total depreciation, amortization and impairment losses/reversals recognized in profit or loss amounted to P18,306, P14,489 and P14,681 in 2013, 2012 and 2011, respectively (Notes 28 and 32). These amounts include annual amortization of capitalized interest amounting to P15, P14 and P13 in 2013, 2012 and 2011, respectively.

The Group has interest amounting to P3,618 and P895 which were capitalized in 2013 and 2012, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization range from 5.59% to 6.3131% and 5.65% to 5.71% in 2013 and 2012, respectively. The unamortized capitalized borrowing costs amounted to P3,711 and P999 as of December 31, 2013 and 2012, respectively.

The combined carrying amounts of power plants, machinery and equipment and transportation equipment under finance lease amounted to P193,356 and P198,561 as of December 31, 2013 and 2012, respectively (Notes 4 and 34).

- Davao PET Plant

  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. As a result of the transaction, 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.

- SMVCL

  On February 23, 2012, SMVCL sold its building and land use rights in Amata Industrial Zone, Vietnam for US$12. As a result of the transaction, the Group recognized a gain amounting to P256 included as part of "Gain on sale of investments and property and equipment" account in the 2012 consolidated statement of income.

- PTSMIFB

  On September 28, 2012, PTSMIFB sold its land use rights, building and machinery for US$27. As a result of the transaction, the Group recognized a gain amounting to P45 included as part of "Gain on sale of investments and property and equipment" account in the 2012 consolidated statement of income.

- Sumilao Property

  Land and land improvements include a 144-hectare property in Sumilao, Bukidnon, acquired by SMFI in 2002, which later became the subject of a petition for revocation of conversion order filed by MAPALAD, a group of Sumilao farmers, with the Department of Agrarian Reform (DAR), and appealed to the Office of the President (OP). Total acquisition and development costs amounted to P37.

  To settle the land dispute, a Memorandum of Agreement (MOA) was executed among SMFI, MAPALAD, OP and DAR on March 29, 2008. The MOA provided for the release of a 50-hectare portion of the property to qualified farmer-beneficiaries, and the transfer of additional 94 hectares outside of the property to be negotiated with other Sumilao landowners. Under the MOA, SMFI shall retain ownership and title to the remaining portion of the property for the completion and pursuit of the hog farm expansion.

  SMFI fully complied with all the provisions of the MOA in the last quarter of 2010. To formally close the pending cases filed by MAPALAD with the Supreme Court and OP, SMFI forwarded in November 2010 to the Sumilao farmers' counsels the draft of the Joint Manifestation and Motion for Dismissal of the cases pending with the Supreme Court and the OP for their concurrence. Pursuant to the Joint Manifestation and Motion for Dismissal dated March 3, 2011 filed by SMFI and NQSR Management and Development Corporation, the original owner of the Sumilao property, the Supreme Court and the OP, in a Resolution dated March 15, 2011 and in an Order dated April 6, 2011, respectively, dismissed the appeal of MAPALAD on the DAR's denial of their petition for the revocation of the conversion order. The allowable period for MAPALAD to appeal the decision of the OP and the Supreme Court has prescribed as of March 27, 2014.

16. Investment Property

The movements in investment property are as follows:

	Note	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Tools and Small Equipment	Construction in Progress	Total
Cost							
January 1, 2012		P1,513	P1,525	P1,017	P9	P398	P4,462
Additions		61	7	2	-	313	383
Reclassifications		616	37	80	-	129	862
Transferred to assets held for sale	*8*	-	(928)	-	-	-	(928)
Acquisition of subsidiaries	*5*	411	1	-	-	-	412
Currency translation adjustments		(20)	(22)	-	-	-	(42)
December 31, 2012		2,581	620	1,099	9	840	5,149
Additions		11	3	-	-	789	803
Reclassifications		(299)	(116)	(634)	(9)	2	(1,056)
Disposals		(12)	-	-	-	-	(12)
Currency translation adjustments		25	27	-	-	-	52
December 31, 2013		**2,306**	**534**	**465**	**-**	**1,631**	**4,936**
Accumulated Depreciation and Amortization							
January 1, 2012		100	503	924	9	-	1,536
Additions		9	111	42	-	-	162
Reclassifications		-	-	24	-	-	24
Transferred to assets held for sale	*8*	-	(350)	-	-	-	(350)
Currency translation adjustments		(3)	(8)	-	-	-	(11)
December 31, 2012		106	256	990	9	-	1,361
Additions		8	16	21	-	-	45
Disposals/reclassifications		(18)	(77)	(565)	(9)	-	(669)
Currency translation adjustments		5	10	-	-	-	15
December 31, 2013		**101**	**205**	**446**	**-**	**-**	**752**
Accumulated Impairment Losses							
January 1, 2012		41	35	-	-	-	76
Disposals/reclassifications		(31)	(33)	-	-	-	(64)
Currency translation adjustments		(2)	(2)	-	-	-	(4)
December 31, 2012 and 2013		**8**	**-**	**-**	**-**	**-**	**8**
Carrying Amount							
December 31, 2012		P2,467	P364	P109	P -	P840	P3,780
December 31, 2013		**P2,197**	**P329**	**P19**	**P -**	**P1,631**	**P4,176**

No impairment loss was recognized in 2013, 2012 and 2011.

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 2013, 2012 and 2011.

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 annually.

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%.

The fair value of investment property amounting to P6,434 and P6,078 as of December 31, 2013 and 2012, respectively, has been categorized as Level 2 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

17. Biological Assets

Biological assets consist of:

	Note	2013	2012
Current:			
Growing stocks		**P3,086**	P3,502
Goods in process		**341**	290
		3,427	3,792
Noncurrent:			
Breeding stocks - net	*4*	**1,911**	1,932
		P5,338	P5,724

The amortization of breeding stocks recognized in profit or loss amounted to P1,524, P1,311 and P1,186 in 2013, 2012 and 2011, respectively (Note 28).

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	2013	2012
Cost			
Balance at beginning of year		**P6,213**	P6,295
Increase (decrease) due to:			
Production		**38,170**	37,093
Purchases		**996**	812
Mortality		**(657)**	(740)
Sales		**(5,186)**	(5,849)
Harvest		**(32,252)**	(30,195)
Reclassifications		**(1,288)**	(1,085)
Currency translation adjustments		**40**	(118)
Balance at end of year		**6,036**	6,213
Accumulated Amortization			
Balance at beginning of year		**489**	359
Additions	*28*	**1,524**	1,311
Disposals		**(26)**	(91)
Reclassifications		**(1,288)**	(1,085)
Currency translation adjustments		**(1)**	(5)
Balance at end of year		**698**	489
Carrying Amount		**P5,338**	P5,724

The Group harvested approximately 472.5 million and 443.5 million kilograms of grown broilers in 2013 and 2012, respectively, and 0.86 million and 0.97 million heads of marketable hogs and cattle in 2013 and 2012, respectively.

18. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

	2013	2012*
Goodwill	**P41,752**	P48,724
Other intangible assets	**36,032**	34,075
	P77,784	P82,799

The movements in goodwill are as follows:

	Note	2013	2012*
Balance at beginning of year		**P48,724**	P30,990
Additions	*5, 38*	**1,572**	19,554
Disposals		**(8,783)**	-
Adjustments on the fair value of total identifiable net assets at the time of acquisition	*5*	**-**	(1,282)
Currency translation adjustments and others		**239**	(538)
Balance at end of year		**P41,752**	P48,724

**As restated (Note 3).*

The movements in other intangible assets with indefinite useful lives are as follows:

	Licenses	Trademarks and Brand Names	Total
Cost			
January 1, 2012	P7,044	P432	P7,476
Currency translation adjustments	(57)	(19)	(76)
December 31, 2012	6,987	413	7,400
Currency translation adjustments	18	23	41
December 31, 2013	**7,005**	**436**	**7,441**
Accumulated Impairment Losses			
January 1, 2012	-	190	190
Currency translation adjustments	-	(14)	(14)
December 31, 2012	-	176	176
Currency translation adjustments	-	17	17
December 31, 2013	**-**	**193**	**193**
Carrying Amount			
December 31, 2012	P6,987	P237	P7,224
December 31, 2013	**P7,005**	**P243**	**P7,248**

The movements in other intangible assets with finite useful lives are as follows:

	Note	Toll Road Concession Rights	Leasehold Rights	Land Use Rights	Mineral Rights and Evaluation Assets	Airport Concession Right	Licenses	Project Development Cost	Others	Total
Cost										
January 1, 2012*		P -	P -	P1,727	P1,997	P203	P176	P -	P1,198	P5,301
Additions and acquisition of subsidiaries	*5, 38*	29,039	1,915	-	-	93	176	-	481	31,704
Disposals and reclassifications		-	(58)	(202)	(10)	(1)	(83)	-	366	12
Currency translation adjustments		-	(78)	(114)	-	-	-	-	(21)	(213)
December 31, 2012*		29,039	1,779	1,411	1,987	295	269	-	2,024	36,804
Additions and acquisition of subsidiaries	*5, 6, 38*	13,312	-	-	13,218	393	6	11,040	94	38,063
Disposals and reclassifications		(29,039)	(1,749)	-	(13,485)	229	(56)	-	(16)	(44,116)
Currency translation adjustments		-	-	141	-	-	(1)	-	17	157
December 31, 2013		**13,312**	**30**	**1,552**	**1,720**	**917**	**218**	**11,040**	**2,119**	**30,908**
Accumulated Amortization and Impairment Losses										
January 1, 2012		-	-	441	-	11	69	-	718	1,239
Additions and acquisition of subsidiaries	*5, 38*	8,438	16	30	-	9	25	-	151	8,669
Disposals and reclassifications		-	-	(11)	-	(7)	7	-	96	85
Currency translation adjustments		-	-	(28)	-	-	-	-	(12)	(40)
December 31, 2012		8,438	16	432	-	13	101	-	953	9,953
Additions and acquisition of subsidiaries	*5, 38*	803	-	33	-	12	21	-	253	1,122
Disposals and reclassifications	*6*	(8,983)	(16)	-	-	-	-	-	(4)	(9,003)
Currency translation adjustments		-	-	45	-	-	-	-	7	52
December 31, 2013		**258**	**-**	**510**	**-**	**25**	**122**	**-**	**1,209**	**2,124**
Carrying Amount										
December 31, 2012*		P20,601	P1,763	P979	P1,987	P282	P168	P -	P1,071	P26,851
December 31, 2013		**P13,054**	**P30**	**P1,042**	**P1,720**	**P892**	**P96**	**P11,040**	**P910**	**P28,784**

**As restated (Note 3).*

Airport concession right represents the present value of the annual franchise fee payable to the ROP over 25 years, discounted using 9% internal borrowing rate, net of accumulated amortization (Notes 4, 12, 23 and 34).

Toll road concession rights represent the costs incurred for the construction of the toll roads (Notes 4 and 34).

Project development costs consist of capitalized expenditures related to the NAIA Expressway Project (Notes 6 and 34).

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:

	2013			2012		
	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	**P31,412**	**P -**	**P -**	P31,057	P -	P -
Infrastructure	**3,556**	**-**	**-**	11,065	-	-
Food	**2,945**	**229**	**-**	2,927	225	-
Packaging	**2,053**	**-**	**-**	1,895	-	-
Beverage	**999**	**1,798**	**-**	993	1,778	-
Telecommunications	**726**	**5,221**	**-**	726	5,221	-
Energy	**-**	**-**	**1,720**	-	-	1,987
Others	**61**	**-**	**-**	61	-	-
Total	**P41,752**	**P7,248**	**P1,720**	P48,724	P7,224	P1,987

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections 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 2013 and 2012. 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.

No impairment losses were recognized in 2013, 2012 and 2011.

The recoverable amount of trademarks and brand names has been determined based on a valuation using cash flow projections 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 rate applied to after tax cash flow projections ranged from 6.6% to 21.4% and 7.4% to 16% in 2013 and 2012, respectively. 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.

No impairment loss was recognized in 2013. Reversal (loss) on impairment amounted to P3 and (P3) in 2012 and 2011, respectively (Note 32).

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 investments 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	2013	2012*
Noncurrent receivables and deposits - net	*33, 35, 39, 40, 41*	**P25,297**	P17,069
Deferred containers - net	*4*	**7,950**	6,214
Retirement assets	*35*	**6,737**	3,870
Noncurrent prepaid rent		**5,039**	5,175
Restricted cash	*40, 41*	**1,800**	-
Noncurrent prepaid input tax		**1,768**	403
Idle assets	*4*	**1,066**	906
Deferred exploration and development costs	*4, 34*	**526**	232
Others		**2,885**	1,420
		P53,068	P35,289

**As restated (Note 3).*

Noncurrent receivables and deposits include amounts owed by related parties amounting to P19,994 and P11,147 as of December 31, 2013 and 2012, respectively (Note 33) and the costs related to the capitalized expenditures for the development of the Metro Rail Transit Line 7 (MRT 7) Project amounting to P2,393 and P2,135 as of December 31, 2013 and 2012, respectively (Note 34).

Restricted cash represents: (i) SPI's Cash Flow Waterfall Accounts with a local bank amounting to P626 as part of the provisions in the Omnibus Loan and Security Agreement; and (ii) amounts deposited in an escrow account amounting to P1,174 in connection with the MOA entered into by PVEI and Korea Water Resources Corporation (K-Water) on August 23, 2013. The MOA requires, among others, the set-up of a joint venture partnership for the acquisition, rehabilitation, operation and maintenance of the Angat Hydroelectric Power Plant awarded by PSALM to K-Water.

20. Loans Payable

Loans payable consist of:

	Note	2013	2012*
Parent Company			
Peso-denominated		**P7,750**	P9,325
Subsidiaries			
Peso-denominated		**114,246**	96,700
Foreign currency-denominated		**21,230**	45,072
	40, 41	**P143,226**	P151,097

**As restated (Note 3).*

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 0.50% to 6.50% and from 3.25% to 5.75% in 2013 and 2012, respectively. Interest rates for foreign currency-denominated loans range from 1.16% to 13.78% and from 3.28% to 14.19% in 2013 and 2012, respectively.

Loans payable include interest bearing amounts payable to a related party amounting to P2,775 and P3,558 as of December 31, 2013 and 2012, respectively (Note 33).

Loans payable of the Group are not subject to covenants and warranties.

21. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	2013	2012*
Trade		**P71,288**	P54,887
Non-trade		**37,013**	20,596
Accrued interest payable		**2,414**	2,141
Payables on the purchase of shares of stock	*5*	**1,337**	808
Amounts owed to related parties	*33*	**1,297**	596
Derivative liabilities	*40, 41*	**455**	315
Retirement liabilities	*35*	**100**	103
Current portion of IRO	*4*	**16**	11
Subscriptions payable		**-**	769
Others		**3,570**	4,397
	40, 41	**P117,490**	P84,623

**As restated (Note 3).*

Trade payables are non-interest bearing and are generally on a 30 to 45-day term.

Non-trade payables include freight payable, contract growers/breeders' fees, guarantee deposits, utilities, rent and other expenses payable to third parties.

"Others" include accruals for payroll, 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 41.

22. Long-term Debt

Long-term debt consists of:

	2013	2012*
Parent Company		
Unsecured term notes:		
Foreign currency-denominated:		
Floating interest rate based on LIBOR plus margin, with maturities in various dates through 2018 (a)	**P72,641**	P40,444
Fixed interest rate of 4.875% with maturities up to 2023 (b)	**35,034**	-
Fixed interest rate of 2% with maturities up to 2014 (c)	**9,511**	24,133
Peso-denominated:		
Floating interest rate based on PDST-F plus margin, with maturities up to 2015 (d)	**8,649**	9,047
	125,835	73,624
Subsidiaries		
Bonds:		
Peso-denominated:		
Fixed interest rate of 8.875% and 10.50% maturing in 2014 and 2019, respectively (e)	**25,078**	25,015
Fixed interest rate of 6.05%, 5.93% and 6.60% maturing in 2017, 2019 and 2022, respectively (f)	**19,837**	19,813
Foreign currency-denominated:		
Fixed interest rate of 7% maturing in 2016 (g)	**13,247**	12,210

Forward

	2013	2012*
Unsecured term notes:		
Peso-denominated:		
Fixed interest rate of 7% maturing in 2017 (h)	**P19,859**	P19,830
Fixed interest rate of 6.3131% with maturities up to 2023 (i)	**12,117**	-
Fixed interest rate of 8.14% and 9.33% maturing in 2014 and 2016, respectively (j)	**9,782**	9,810
Fixed interest rate of 6.3212% and 7.1827% with maturies up to 2018 and 2021, respectively (k)	**3,498**	3,530
Fixed interest rate of 6.175% and 6.145% maturing in 2016 (l)	**1,500**	1,500
Fixed interest rate of 7.25% maturing in 2014 (m)	**1,269**	1,268
Fixed interest rate of 7.89% and 7.25% maturing in 2015 (n)	**812**	1,239
Fixed interest rate of 5.4885% maturing in 2015 (o)	**797**	796
Fixed interest rate of 8.5% maturing in 2017 (p)	**-**	8,488
Floating interest rate based on PDST-F plus margin, with maturities up to 2021 (q)	**6,941**	-
Floating interest rate based on PDST-F plus margin, maturing in 2015 (o)	**3,686**	3,680
Floating interest rate based on PDST-F plus margin or BSP overnight rate plus margin, whichever is higher, with maturities up to 2019 (r)	**3,486**	3,482
Floating interest rate based on PDST-F plus margin, with maturities up to 2022 (s)	**2,344**	751
Floating interest rate based on PDST-F plus margin, with maturities up to 2023 (t)	**2,064**	-
Floating interest rate based on PDST-F plus margin or BSP overnight rate, whichever is higher, with maturities up to 2018 (u)	**572**	686
Foreign currency-denominated:		
Floating interest rate based on LIBOR plus margin, with maturities up to 2018 (v)	**21,725**	8,184
Floating interest rate based on LIBOR plus margin, with maturities up to 2017 (w)	**21,069**	10,921
Floating interest rate based on LIBOR plus margin, with maturities up to 2016 (x)	**11,979**	11,922
Floating interest rate based on LIBOR plus margin, with maturities up to 2015 (y)	**-**	6,069
Floating interest rate based on LIBOR plus margin, with maturities up to 2015 (z)	**-**	1,227
	181,662	150,421
	307,497	224,045
Less current maturities	**42,807**	3,164
	P264,690	P220,881

**As restated (Note 3).*

a. The amount represents drawdown by the Parent Company on April 29, 2013, to pay in full and refinance the US$1,000 loan availed of in 2010. Also, the Parent Company availed of US$300, US$200 and US$170 loan, on June 13, August 14 and November 5, 2013, respectively, to be used for general corporate purposes and to fund infrastructure investments.

   Unamortized debt issue costs amounted to P1,499 and P606 as of December 31, 2013 and 2012, respectively.

b. The amount represents the drawdown of US$800 Notes (the "Notes") issued on April 19, 2013, from the Parent Company's US$2,000 Medium Term Note Programme which was listed on the Singapore Exchange Securities Trading Limited (SGX-ST) on the same date. The Notes bear interest at the rate of 4.875% per annum, payable semi-annually in arrears every 26th of April and October of each year.

   Unamortized debt issue costs amounted to P482 as of December 31, 2013.

c. The amount represents the balance of the Parent Company's US$600 Exchangeable Bonds (the "Bonds") issued on May 5, 2011 and listed on the SGX-ST on the same date. The Bonds bear interest at the rate of 2.00% per annum, payable semi-annually in arrears, every 5th of May and November of each year, with the first interest payment made on November 5, 2011. Unless the Bonds have been previously redeemed, repurchased, cancelled or exchanged, the Parent Company will redeem the Bonds at its principal amount on May 5, 2014.

   The Bonds are exchangeable for common shares from the treasury shares of the Parent Company (Note 25). The number of common shares to be delivered in exchange of a Bond will be determined by dividing the principal amount of the Bond to be exchanged (translated into Philippine Peso at the fixed rate of P43.34=US$1.00) by the initial exchange price of P137.50 per share, subject to adjustment in certain circumstances.

   Pursuant to the resolution of the BOD of the Parent Company authorizing management to refinance its existing financial obligations under such terms and conditions which are favorable and advantageous to the Parent Company, the Parent Company solicited the bondholders' consent to tender their bonds for repurchase. On various dates in 2013, the Parent Company has repurchased 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, shown as part of "Other income (charges)" account in the 2013 consolidated statement of income (Note 32).

   A total of US$22 and US$5.6 worth of exchangeable bonds representing 8,717,014 and 2,176,055 common shares of the Parent Company were exchanged at issue prices ranging from P108.43 to P113.24 as of December 31, 2013 and 2012, respectively (Note 25).

   Unamortized bond issue costs amounted to P25 and P267 as of December 31, 2013 and 2012, respectively.

d. The amount represents drawdown of various loans in 2009 and 2010 by the Parent Company used for general financing and corporate requirements.

   Unamortized debt issue costs amounted to P1 and P3 as of December 31, 2013 and 2012, respectively.

e. The amount represents SMB's peso-denominated fixed rate bonds (Bonds) worth P38,800 which were sold to the public pursuant to a registration statement that was rendered effective by the SEC on March 17, 2009 and are listed on the Philippine Dealing & Exchange Corp. (PDEx) for trading.

The Bonds were issued in three (3) series: Series A Bonds with a fixed interest rate of 8.25% per annum; Series B Bonds with a fixed interest rate of 8.875% per annum; and Series C Bonds with a fixed interest rate of 10.50% per annum.

In February 2012, SMB obtained the consent of bondholders representing 76.92% of the aggregate principal amount of the P38,800 Bonds to maintain a minimum interest coverage ratio of 4.75:1 in lieu of a minimum current ratio of 1:1.

The Series A bonds with an aggregate principal amount of P13,590 matured on April 3, 2012 and was accordingly redeemed by SMB on the said date.

Unamortized debt issue costs amounted to P33 and P97 as of December 31, 2013 and 2012, respectively.

f. The amount represents SMB's peso-denominated fixed rate bonds (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 (3) 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 of the Bonds 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 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 P163 and P187 as of December 31, 2013 and 2012, respectively.

g. The amount represents US$300, 7%, 5-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 P71 and P105 as of December 31, 2013 and 2012, respectively.

h. The amount represents P20,000 peso-denominated notes issued by Petron in 2010. 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. 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.

Unamortized debt issue costs amounted to P141 and P171 as of December 31, 2013 and 2012, respectively.

i. The amount represents P12,300 drawdown by SPI on September 30, 2013 from the P13,800, 10-year term loan facility agreement with syndicate of banks with fixed interest rate of 6.3131%. The proceeds of the loan were used for the acquisition of the 2 x 35 MW Co-Generation Solid Fuel-Fired Power Plant (Power Plant Phase 1) and all other pertinent machinery, equipment, facilities and structures being constructed and installed which comprise the additional 2 x 35 MW Co-Generation Solid Fuel-Fired Power Plant (Power Plant Phase 2) in Limay, Bataan, from Petron. The drawdown includes payable to BOC amounting to P3,120 as of December 31, 2013.

Unamortized debt issue costs amounted to P183 as of December 31, 2013.

j. The amount represents Fixed Rate Corporate Notes (FXCN) issued by Petron amounting to P5,200 and P4,800. The P5,200 five-year notes bear a fixed rate of 8.14% per annum with one-time payment of principal in June 2014. The P4,800 seven-year notes bear a fixed rate of 9.33% per annum with 6 principal payments of P48 per year commencing in June 2010 and a one-time payment of P4,512 in June 2016.

Unamortized debt issue costs amounted to P26 and P46 as of December 31, 2013 and 2012, respectively.

k. The amount represents FXCN issued by Petron in 2011 consisting of Series A Notes amounting to P690 having a maturity of 7 years from the issue date and Series B Notes amounting to P2,910 having a maturity of 10 years from the issue date. The Notes 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 P30 and P33 as of December 31, 2013 and 2012, respectively.

l. The amount represents drawdown by SMCSLC in 2011, from a local bank, which was used for working capital requirements.

m. The amount represents syndicated loans obtained by SMYAC which were used for capital expenditures.

Unamortized debt issue costs amounted to P1 and P2 as of December 31, 2013 and 2012, respectively.

n. The amount represents drawdown by GSMI, from a local bank, which was used for working capital requirements.

Unamortized debt issue costs amounted to P2 and P4 as of December 31, 2013 and 2012, respectively.

o. 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 5 years and 1 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.

Unamortized debt issue costs amounted to P17 and P24 as of December 31, 2013 and 2012, respectively.

p. The amount represents CMMTC's syndicated loans amounting to P8,721 in 2012. The syndicated loans were entered into by CMMTC with various banks which were used to finance CMMTC's capital expenditures. As discussed in Notes 5 and 6, CMMTC was sold to AAIPC on September 27, 2013 which resulted in the derecognition of CMMTC balances.

Unamortized debt issue costs amounted to P233 as of December 31, 2012.

q. The amount represents the drawdown by PIDC amounting to P7,000 from the P11,500 loan facility agreement with local banks, which were used to finance the TPLEX Project (Note 5).

Unamortized debt issue costs amounted to P59 as of December 31, 2013.

r. The amount represents drawdown from the loan agreement entered into by SMYPC with BOC on October 11, 2012 amounting to P3,500 used for general financing and corporate requirements maturing on October 11, 2019.

Unamortized debt issue costs amounted to P14 and P18 as of December 31, 2013 and 2012, respectively.

s. The amount represents series of drawdowns amounting to P1,601 and P755 in 2013 and 2012, respectively, 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 twenty-eight quarterly installments commencing on the twelfth quarter.

Unamortized debt issue costs amounted to P12 and P4 as of December 31, 2013 and 2012, respectively.

t. The amount represents drawdown of P2,090 by SIDC from the P3,500 loan facility agreement used to refinance its existing debt and to finance the construction and development of Stage II, Phase II of the STAR Project (Note 5).

Unamortized debt issue costs amounted to P26 as of December 31, 2013.

u. 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).

v. The balance in 2013 represents the drawdown of US$500 5-year term loan from the US$650 facility agreement which SMC Global has drawn in September 2013. While the balance in 2012 represents the US$200, syndicated 3-year term loan which SMC Global has drawn on September 30, 2011. The loan proceeds in 2013 were used to refinance SMC Global's existing US$200 3-year term loan and to finance new investments in power-related assets. On November 15, 2013, the US$650 facility agreement was amended to extend the credit line limit to US$700.

Unamortized debt issue costs amounted to P473 and P26 as of December 31, 2013 and 2012, respectively.

w. The amount represents a five-year term loan facility signed by Petron on October 31, 2012, amounting to US$485 with a syndicate of nine banks. An initial drawdown of US$100 was made on November 9, 2012. Subsequent drawdown of US$35 and US$140 were made in December 2012. The remaining balance of US$210 was drawn in January 2013. The proceeds were used partly to finance the capital expenditure requirements of RMP-2 Project. Amortization in seven equal amounts will start in November 2014, with final amortization due in November 2017.

Unamortized debt issue costs amounted to P463 and P367 as of December 31, 2013 and 2012, respectively.

x. The amount represents the US$480 term loan facility signed and executed by Petron on September 30, 2011. The first 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. A partial payment of US$180 was made on June 29, 2012 and another partial payment of US$26 on October 30, 2013. The facility is amortized over 5 years with a 2-year grace period and is subject to a floating interest rate plus a fixed spread. The loan proceeds were used to finance the capital expenditure requirements of the RMP-2 Project.

Unamortized debt issue costs amounted to P198 and P393 as of December 31, 2013 and 2012, respectively.

y. The amount represents an unsecured loan facility agreement entered into by SMB with an aggregate amount of US$300, used to finance SMB's acquisition of the international beer and malt-based beverage business from the Parent Company. Interest rates for the foreign currency-denominated loan range from 2.31% to 2.40% and from 2.33% to 2.41% in 2012 and 2011, respectively.

On April 13, 2012, SMB made a partial prepayment of its US$300 Term Facility in the amount of US$100. A subsequent partial prepayment was made on April 27, 2012 in the amount of US$50. SMB fully paid the remaining outstanding amount of US$150 on November 27, 2013.

Unamortized debt issue costs amounted to P89 as of December 31, 2012.

z. The amount represents US$30 long-term loan drawn by SMBHK from BOC for working capital requirements (Note 33).

SMBHK prepaid in full the US$30 loan from BOC on September 19, 2013.

Unamortized debt issue costs amounted to P4 as of December 31, 2012.

Long-term debt includes interest-bearing amounts payable to a related party amounting to P8,976 and P5,487 as of December 31, 2013 and 2012, respectively (Note 33).

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, 2013 and 2012.

The movements in debt issue costs are as follows:

	Note	**2013**	2012
Balance at beginning of year		**P2,679**	P2,555
Additions		**3,204**	1,132
Amortization	*30*	**(1,322)**	(1,234)
Reclassification, capitalized and others		**(642)**	226
Balance at end of year		**P3,919**	P2,679

Repayment Schedule
The annual maturities of long-term debt are as follows:

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2014	P43,088	P281	P42,807
2015	26,914	686	26,228
2016	35,190	381	34,809
2017	32,931	249	32,682
2018 and thereafter	173,293	2,322	170,971
Total	**P311,416**	**P3,919**	**P307,497**

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 40.

23. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	Note	**2013**	2012*
Retirement liabilities	*35*	**P7,466**	P6,746
Retention payable		**3,913**	1,787
ARO	*4*	**1,004**	997
Cash bonds		**363**	360
Cylinder deposits		**210**	213
Obligation to ROP - service concession agreement	*4, 18, 34*	**73**	74
IRO	*4*	**63**	45
Redeemable preferred shares	*4*	**13**	13
Payables on the purchase of shares of stock	*5*	**-**	1,108
Others		**514**	427
	40, 41	**P13,619**	P11,770

**As restated (Note 3).*

Redeemable preferred shares 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.

"Others" include amounts owed to related parties amounting to P49 and P66 as of December 31, 2013 and 2012, respectively (Note 33).

24. Income Taxes

Deferred tax assets and liabilities arise from the following:

	2013	2012*
Allowance for impairment losses on trade and other receivables and inventory	**P3,611**	P2,222
NOLCO	**1,994**	2,026
MCIT	**446**	519
Undistributed net earnings of foreign subsidiaries	**(3,361)**	(5,395)
Unrealized intercompany charges and others	**1,857**	(2,039)
	P4,547	(P2,667)

The above amounts are reported in the consolidated statements of financial position as follows:

	Note	**2013**	2012*
Deferred tax assets	*4*	**P15,608**	P10,308
Deferred tax liabilities		**(11,061)**	(12,975)
		P4,547	(P2,667)

The undistributed earnings of foreign subsidiaries and cumulative translation adjustments for which deferred tax liabilities have not been recognized amounted to P4,246 and P6,023 as of December 31, 2013 and 2012, respectively.

As of December 31, 2013, 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**
2011	December 31, 2014	P1,241	P66
2012	December 31, 2015	1,379	157
2013	December 31, 2016	4,028	223
		P6,648	**P446**

The components of income tax expense are shown below:

	2013	2012*	2011*
Current	**P11,712**	P9,248	P12,240
Deferred	**(8,012)**	(842)	(3,643)
	P3,700	P8,406	P8,597

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2013	2012*	2011*
Statutory income tax rate	**30.00%**	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subject to final tax	**(1.95%)**	(2.77%)	(3.70%)
Equity in losses (net earnings) of associates and joint ventures	**0.53%**	(1.72%)	(2.23%)
Gain on sale of investments subject to final or capital gains tax	**(22.44%)**	(2.57%)	(0.22%)
Others, mainly income subject to different tax rates - net	**0.66%**	(4.69%)	(0.89%)
Effective income tax rate	**6.80%**	18.25%	22.96%

**As restated (Note 3).*

25. Equity

a. *The following are the significant developments:*

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.

Exchange of Capital Stock

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 (1) common share for one (1) 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.

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.

Series "2" Preferred Shares

On June 26, 2012, the Parent Company filed with the SEC a Notice of Filing of Registration Statement for the registration of up to 1,067,000,000 Series "2" Preferred Shares with par value of P5.00 per share, to be offered by way of public offering, inclusive of shares for oversubscription.

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 37,892 common stockholders as of December 31, 2013.

The movements in the number of issued and outstanding shares of common stock are as follows:

	Note	**2013**	2012	2011
Issued and outstanding shares at beginning of year		**3,281,546,290**	3,279,334,575	3,268,594,254
Issuances during the year	*39*	**1,210,453**	2,211,715	10,740,321
Issued shares at end of year		**3,282,756,743**	3,281,546,290	3,279,334,575
Less treasury shares		**905,761,960**	908,892,669	910,303,273
Issued and outstanding shares at end of year		**2,376,994,783**	2,372,653,621	2,369,031,302

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 October 3, 2011 and December 8, 2010, the Parent Company listed 97,333,000 and 873,173,353 Series "1" preferred shares worth P7,300 and P65,488, 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. The redemption took effect on October 5, 2012 and accordingly, the proceeds of the shares and all accumulated unpaid cash dividends were paid on the same date to stockholders of record as of September 11, 2012.

II. Series "2" Preferred Shares

Series "2" preferred shares consisting of 1,067,000,000 shares were fully subscribed at the issue price of P75.00 per share. The Series "2" preferred shares were issued in three sub-series (Subseries "2-A," Subseries "2-B" and Subseries "2-C") and are 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% and 8.000% per annum for Subseries "2-A," "2-B" and "2-C," respectively.

Bulk of the proceeds from the issuance of Series "2" preferred shares were used by the Parent Company to redeem the Series "1" preferred shares as well as for general corporate purposes, including short-term debt repayment.

On September 28, 2012, the Parent Company listed the Series "2" preferred shares on the PSE.

The Parent Company has 1,067,000,000 outstanding Series "2" preferred shares and has a total of 860 preferred stockholders as of December 31, 2013.

c. *Treasury Shares*

Treasury shares consist of:

	2013	2012	2011
Common	**P67,166**	P67,336	P67,441
Preferred	**72,788**	72,788	-
	P139,954	P140,124	P67,441

I. Common Shares

The movements in the number of common shares held in treasury are as follows:

	Note	**2013**	2012	2011
Number of shares at beginning of year		**908,892,669**	910,303,273	938,648,724
Cancellation of ESPP	*39*	**3,410,250**	-	-
Reissuance of treasury shares during the year		**-**	-	(27,580,000)
Conversion of exchangeable bonds	*22*	**(6,540,959)**	(1,410,604)	(765,451)
Number of shares at end of year		**905,761,960**	908,892,669	910,303,273

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 latest 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 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 common shares of 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 will be 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 various dates in 2013 and 2012, additional 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 P108.43 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 8,717,014 and 2,176,055 common shares were issued to the bondholders of the Parent Company's exchangeable bonds as of December 31, 2013 and 2012, respectively (Note 22).

5. In 2013, a total of 3,410,250 common shares under the ESPP were cancelled and reverted to treasury (Note 39).

II. Series "1" Preferred Shares

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 and were no longer outstanding but remained issued as of December 31, 2013.

d. *Unappropriated Retained Earnings*

The Group's unappropriated retained earnings includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures amounting to P40,435, P45,872 and P44,486 in 2013, 2012 and 2011, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,166, P67,336 and P67,441 in 2013, 2012 and 2011, respectively, representing the cost of common shares held in treasury.

e. *Appropriated Retained Earnings*

The BOD of certain subsidiaries approved additional appropriations amounting to P1,015, P5,904 and P18,650 in 2013, 2012 and 2011, respectively, to finance future capital expenditure projects. Reversal of appropriations amounted to P4, P3,000 and P6 in 2013, 2012 and 2011, respectively.

26. Cost of Sales

Cost of sales consists of:

	Note	**2013**	2012*	2011*
Inventories		**P497,909**	P468,379	P315,224
Taxes and licenses		**36,550**	30,803	30,219
Energy fees		**31,269**	33,150	30,263
Depreciation, amortization and impairment	*28*	**14,094**	13,115	12,571
Fuel and oil		**10,448**	13,269	11,947
Freight, trucking and handling		**10,300**	7,890	5,942
Contracted services		**8,670**	7,476	6,592
Communications, light and water		**5,975**	5,560	5,215
Personnel	*29*	**5,481**	4,984	4,543
Power purchase		**3,929**	4,452	4,416
Repairs and maintenance		**3,387**	3,421	2,252
Rent	*4, 34*	**655**	754	877
Others		**2,944**	2,009	2,078
		P631,611	P595,262	P432,139

**As restated (Note 3).*

27. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	2013	2012*	2011*
Selling	**P29,892**	P28,972	P24,158
Administrative	**31,144**	23,680	22,814
	P61,036	P52,652	P46,972

Selling expenses consist of:

	Note	2013	2012*	2011*
Freight, trucking and handling		**P8,286**	P7,727	P6,649
Advertising and promotions		**6,952**	7,085	5,492
Personnel	*29*	**6,884**	6,892	5,845
Depreciation, amortization and impairment	*28*	**2,679**	2,239	1,426
Rent	*4, 34*	**2,398**	2,232	1,649
Taxes and licenses		**634**	524	484
Professional fees		**499**	487	313
Communications, light and water		**470**	396	347
Supplies		**209**	422	897
Others		**881**	968	1,056
		P29,892	P28,972	P24,158

Administrative expenses consist of:

	Note	2013	2012*	2011*
Personnel	*29*	**P12,376**	P11,416	P10,536
Depreciation, amortization and impairment	*28*	**4,615**	4,635	3,384
Impairment losses on receivables	*4, 10*	**3,372**	575	1,017
Professional fees		**2,206**	2,013	2,079
Taxes and licenses		**1,712**	1,119	1,197
Advertising and promotion		**1,027**	1,105	1,178
Communications, light and water		**915**	744	625
Supplies		**873**	682	436
Repairs and maintenance		**775**	833	689
Freight, trucking and handling		**306**	269	333
Rent	*4, 34*	**262**	33	43
Research and development		**113**	119	146
Others	*39*	**2,592**	137	1,151
		P31,144	P23,680	P22,814

**As restated (Note 3).*

"Others" consist of entertainment and amusement, gas and oil, and other administrative expenses.

28. Depreciation, Amortization and Impairment

Depreciation, amortization and impairment are distributed as follows:

	Note	2013	2012*	2011*
Cost of sales:				
Property, plant and equipment	*7, 15*	**P12,179**	P11,970	P11,382
Deferred containers, biological assets and others	*17, 19*	**1,915**	1,145	1,189
	26	**14,094**	13,115	12,571
Selling and administrative expenses:				
Property, plant and equipment	*7, 15*	**4,626**	4,024	3,196
Deferred containers and others	*19, 32*	**2,668**	2,850	1,614
	27	**7,294**	6,874	4,810
		P21,388	P19,989	P17,381

**As restated (Note 3).*

"Others" include amortization of computer software, land use rights, licenses and investment property.

29. Personnel Expenses

Personnel expenses consist of:

	Note	2013	2012*	2011*
Salaries and wages		**P11,900**	P10,979	P10,042
Retirement costs	*35*	**1,362**	1,108	652
Other employee benefits		**11,479**	11,205	10,230
		P24,741	P23,292	P20,924

Personnel expenses are distributed as follows:

	Note	2013	2012*	2011*
Cost of sales	*26*	**P5,481**	P4,984	P4,543
Selling expenses	*27*	**6,884**	6,892	5,845
Administrative expenses	*27*	**12,376**	11,416	10,536
		P24,741	P23,292	P20,924

**As restated (Note 3).*

30. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	Note	2013	2012*	2011*
Interest expense		**P27,191**	P26,852	P25,663
Other financing charges	*12*	**3,779**	2,948	1,751
		P30,970	P29,800	P27,414

Amortization of debt issue costs included in "Other financing charges" amounted to P1,322, P1,234 and P753 in 2013, 2012 and 2011, respectively (Note 22).

Interest expense on loans payable, long-term debt and finance lease liabilities is as follows:

	Note	2013	2012*	2011*
Loans payable	*20*	**P6,114**	P5,411	P7,382
Long-term debt	*22*	**10,093**	10,110	6,750
Finance lease liabilities	*34*	**10,984**	11,331	11,531
		P27,191	P26,852	P25,663

**As restated (Note 3).*

31. Interest Income

Interest income consists of:

	Note	2013	2012*	2011*
Interest from short-term investments, cash in banks and others		**P2,446**	P2,730	P3,544
Interest on amounts owed by related parties	*33, 35*	**1,093**	1,523	1,073
		P3,539	P4,253	P4,617

**As restated (Note 3).*

32. Other Income (Charges)

Other income (charges) consists of:

	Note	2013	2012*	2011*
Gain on declaration of property dividend	*13*	**P4,812**	P -	P -
Gains (losses) on derivatives - net	*41*	**2,448**	(1,270)	182
PSALM monthly fees reduction		**872**	918	445
Loss on redemption of exchangeable bonds	*22*	**(1,500)**	-	-
Foreign exchange gains (losses)	*40*	**(19,436)**	11,373	(824)
Reversal (loss) on impairment of property, plant and equipment, trademarks and brand names and idle assets (a)	*15, 18, 19*	**(1,501)**	1,060	(36)
Others (b, c)		**866**	898	220
		(P13,439)	P12,979	(P13)

**As restated (Note 3).*

a. *Reversal (Loss) on Impairment of Property, Plant and Equipment, Trademarks and Brand Names and Idle Assets.*

SMBHK and San Miguel (Guangdong) Brewery Company Limited (SMGB)
The Group has determined that no further impairment losses, nor reversals of previously recognized impairment losses are required as of December 31, 2013. The recoverable amount, which is the value in use, exceeds the carrying amount.

SMBHK. In 2012, there was a change in the estimates used to determine the SMBHK cash-generating unit's (SMBHK CGU) recoverable amount as the Group was able to determine fair value less cost to sell based on a reliable estimate of the amount obtainable from the sale of most of the assets belonging to the SMBHK CGU under an arm's length transaction between knowledgeable and willing parties, due to recent comparable transaction data becoming available. The fair value less costs to sell of the SMBHK CGU was greater than the value-in-use as of December 31, 2012. Hence, the Group determined the recoverable amount based on the fair value less costs to sell and reversed a part of previously recognized impairment losses in respect of the SMBHK CGU to the extent that the revised carrying amount of individual assets does not exceed the smaller of: (i) the fair value less costs to sell as of December 31, 2012; and (ii) what would have been determined had no impairment loss been recognized in prior years.

The estimates of the cash-generating unit's fair value less costs to sell were determined by reference to the observable market prices for similar assets. In estimating this amount, the Group engaged an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited, that has among its staff, members of the Hong Kong Institute of Surveyors.

Also in 2012, the Group noted an increase in the investment property's recoverable amount, mainly arising from an increase in the fair value less costs to sell, which exceeded the relevant carrying amount. Hence, the Group reversed previously recognized impairment losses on the investment property to the extent that the revised carrying amount does not exceed the smaller of: (i) the fair value less costs to sell as of December 31, 2012; and (ii) what would have been determined had no impairment loss been recognized in prior years.

The estimates of the investment property's fair value less costs to sell were determined by reference to the observable market prices for similar assets. In estimating this amount, the Group engaged an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited, that has among its staff, members of the Hong Kong Institute of Surveyors.

A reversal of an impairment loss was made to the carrying amount that would have been determined had no impairment loss been recognized in prior years with respect to interests in leasehold land held for own use under operating leases, as there has been a favorable change in the estimates used to determine the recoverable amount.

In 2011, the Group's results in Hong Kong were fairly consistent with the forecasts made in 2010. The Group assessed the recoverable amounts of the SMBHK CGU as of December 31, 2011 and determined that neither further impairment loss nor a reversal of previous impairment loss was necessary.

Key assumptions used for value in use calculation are as follows:

	2011
Sales volume growth rate	1.10 - 12.40%
Gross contribution rate	38 - 41%
Pre-tax discount rate	9.75%

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 the SMBHK CGU has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

SMGB. In 2012, the Group noted that fierce market competition resulted in the decline in the demand for its products in mainland China compared to previous sales forecasts. Consequently, operating losses were incurred. These factors are indications that noncurrent assets of the operations in mainland China, comprising mainly of the production plant located in Shunde, Guangdong Province and other tangible assets may be impaired. The Group recognized an impairment loss amounting to P20 in 2012.

The estimates of recoverable amount were based on the assets' fair values less costs to sell, determined by reference to the observable market prices for similar assets. In estimating this amount, the Group engaged an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited, that has among its staff, members of the Hong Kong Institute of Surveyors.

Based on the Group's assessment of the recoverable amounts of the CGUs to which these assets belong, the carrying amounts of the assets in the CGUs were written down (up) by (P1,428) and P30, included as part of "Other income (charges)" account, in 2012 and 2011, respectively.

SMGB has determined that no further impairment losses nor reversals of previously recognized impairment losses are required as of December 31, 2013. The recoverable amount, which is the value in use, exceeds the carrying amount.

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 profit or loss in 2013.

b. On January 11, 2011, SMPI entered into a contract with the Philippine Foundation of Blessed Mary Mother of the Poor, Inc. (the Foundation), a non-profit religious organization, for the donation of a 33-hectare parcel of land located in Alfonso, Cavite (the Donated Property). The land title of the Donated Property was transferred in the name of the Foundation on April 28, 2011.

In accordance with the Deed of Donation, the Donated 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 will consist of a 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 non-profit activities and programs 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 Donated Property will revert back to SMPI.

On February 8, 2012, SMPI received a letter from the Foundation conveying its intention of returning a portion of the Donated Property.

As of December 31, 2013, the Foundation has not yet started with the development of the Montemaria Project.

On February 24, 2014, the Board of Trustees of the Foundation had resolved to return the donated property to SMPI.

c. "Others" consist of 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.

33. 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		**2013**	**P -**	**P -**	**P5,659**	**P -**	On demand; Non-interest bearing	Unsecured; No impairment
Retirement plans	*10, 19, 35*	**2013**	**25**	**-**	**22,604**	**-**	On demand; Interest bearing	Unsecured; No impairment
		2012	-	-	21,601	-		
		2011	-	-	29,139	-		
Associates	*10, 19, 21*	**2013**	**11,078**	**332**	**10,173**	**1**	On demand; Non-interest bearing	Unsecured; No impairment
		2012	53,210	481	10,680	62		
		2011	33,013	494	7,741	60		
	20, 22	**2013**	**-**	**-**	**-**	**11,751**	Less than 1 to 10 years; Interest bearing	Unsecured and secured
		2012	-	-	-	9,045		
		2011	-	-	-	3,360		
JVC	*19, 21*	**2013**	**-**	**137**	**325**	**28**	On demand; Non-interest bearing	Unsecured; No impairment
		2012	-	45	233	25		
		2011	-	-	215	-		
Shareholders in subsidiaries	*10, 21, 23*	**2013**	**-**	**36**	**61**	**239**	On demand; Non-interest bearing	Unsecured; No impairment
		2012	-	34	183	557		
		2011	-	-	19	-		
Others	*10, 21, 23*	**2013**	**10**	**-**	**10**	**1,078**	On demand; Non-interest bearing	Unsecured; No impairment
		2012	-	-	24	18		
		2011	51	1,487	728	266		
Total		**2013**	**P11,113**	**P505**	**P38,832**	**P13,097**		
Total		2012*	P53,210	P560	P32,721	P9,707		
Total		2011*	P33,064	P1,981	P37,842	P3,686		

**As restated (Note 3).*

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.

c. The amounts owed to associates include interest bearing loans to BOC included 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	2013	2012	2011
Short-term employee benefits		**P489**	P447	P475
Share-based payments	*39*	**10**	17	29
Retirement benefits	*35*	**(15)**	(251)	(52)
		P484	P213	P452

e. Some of the personnel performing key management functions in certain subsidiaries are employed by the Parent Company. This is covered by a management agreement executed by and between the Parent Company and the subsidiaries. The salaries and benefits of these personnel are billed to the subsidiaries through management fees, with details as follows:

	Note	2013	2012	2011
Short-term employee benefits		**P31**	P31	P7
Share-based payments	*39*	**12**	22	25
Retirement costs	*35*	**2**	1	-
		P45	P54	P32

34. 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 Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province
SPPC	Ilijan Natural Gas - Fired Combined Cycle Power Plant (Ilijan Power Plant)	Ilijan, Batangas City

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 Agreement and further confirms that as long as it remains the IPP Counterparty, 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 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 generation 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 fifteen years until October 1, 2024, eighteen years until April 26, 2028 and twelve years until June 26, 2022, respectively.

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, 2014, January 25, 2014 and June 16, 2014, respectively. Subsequently, the performance bond of SPDC was renewed up to January 25, 2015.

License granted by the Energy Regulatory Commission (ERC)
On August 22, 2011, SMELC was granted a Retail Electricity Supplier's (RES) License by the ERC pursuant to Section 29 of the RA No. 9136 or the Electricity Power Industry Reform Act of 2001 (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.

b. *Market Participation Agreements (MPA)*

SMEC, SPDC and SPPC have entered into 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 ERC.

In March 2013, 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, 2014, 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 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 per kilowatt hour (kWh) while others are billed at capacity-based rate. However, as stipulated in the contracts, each 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. In 2013, 2012 and 2011, all customers are above their minimum contracted power requirements.

SMEC and SPPC purchases replacement power from WESM and other power generation companies during periods when the power generated from the power plant is not sufficient to meet customers' power requirements.

d. *Coal Supply Agreements*

SMEC and SPI have supply agreements with various coal suppliers for their power plants' coal requirements.

e. *Operations and Maintenance (O&M) Agreements*

In exchange for the O&M services rendered by Petron, SPI pays for all the documented costs and expenses incurred in relation to the operation, maintenance and repair of the power plant.

f. *Retail Supply Agreements*

SMELC have retail supply agreements with related parties to supply or sell electricity purchased from WESM and SMEC. All agreements provide for renewals or extensions subject to mutually agreed terms and conditions of the parties.

The customers are billed based on the capacity charge and associated energy charge. However, as stipulated in the contracts, each customer has to pay the minimum charge based on the contracted power using the capacity charge and associated energy and/or adjustments if customer has not fully taken or failed to consume the contracted power. In 2013, all customers are above their minimum contracted power requirements.

SMELC purchases power from WESM and SMEC to meet customers' power requirements.

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.

The Concession Agreement include, among others, the following rights and obligations: i) SMC Global shall organize and establish Albay Power and Energy Corp. (APEC), a fully-owned and controlled subsidiary which shall assume all the rights and interests and perform the obligations of SMC Global under the Concession Agreement. The assignment by SMC Global to APEC is effective January 3, 2014; ii) 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; iii) 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 P4,048; iv) on the 20th anniversary of the Concession Agreement, the concession period may be extended by mutual agreement between ALECO and APEC; and v) at the end of the concession period, all assets and system shall be returned by APEC to ALECO in good and usable condition. Additions and improvements to the system shall likewise be transferred to ALECO.

h. *MOA with San Roque Power Corporation (SRPC)*

On December 6, 2012, SPDC entered into a 5-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)*

Daguma Agro-Minerals, Inc.'s (DAMI) coal property covered by COC No. 126, issued by the Department of Energy (DOE) located in South Cotabato consists of two coal blocks with a total area of two thousand hectares, more or less, and has an In-situ coal resources (measured plus indicative coal resources) of about forty-nine million metric tons as of February 16, 2014 based on exploratory drilling and additional in-fill drilling.

Sultan Energy Phils. Corp (SEPC) has a coal property and right over an aggregate area of seven thousand hectares, more or less composed of seven coal blocks located in South Cotabato and Sultan Kudarat. As of February 16, 2014, COC No. 134 has an In-situ coal resources (measured plus indicative coal resources) of about twenty-one million metric tons based on exploratory drilling and confirmatory drilling.

Bonanza Energy Resources, Inc.'s (BERI) 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 eight thousand hectares, more or less, and has an In-situ coal resources (measured plus indicative coal resources) of about nine hundred forty thousand metric tons as of February 16, 2014, based on initial exploratory drilling conducted by BERI's geologists in Sarangani Province. The exploratory drilling to be conducted on four coal blocks of BERI located in South Cotabato is projected to contain thirty million metric tons based on a geological setting and initial exploratory drilling.

Status of Operations
In 2008 and 2009, 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.*

In May 2011, DAMI, SEPC and BERI separately wrote a letter to the DOE requesting for a moratorium on suspension of the implementation of the production timetable as specified in the Five-Year Development and Productive Work Progress of COC Nos. 126, 134 and 138 due to the newly enacted Environment Code of South Cotabato. This local ordinance prohibits open pit mining and other related activities, hence, constrained these companies into implementing the production timetable without violating this local ordinance. On April 27, 2012, the DOE granted DAMI, SEPC and BERI's request for a moratorium on their work commitments from the effective dates of their respective COCs when these were converted to Development/Production Phase until December 31, 2012.

On December 27, 2012, DAMI, SEPC and BERI submitted separately their Five-Year Work Program (WP) to the DOE. The DOE, however, imposed certain requirements before it can further process the WP. On August 8, 2013, DAMI, SEPC and BERI resubmitted the Five-Year WP to the DOE with the accompanying documents pursuant to DOE's requirements. As of March 27, 2014, the WP is still pending approval by the DOE.

- **Fuel and Oil**

Supply Agreement
Petron has assigned all its rights and obligations to Petron Singapore Trading Pte. Ltd. (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 October 28, 2008 to October 27, 2009 with automatic one-year extensions thereafter unless terminated at the option of either party, within sixty 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, 2013 and 2012 (Note 21). The contract is extended until December 31, 2014.

Petron Malaysia has a service level agreement with Concord Energy Ltd. (Concord Energy). Under this agreement, Concord Energy shall act as Petron Malaysia's commercial trader in relation to all spot and term purchase of Crude Oil and all spot and term sale of Low Sulfur Waxy Residue from Port Dickson Refinery.

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**

Concession Agreements

o TADHC

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 CA with the ROP, through the Department of Transportation and Communication (DOTC) and Civil Aviation Authority of the Philippines. Based on the CA, 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 CA 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 twenty-five 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 CA.

After fulfillment of all contractual and legal requirements, the CA became effective on December 7, 2009. The Notice to Commence Implementation (NCI) issued to TADHC by the DOTC was accepted by TADHC on December 18, 2009.

The following are the salient features of the CA:

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. TADHC has yet to pay the OMPS as of December 31, 2013 and 2012, since it is payable only after the completion of the construction of the Airport Project.

3. Immediately upon receiving the NCI and provided all conditions precedent in the CA are fulfilled and 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 leveraged to the loan obtained from third party.

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 2013 and 2012, 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 first 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.

The CA may be renewed or extended for another twenty-five 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 CA, TADHC presently operates the Boracay Airport. TADHC completed the rehabilitation of the existing airport terminal building and facilities on June 25, 2011. Also, various pre-construction work is currently being done for the new terminal and extension of the runway, such as project design, clearing, acquisition of the right of way and hill shaving.

o ULC

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 (BTO) 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 CA (MRT 7 Agreement) with the ROP, through the DOTC, for a 25-year concession period, subject to extensions as may be provided for under the CA and by law. Based on the CA, ULC has been granted the right to finance, construct and operate and maintain the proposed MRT 7 Project, which consists of 44-kilometer of road and rail transportation from the Bocaue exit on the North Luzon Expressway to LRT 1 and Metro Rail Transit 3 at North Avenue - Epifanio delos Santos Avenue.

The following are the salient features of the CA:

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 CA, 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 CA.

2. ULC shall post a Performance Security for Construction and 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 CA.

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 CA, 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 CA. 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 CA until the end of the concession period, which can be extended for another twenty-five 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.

Toll Concession Agreements

o TPLEX Project

PIDC entered into a concession agreement (the Agreement) with the ROP through the DPWH and TRB to finance, design, construct, operate and maintain the TPLEX Project. The TPLEX Project is a toll expressway from La Paz, Tarlac to Rosario, La Union which is approximately 88.58 kilometers. The two-lane expressway will have nine toll plazas from start to end. Under the Agreement, PIDC will:

a) finance, design and construct the TPLEX Project;
b) undertake the operations and maintenance of the TPLEX Project;
c) obtain financing on a limited recourse project finance basis; and
d) impose and collect tolls from the users of the TPLEX Project.

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 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 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.

In the event that PIDC is disallowed from charging and collecting the authorized amounts of the toll rates as prescribed in the Agreement from the users of the TPLEX Project, PIDC shall be entitled to compensation on a monthly basis based on actual traffic volume for the month, the resulting loss of revenue which would have been collected had said adjustment been implemented.

The construction period shall be for a term of 54 consecutive calendar months counted from the effectivity of the Notice to Proceed to Construct, unless mutually extended by the both parties.

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.

o STAR Project

In May and June 1996, the ROP, through the DPWH, issued an invitation to pre-qualify for the STAR Project, pursuant to the BTO variant under RA No. 6957, as amended by RA No. 7718.

On July 18, 1998, SIDC and the ROP, individually and collectively, acting by and through the DPWH and the TRB, entered into a CA covering the STAR Project.

Under the CA, the activities are defined related to the following components 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 thirty years from January 1, 2000 up to December 31, 2029.

   However, based on the CA 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 of the STAR Project, Phase I toll road. Accordingly, the concession period shall be deemed to end on December 31, 2035.

4. The financing of the STAR Project 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 CA, 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. The right-of-way shall be titled in the ROP's name regardless of the construction thereon.

o NAIA Expressway Project

On July 8, 2013, Vertex entered into a CA with the ROP, through DPWH, for a 30-year concession period subject to extensions, as may be provided for under the CA. Based on the CA, 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 kilometer (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 following are the salient features of the CA:

1. Vertex shall at all times during the concession period maintain a Leverage Ratio not exceeding eighty percent.

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 CA.

3. 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 CA's Minimum Performance Standards and Specifications, Certified Detailed Design Engineering (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.

4. If by the Completion Deadline, the Independent Consultant has not issued written notice that all conditions in the CA 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 P0.15, 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.

5. 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.

6. The equity structure of Vertex shall comply with the equity requirements set out in the CA. 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.

▪ **Telecommunications**

Franchise with National Telecommunications Commission (NTC)

o BellTel

In 1994, the Philippine Congress passed RA No. 7692 which granted a 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 eighteen months, or until April 27, 1999, to install, operate and maintain the following telecommunication services, to wit:

- 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, 2015.

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, 2015.

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 twenty-five 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

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 Local Exchange Carrier 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 (EO) No. 109 (s. 1993), which required ETPI to put up a minimum of 300,000 Local Exchange Carrier lines. TTPI is allowed to deploy Public Calling Offices in municipalities and barangays within its authorized service area in lieu of rolling out Local Exchange Carrier lines.

On January 18, 2006, the NTC granted TTPI a Certificate of Public Convenience and Necessity (CPCN) to install, operate and maintain Local Exchange Carrier 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 Local Exchange Carrier 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, NTC issued separate PAs in favor of TTPI to install, operate and maintain Local Exchange Carrier 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.

- **Properties**

SMPI-GSIS Put Option
The Put Option between SMPI and GSIS can be exercised within a period of ten years. The option exercise price is equivalent to P300 plus interest.

Any dividends declared and paid to stockholders prior to the exercise of the Put Option by GSIS will be deducted from interest provided above upon exercise of the option.

On June 7, 2011, GSIS has exercised the put option and transferred all its ownership interest to SMPI for a total consideration of P399, making SMPI-GSIS JVC a wholly-owned subsidiary of SMPI.

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 Agreement and further confirms that for as long as it remains the IPP Counterparty, 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.

Relative to the IPPA Agreements, SMEC, SPDC and SPPC have to pay PSALM monthly fees for fifteen years until October 1, 2024, eighteen years until April 26, 2028 and twelve years until June 26, 2022, respectively.

The IPPA Agreements provide the Group with a right to receive a transfer of the power station in case of buy-out or termination.

In accounting for the Group's IPPA Agreements with PSALM, the Group's management has made a judgment that the IPPA Agreement is an agreement 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 P193,319 and P195,003 as of December 31, 2013 and P198,506 and P195,102 as of December 31, 2012, 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" 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 P10,984, P11,331, and P11,531, in 2013, 2012 and 2011, respectively (Note 30).

The future minimum lease payments for each of the following periods are as follows:

2013

	Dollar Payments	**Peso Equivalent of Dollar Payments**	**Peso Payments**	**Total**
Not later than one year	**US$218**	**P9,679**	**P10,438**	**P20,117**
More than one year and not later than five years	**997**	**44,284**	**47,766**	**92,050**
Later than five years	**1,682**	**74,666**	**80,589**	**155,255**
	2,897	**128,629**	**138,793**	**267,422**
Less: Future finance charges on finance lease liabilities	**547**	**24,282**	**48,137**	**72,419**
Present values of finance lease liabilities	**US$2,350**	**P104,347**	**P90,656**	**P195,003**

2012

	Dollar Payments	Peso Equivalent of Dollar Payments	Peso Payments	Total
Not later than one year	US$212	P8,687	P10,130	P18,817
More than one year and not later than five years	960	39,397	45,954	85,351
Later than five years	1,937	79,540	92,839	172,379
	3,109	127,624	148,923	276,547
Less: Future finance charges on finance lease liabilities	636	26,118	55,327	81,445
Present values of finance lease liabilities	US$2,473	P101,506	P93,596	P195,102

The present values of minimum lease payments for each of the following periods are as follows:

2013

	Dollar Payments	**Peso Equivalent of Dollar Payments**	**Peso Payments**	**Total**
Not later than one year	**US$185**	**P8,221**	**P7,410**	**P15,631**
More than one year and not later than five years	**771**	**34,230**	**27,918**	**62,148**
Later than five years	**1,394**	**61,896**	**55,328**	**117,224**
	US$2,350	**P104,347**	**P90,656**	**P195,003**

2012

	Dollar Payments	Peso Equivalent of Dollar Payments	Peso Payments	Total
Not later than one year	US$187	P7,659	P7,778	P15,437
More than one year and not later than five years	769	31,576	28,967	60,543
Later than five years	1,517	62,271	56,851	119,122
	US$2,473	P101,506	P93,596	P195,102

b. Machinery and Equipment

The Group's finance leases cover motor vehicles, machinery and equipment needed for business operations. The agreements do not allow subleasing. The net carrying amount of the leased equipment was P37 and P55 as of December 31, 2013 and 2012, respectively (Notes 4 and 15).

The Group's share in the minimum lease payments for these finance lease liabilities are as follows:

2013

	Minimum Lease Payable	**Interest**	**Principal**
Within one year	**P27**	**P4**	**P23**
After one year but not more than two years	**22**	**-**	**22**
	P49	**P4**	**P45**

2012

	Minimum Lease Payable	Interest	Principal
Within one year	P21	P2	P19
After one year but not more than two years	35	3	32
	P56	P5	P51

- 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 between three to fourteen 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:

	2013	2012	2011
Within one year	**P322**	P340	P311
After one year but not more than five years	**544**	494	318
After five years	**43**	69	45
	P909	P903	P674

Rent income recognized in the consolidated statements of income amounted to P1,428, P1,139 and P412 in 2013, 2012 and 2011, 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 one to sixteen 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:

	2013	2012	2011
Within one year	**P1,684**	P1,418	P885
After one year but not more than five years	**4,052**	3,230	2,551
More than five years	**9,357**	7,680	7,486
	P15,093	P12,328	P10,922

Rent expense recognized in the consolidated statements of income amounted to P3,315, P3,019 and P2,569 in 2013, 2012 and 2011, respectively (Notes 4, 26 and 27).

35. Retirement Plans

The Parent Company and majority of its subsidiaries have funded, noncontributory, defined benefit retirement plans covering all of their permanent employees (collectively, the Retirement Plans). 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, 2013. 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:

	Present Value of Defined Benefit Retirement Obligation		**Fair Value of Plan Assets**		**Effect of Asset Ceiling**		**Net Defined Benefit Retirement Asset (Liability)**	
	2013	2012*	**2013**	2012*	**2013**	2012*	**2013**	2012*
Balance at beginning of year	**(P24,573)**	(P20,702)	**P25,559**	P29,208	**(P3,965)**	(P7,058)	**(P2,979)**	P1,448
Benefit asset (benefit obligation) of newly acquired and disposed subsidiaries	**36**	(905)	**-**	-	**-**	-	**36**	(905)
Recognized in profit or loss								
Service costs	**(1,205)**	(1,040)	**-**	-	**-**	-	**(1,205)**	(1,040)
Interest expense	**(1,213)**	(1,197)	**-**	-	**-**	-	**(1,213)**	(1,197)
Interest income	**-**	-	**1,239**	1,531	**-**	-	**1,239**	1,531
Interest on the effect of asset ceiling	**-**	-	**-**	-	**(183)**	(403)	**(183)**	(403)
Settlements	**-**	1	**-**	-	**-**	-	**-**	1
	(2,418)	(2,236)	**1,239**	1,531	**(183)**	(403)	**(1,362)**	(1,108)
Recognized in other comprehensive income								
Remeasurements:								
Actuarial (gains) losses arising from:								
Experience adjustments	**(583)**	(1,223)	**-**	-	**-**	-	**(583)**	(1,223)
Changes in financial assumptions	**(608)**	(718)	**-**	-	**-**	-	**(608)**	(718)
Changes in demographic assumptions	**63**	(233)	**-**	-	**-**	-	**63**	(233)
Return on plan asset excluding interest	**3,016**	(4,667)	**-**	-	**-**	-	**3,016**	(4,667)
Changes in the effect of asset ceiling	**-**	-	**-**	-	**97**	15,924	**97**	15,924
	1,128	(2,174)	**-**	-	**97**	15,924	**1,985**	(3,345)
Others								
Contributions	**-**	-	**1,356**	727	**-**	-	**1,356**	727
Benefits paid	**2,046**	1,207	**(1,977)**	(1,160)	**-**	-	**69**	47
Transfers from other plans	**(43)**	(167)	**43**	167	**-**	-	**-**	-
Transfers to other plans	**43**	167	**(43)**	(167)	**-**	-	**-**	-
Other adjustments	**24**	237	**42**	(80)	**-**	-	**66**	157
	2,070	1,444	**(579)**	(513)	**-**	-	**1,491**	931
Balance at end of year	**(P26,013)**	(P24,573)	**P29,235**	P25,559	**(P4,051)**	(P3,965)	**(P829)**	(P2,979)
				P29,208		(P7,058)		P1,448

**As restated (Note 3).*

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 P63, P57 and P73 in 2013, 2012 and 2011, respectively.

Retirement costs recognized in the consolidated statements of income by the subsidiaries amounted to P1,425, P1,165 and P725 in 2013, 2012 and 2011, respectively.

In 2013, net retirement assets and liabilities, included as part of "Other noncurrent assets" account, amounted to P6,737 (Note 19) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P100 and P7,466, respectively (Notes 21 and 23).

In 2012, net retirement assets and liabilities included as part of "Other noncurrent assets" account amounted to P3,870 (Note 19) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts amounted to P103 and P6,746, respectively (Notes 21 and 23).

The carrying amounts of the Group's retirement fund approximate fair values as of December 31, 2013 and 2012.

The Group's plan assets consist of the following:

	In Percentages	
	2013	2012
Marketable securities and shares of stock	**74.54**	71.87
Investments in pooled funds:		
Fixed income portfolio	**5.69**	5.79
Stock trading portfolio	**3.58**	3.33
Investment in real estate	**0.38**	0.38
Others	**15.81**	18.63

Investments in Marketable Securities

As of December 31, 2013, the plan assets include:

- 19,203,227 common shares, 4,046,420 Series "2", Subseries "2-A" and 32,536,970 Series "2", Subseries "2-B" preferred shares of the Parent Company with fair market value per share of P62.50, P76.15 and P76.30, respectively;
- 1,492,681,097 common shares and 2,945,000 preferred shares of Petron with fair market value per share of P13.96 and P109.00, respectively;
- 18,959,785 common shares of GSMI with fair market value per share of P23.00;
- 226,998 common shares and 54,835 preferred shares of SMPFC with fair market value per share of P238.00 and P1,045.00, respectively; and
- 33,635,700 common shares of SMB with fair market value per share of P20.00.

As of December 31, 2012, the plan assets include:

- 20,304,067 common shares, 33,586,770 Series "2", Subseries "2-A" and 38,077,020 Series "2", Subseries "2-B" preferred shares of the Parent Company with fair market value per share of P105.40, P75.00 and P75.00, respectively;
- 1,499,181,997 common shares and 2,945,000 preferred shares of Petron with fair market value per share of P10.46 and P108.00, respectively;
- 34,166,985 common shares of GSMI with fair market value per share of P17.80;
- 226,998 common shares and 54,835 preferred shares of SMPFC with fair market value per share of P244.00 and P1,018.00, respectively; and
- 32,220,400 common shares of SMB with fair market value per share of P29.30.

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 gains (losses) on the investment in marketable securities of the Parent Company and its subsidiaries amounting to P4,426 and (P4,932) in 2013 and 2012, respectively.

Dividend income from the investment in shares of stock of the Parent Company and its subsidiaries amounted to P713 and P341 in 2013 and 2012, respectively.

Investments in Shares of Stock

Investment in shares of stock includes the investment of the Retirement Plans in the common shares of BOC and PAHL, accounted for under the equity method.

a. BOC

San Miguel Corporation Retirement Plan (SMCRP) has 39.94% equity interest in BOC amounting to P8,870 and P9,500 as of December 31, 2013 and 2012, respectively, representing 44,834,286 common shares, accounted for under the equity method.

The Retirement Plan recognized its share in accumulated equity in net earnings (losses) amounting to (P630) and P467 in 2013 and 2012, respectively.

b. PAHL

Petron Corporation Employees Retirement Plan (PCERP) has an investment in PAHL with a carrying amount of P1,660 and P1,599 as of December 31, 2013 and 2012, respectively, equivalent to 54.1% equity interest, representing 273,000,000 Class A shares and 102,142,858 Class B shares.

The Retirement Plan recognized its share in accumulated equity in net earnings (losses) amounting to P61 and (P87) in 2013 and 2012, respectively.

c. BPI

As of December 31, 2013 and 2012, the Group's plan assets also include investment in BPI representing 2,386,994 preferred shares.

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 for fixed income instruments and equities. The Retirement Plan has 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 15% and 14% of the Retirement Plan's 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, 2013 and 2012, respectively.

Approximately 57% and 56% of the Retirement Plan's 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, 2013 and 2012, respectively.

Investment in Real Estate

As of December 31, 2013 and 2012, the Group Retirement Plans have investments in real estate properties.

Others

Others include the Group Retirement Plans' investment 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 retirement benefit 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 the amount of P1,686 to its defined benefit retirement plan in 2014.

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 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 plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan 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	
	2013	2012
Discount rate	**3.4 - 6.8**	3.4 - 6.8
Salary increase rate	**4.0 - 8.0**	4.0 - 8.0

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 28.18 years and 1.4 to 20 years as of December 31, 2013 and 2012, respectively.

As of December 31, 2013, 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.

	Defined Benefit Retirement Obligation	
	1 Percent Increase	1 Percent Decrease
Discount rate	(P1,215)	P1,395
Salary increase rate	1,251	(1,117)

The outstanding balances of the Group's receivables from the retirement plans are as follows:

a. Petron's advances to PCERP amounting to P16,393 and P15,517 as of December 31, 2013 and 2012, respectively, is included as part of "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% and 4% in 2013 and 2012, respectively.

b. The Parent Company has advances to SMCRP amounting to P6,208 and P5,997 as of December 31, 2013 and 2012, respectively, included as part of "Trade and other receivables" account in the consolidated statements of financial position (Note 10). The advances are subject to interest of 5.75% in 2013 and 2012.

c. GSMI has advances to Ginebra San Miguel, Inc. Retirement Plan (GSMIRP) amounting to P77 as of December 31, 2012, included as part of "Trade and other receivables" account in the consolidated statements of financial position (Note 10). The advances are subject to interest of 5.75% in 2012.

Transactions with retirement plans are made at normal market prices and terms. Outstanding balances as of December 31, 2013 and 2012 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 retirement plans for the years ended December 31, 2013, 2012 and 2011.

36. Cash Dividends

Cash dividends declared by the BOD of the Parent Company to all Series "2" - Subseries "2-A", Subseries "2-B" and Subseries "2-C" preferred shareholders, amounted to P7.03125, P7.1484375 and P7.50 per share, respectively in 2013.

On November 14, 2012, the BOD of the Parent Company declared cash dividend at P1.40625, P1.4296875 and P1.50 per share, payable on January 4, 2013 to all Series "2" - Subseries "2-A", Subseries "2-B" and Subseries "2-C" preferred shareholders, respectively, as of December 20, 2012.

Cash dividends declared by the BOD of the Parent Company to common shareholders amounted to P1.40 per share and P1.75 per share in 2013 and 2012, respectively.

Cash dividends declared by the BOD of the Parent Company to Series "1" preferred shareholders amounted to P6.00 per share in 2012.

37. Basic and Diluted Earnings Per Share

Basic and Diluted EPS is computed as follows:

	Note	2013	2012*	2011*
Income attributable to equity holders of the Parent Company		**P38,053**	P26,806	P17,720
Dividends on preferred shares for the year	*36*	**(6,106)**	(6,127)	(5,823)
Net income attributable to common shareholders of the Parent Company (a)		**P31,947**	P20,679	P11,897
Weighted average number of common shares outstanding (in millions) - basic (b)		**2,378**	2,370	2,353
Effect of dilution - common	*39*	**14**	16	16
Weighted average number of common shares outstanding (in millions) - diluted (c)		**2,392**	2,386	2,369
Earnings per common share attributable to equity holders of the Parent Company				
Basic (a/b)		**P13.43**	P8.72	P5.06
Diluted (a/c)		**13.36**	8.67	5.02

**As restated (Note 3).*

38. 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):

	2013	2012*	2011*
Trade and other receivables - net	**(P21,181)**	(P25,704)	(P9,650)
Inventories	**1,797**	(1,018)	(10,105)
Prepaid expenses and other current assets	**(2,604)**	(8,972)	(5,653)
Loans payable	**1,023**	(231)	15
Accounts payable and accrued expenses	**27,882**	7,064	5,216
Income and other taxes payable and others	**2,636**	1,469	351
	P9,553	(P27,392)	(P19,826)

b. Acquisition of subsidiaries (Note 5)

	Note	2013	2012*	2011*
Cash and cash equivalents		**P1,477**	P12,011	P463
Trade and other receivables - net		**2,450**	12,844	437
Inventories		**1,048**	13,164	19
Prepaid expenses and other current assets		**1,407**	686	137
Available-for-sale financial assets		**-**	-	4
Investments and advances - net		**-**	168	274
Property, plant and equipment - net		**3,078**	18,859	3,711
Investment property - net		**-**	412	-
Other intangible assets - net		**25,837**	20,601	197
Deferred tax assets		**144**	29	-
Other noncurrent assets - net		**72**	6,520	229
Loans payable		**(1,792)**	(15,353)	-
Accounts payable and accrued expenses		**(6,209)**	(19,326)	(450)
Income and other taxes payable		**(2)**	(754)	(119)
Long-term debt - net of debt issue costs		**(8,069)**	(19,411)	(210)
Deferred tax liabilities		**(740)**	(1,496)	(91)
Other noncurrent liabilities		**(11,376)**	(853)	(1,779)
Non-controlling interests		**(3,351)**	(10,900)	(691)
Net assets		**3,974**	17,201	2,131
Cash and cash equivalents		**(1,477)**	(12,011)	(463)
Goodwill in subsidiaries	*4, 18*	**1,572**	18,272	732
Investment at equity		**(3,569)**	(4,871)	(1,625)
Revaluation increment		**12**	-	-
Net cash flows		**P512**	P18,591	P775

**As restated (Note 3).*

39. 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 P126 and P259 as of December 31, 2013 and 2012, 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 P327 and P776 as of December 31, 2013 and 2012, 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, 2013, 3,410,250 common shares under the ESPP were cancelled and held in treasury (Note 25).

There were no shares offered under the ESPP in 2013 and 2012.

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 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 10-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 2013 and 2012.

Options to purchase 13,660,856 shares and 15,888,431 shares in 2013 and 2012, respectively, were outstanding at the end of each year. Options which were exercised and cancelled totaled 3,024,920 shares and 3,061,093 shares in 2013 and 2012, 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 second year and the remaining option lot is fully vested on the third 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:

	2013		2012	
	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	**11,456,960**	**P69.79**	13,633,452	P68.09
Exercised during the year	**(807,234)**	**57.54**	(1,563,043)	55.66
Expired during the year	**(933,291)**	**70.30**	(613,449)	68.01
Number of shares at end of year	**9,716,435**	**70.76**	11,456,960	69.79
Class "B"				
Number of shares at beginning of year	**5,228,816**	**71.10**	6,113,417	70.52
Exercised during the year	**(403,219)**	**73.03**	(648,672)	65.87
Expired during the year	**(881,176)**	**87.67**	(235,929)	70.39
Number of shares at end of year	**3,944,421**	**67.20**	5,228,816	71.10

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, 2013 and 2012, 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 at 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 P120.33 as of December 31, 2013 and 2012.

The average remaining contractual life of the LTIP was 1 year as of December 31, 2012.

Share-based payment charged to operations, included under "Administrative expenses - personnel expenses" account, amounted to P95, P242 and P303 in 2013, 2012 and 2011, respectively (Note 27).

40. 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 Group's exposure to each of the foregoing risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital.

The Group's principal non-trade related financial instruments 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 Group's trade-related financial assets and financial liabilities 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 Group's outstanding derivative instruments 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 Group's operating and financing activities.

The BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the BOD on its activities.

The Group's risk management policies 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 the Group's 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 Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's 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.

The BOD constituted the Group's 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 Group's financial statements and financial reporting process and the Group's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Group's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Group with legal and regulatory requirements, including the Group's disclosure control and procedures; e) evaluation of management's process to assess and manage the Group's 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 Group's annual report.

The Group's accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

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 Group's 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 Group's investment policy 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 Group's 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 Group's 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. Interest rate movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any;
- fair value reserves arising from increases or decreases in fair values of AFS financial assets reported as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in fair values of hedging instruments designated in qualifying cash flow hedge relationships reported as part of other comprehensive income.

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 P1,579 and P979 in 2013 and 2012, 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, 2013	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	**P29,457**	**P2,494**	**P7,450**	**P24,438**	**P2,080**	**P29,214**	**P95,133**
Interest rate	**6.3131% - 9.33%**	**5.4885% - 9.33%**	**6.145% - 9.33%**	**6.05% - 7.1827%**	**6.3131% - 7.1827%**	**5.93% - 10.5%**	
Foreign currency-denominated (expressed in Philippine peso)	**9,536**	**-**	**13,319**	**-**	**-**	**35,516**	**58,371**
Interest rate	**2%**		**7%**			**4.875%**	
Floating Rate							
Philippine peso-denominated	**1,019**	**12,180**	**2,181**	**2,341**	**2,618**	**7,528**	**27,867**
Interest rate	**PDST-F + margin**	**PDST-F + margin**	**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**	
Foreign currency-denominated (expressed in Philippine peso)	**3,076**	**12,240**	**12,240**	**6,152**	**96,337**	**-**	**130,045**
Interest rate	**LIBOR + margin**	**LIBOR + margin**	**LIBOR + margin**	**LIBOR + margin**	**LIBOR + margin**		
	P43,088	**P26,914**	**P35,190**	**P32,931**	**P101,035**	**P72,258**	**P311,416**

December 31, 2012*	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P2,282	P31,054	P3,038	P7,817	P24,681	P23,194	P92,066
Interest rate	6.3212% - 9.33%	6.3212% - 9.33%	5.4885% - 9.33%	6.145% - 9.33%	6.05% - 7.1827%	5.93% - 10.5%	
Foreign currency-denominated (expressed in Philippine peso)	-	24,400	-	12,315	-	-	36,715
Interest rate		2%		7%			
Floating Rate							
Philippine peso-denominated	514	914	11,664	1,097	1,098	2,404	17,691
Interest rate	PDST-F + margin	PDST-F + margin	PDST-F + margin	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	
Foreign currency-denominated (expressed in Philippine peso)	462	11,494	56,216	8,855	3,225	-	80,252
Interest rate	LIBOR + margin	LIBOR + margin	LIBOR + margin	LIBOR + margin	LIBOR + margin		
	P3,258	P67,862	P70,918	P30,084	P29,004	P25,598	P226,724

**As restated (Note 3).*

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's 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 Group's 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, 2013		December 31, 2012*	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$1,354**	**P60,037**	US$861	P35,323
Trade and other receivables	**1,160**	**51,472**	1,331	54,644
Prepaid expenses and other current assets	**51**	**2,285**	28	1,138
AFS financial assets	**7**	**314**	12	491
Noncurrent receivables	**191**	**8,464**	59	2,445
	2,763	**122,572**	2,291	94,041
Liabilities				
Loans payable	**478**	**21,230**	1,098	45,072
Accounts payable and accrued expenses	**1,509**	**66,971**	1,212	49,705
Long-term debt (including current maturities)	**4,244**	**188,416**	2,849	116,967
Finance lease liabilities (including current portion)	**2,351**	**104,392**	2,474	101,506
Other noncurrent liabilities	**507**	**22,494**	249	10,207
	9,089	**403,503**	7,882	323,457
Net foreign currency - denominated monetary liabilities	**(US$6,326)**	**(P280,931)**	(US$5,591)	(P229,416)

**As restated (Note 3).*

The Group reported net foreign exchange gains (losses) amounting to (P19,436), P11,373 and (P824) in 2013, 2012 and 2011, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 32). 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, 2013	**44.395**
December 31, 2012	41.050
December 31, 2011	43.840

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. Foreign exchange movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses;
- translation reserves arising from increases or decreases in foreign exchange gains or losses recognized directly as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in foreign exchange gains or losses of the hedged item and the hedging instrument.

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):

December 31, 2013

	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	**(P1,003)**	**(P1,053)**	**P1,003**	**P1,053**
Trade and other receivables	**(209)**	**(1,097)**	**209**	**1,097**
Prepaid expenses and other current assets	**(51)**	**(36)**	**51**	**36**
AFS financial assets	**-**	**(7)**	**-**	**7**
Noncurrent receivables	**(174)**	**(139)**	**174**	**139**
	(1,437)	**(2,332)**	**1,437**	**2,332**
Loans payable	**30**	**469**	**(30)**	**(469)**
Accounts payable and accrued expenses	**548**	**1,344**	**(548)**	**(1,344)**
Long-term debt (including current maturities)	**4,244**	**2,971**	**(4,244)**	**(2,971)**
Finance lease liabilities (including current portion)	**2,351**	**1,645**	**(2,351)**	**(1,645)**
Other noncurrent liabilities	**74**	**128**	**(74)**	**(128)**
	7,247	**6,557**	**(7,247)**	**(6,557)**
	P5,810	**P4,225**	**(P5,810)**	**(P4,225)**

December 31, 2012*

	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	(P563)	(P694)	P563	P694
Trade and other receivables	(223)	(1,263)	223	1,263
Prepaid expenses and other current assets	(28)	(20)	28	20
AFS financial assets	-	(12)	-	12
Noncurrent receivables	(36)	(48)	36	48
	(850)	(2,037)	850	2,037
Loans payable	317	1,003	(317)	(1,003)
Accounts payable and accrued expenses	566	1,043	(566)	(1,043)
Long-term debt (including current maturities)	2,819	2,004	(2,819)	(2,004)
Finance lease liabilities (including current portion)	2,473	1,731	(2,473)	(1,731)
Other noncurrent liabilities	124	211	(124)	(211)
	6,299	5,992	(6,299)	(5,992)
	P5,449	P3,955	(P5,449)	(P3,955)

**As restated (Note 3).*

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 in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 payments used for liquidity management.

December 31, 2013

	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	**P191,613**	**P191,613**	**P191,613**	**P -**	**P -**	**P -**
Trade and other receivables - net	**168,141**	**168,141**	**168,141**	**-**	**-**	**-**
Option deposit (included under "Prepaid expenses and other current assets" account)	**1,110**	**1,110**	**1,110**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account)	**681**	**681**	**681**	**-**	**-**	**-**
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**117**	**117**	**117**	**-**	**-**	**-**
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	**42,406**	**42,431**	**411**	**41,895**	**125**	**-**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	**25,297**	**25,297**	**-**	**25,297**	**-**	**-**
Restricted cash (included under "Other noncurrent assets" account)	**1,800**	**1,800**	**1,800**	**-**	**-**	**-**
Financial Liabilities						
Loans payable	**143,226**	**143,787**	**143,787**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities and IRO)	**116,919**	**116,919**	**116,919**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**455**	**455**	**455**	**-**	**-**	**-**
Long-term debt (including current maturities)	**307,497**	**372,608**	**56,270**	**38,984**	**193,287**	**84,067**
Finance lease liabilities (including current portion)	**195,048**	**267,467**	**20,140**	**22,036**	**70,036**	**155,255**
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO and ARO)	**5,086**	**5,119**	**-**	**4,849**	**13**	**257**

December 31, 2012*

	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	P125,507	P125,507	P125,507	P -	P -	P -
Trade and other receivables - net	122,544	122,544	122,544	-	-	-
Option deposit (included under "Prepaid expenses and other current assets" account)	1,026	1,026	1,026	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	91	91	91	-	-	-
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)	1,621	1,735	181	1,155	399	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	17,069	17,069	-	17,069	-	-
Financial Liabilities						
Loans payable	151,097	151,705	151,705	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities and IRO)	84,194	84,194	84,194	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	315	315	315	-	-	-
Long-term debt (including current maturities)	224,045	267,126	14,898	77,078	145,243	29,907
Finance lease liabilities (including current portion)	195,153	276,599	18,836	19,420	65,964	172,379
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO and ARO)	3,982	3,990	342	3,376	30	242

**As restated (Note 3).*

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 the Group's 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 Group's 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 Group's 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 Group's 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 Group's 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	**2013**	2012*
Cash and cash equivalents	*9*	**P191,613**	P125,507
Trade and other receivables - net	*10*	**168,141**	122,544
Option deposit	*12*	**1,110**	1,026
Derivative assets	*12*	**681**	91
Financial assets at FVPL	*12*	**117**	147
AFS financial assets	*12, 14*	**42,406**	1,621
Noncurrent receivables and deposits - net	*19*	**25,297**	17,069
Restricted cash	*19*	**1,800**	-
		P431,165	P268,005

**As restated (Note 3).*

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 plants 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 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 primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder value.

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 shares and cumulative translation adjustments 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 Group's external environment and the risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The Group, except for BOC which is subject to certain capitalization requirements by the BSP, is not subject to externally imposed capital requirements.

41. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments:

	December 31, 2013		December 31, 2012*	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P191,613**	**P191,613**	P125,507	P125,507
Trade and other receivables - net	**168,141**	**168,141**	122,544	122,544
Option deposit (included under "Prepaid expenses and other current assets" account)	**1,110**	**1,110**	1,026	1,026
Derivative assets (included under "Prepaid expenses and other current assets" account)	**681**	**681**	91	91
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**117**	**117**	147	147
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	**42,406**	**42,406**	1,621	1,621
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	**25,297**	**25,297**	17,069	17,069
Restricted cash (included under "Other noncurrent assets" account)	**1,800**	**1,800**	-	-
Financial Liabilities				
Loans payable	**143,226**	**143,226**	151,097	151,097
Accounts payable and accrued expenses (excluding current retirement liabilities and IRO)	**116,919**	**116,919**	84,194	84,194
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**455**	**455**	315	315
Long-term debt (including current maturities)	**307,497**	**326,940**	224,045	239,453
Finance lease liabilities (including current portion)	**195,048**	**195,048**	195,153	195,153
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO and ARO)	**5,086**	**5,086**	3,982	3,982

**As restated (Note 3).*

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 0.4% to 3.8% and 0.5% to 4.3% as of December 31, 2013 and 2012, respectively. The discount rates used for foreign currency-denominated loans range from 0.2% to 2.9% and 0.2% to 0.8% as of December 31, 2013 and 2012, 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 profit or loss. Details are as follows:

Freestanding Derivatives
Freestanding derivatives consist of commodity and currency derivatives entered into by the Group.

Currency Forwards
The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$1,445 and US$963 as of December 31, 2013 and 2012, respectively, and with various maturities in 2014 and 2013. The net positive (negative) fair value of these currency forwards amounted to P640 and (P217) as of December 31, 2013 and 2012, respectively.

Commodity Swaps
The Group has outstanding swap agreements covering its aluminum requirements, with various maturities in 2014 and 2013. 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 960 and 525 metric tons as of December 31, 2013 and 2012, respectively. The net positive (negative) fair value of these swaps amounted to (P6) and P2 as of December 31, 2013 and 2012, respectively.

The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2014 and 2013. 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 2.0 and 0.5 million barrels as of December 31, 2013 and 2012, respectively. The positive fair value of these swaps amounted to P6 and P30 as of December 31, 2013 and 2012, respectively.

Commodity Options
The Group has outstanding bought and sold options covering its wheat requirements with notional quantities of 174,248 and 85,457 metric tons as of December 31, 2013 and 2012, respectively. These options can be exercised at various calculation dates in 2014 and 2013 with specified quantities on each calculation date. The net negative fair value of these options amounted to P186 and P41 as of December 31, 2013 and 2012, respectively.

The Group has outstanding bought and sold options covering its soybean meal requirements with notional quantity of 7,439 metric tons as of December 31, 2011. These options can be exercised at various calculation dates in 2012 with specified quantities on each calculation date. The negative fair value of these options amounted to P5 as of December 31, 2011. There were no outstanding options on the purchase of soybean meal as of December 31, 2013 and 2012.

The Group has outstanding commodity options covering its crude oil requirements with notional quantity of 1.0 and 0.2 million barrels as of December 31, 2013 and 2012, respectively. These call and put options can be exercised at various calculation dates in 2014 and 2013 with specified quantities on each calculation date. The net positive (negative) fair value of these options amounted to (P41) and P15 as of December 31, 2013 and 2012, respectively.

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$183 and US$182 as of December 31, 2013 and 2012, 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 positive (negative) fair value of these embedded currency forwards amounted to (P163) and P38 as of December 31, 2013 and 2012, respectively.

Embedded Currency Options
The total outstanding notional amount of currency options embedded in non-financial contracts amounted to US$3 and US$14 as of December 31, 2013 and 2012, respectively. 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 and P6 as of December 31, 2013 and 2012, respectively.

The Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P2,448, (P1,270) and P182 in 2013, 2012 and 2011, respectively.

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

	2013	2012
Balance at beginning of year	**(P224)**	P3
Net change in fair value of non-accounting hedges	**2,448**	(1,270)
	2,224	(1,267)
Less fair value of settled instruments	**1,998**	(1,043)
Balance at end of year	**P226**	(P224)

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, 2013			December 31, 2012		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P681**	**P681**	P -	P91	P91
Financial assets at FVPL	**117**	**-**	**117**	147	-	147
AFS financial assets	**1,712**	**40,694**	**42,406**	1,546	75	1,621
Financial Liabilities						
Derivative liabilities	**-**	**455**	**455**	-	315	315

The Group has no financial instruments valued based on Level 3 as of December 31, 2013 and 2012. 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 measurements.

42. Registration with the Board of Investments (BOI)

- SMC Global

  On August 21, 2007, SEPC was registered with the BOI under the Omnibus Investment 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 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, 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.

  In 2013, SMCPC and SCPC were granted incentives by the BOI on a pioneer status with non-pioneer incentives as operator of their respective power plant for six years beginning December 2015 and February 2016, respectively, or start of commercial operations whichever is earlier, subject to the representations and commitments set forth in the application for registration, the provisions of Omnibus Investment Code of 1987, the rules and regulations of the BOI and the terms and conditions prescribed. The project registration status shall be automatically downgraded to non-pioneer incentives with four years ITH when certain terms and conditions are not met. The ITH incentive availed was limited only to the sale of power generated 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 or will not be cleared for zero duty rate if capital equipment applied for importation are not ordered within the effectivity of the certification. Advanced authority to import capital equipment was granted on May 21, 2013.

- SMPFC

  Certain operations of consolidated subsidiaries of SMPFC are registered with the BOI as pioneer and non-pioneer activities. As registered enterprises, these 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 Omnibus Investments Code of 1987, 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 under Registration No. 2008-192, in accordance with the provisions of the Omnibus Investments Code of 1987 on a pioneer status as New Producer of Hogs on July 30, 2008. As a BOI-registrant, the Sumilao Project is entitled to incentives which include, among others, ITH for a period of six years, extendable under certain conditions to eight years, from February 2009 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

- Petron

  Mixed Xylene, Benzene, Toluene (BTX) and Propylene Recovery Units
  On October 20, 2005, Petron registered with the BOI under the Omnibus Investments Code of 1987 (EO No. 226) as: (1) a non-pioneer, new export producer status of Mixed Xylene; (2) a pioneer, new export producer status of Benzene and Toluene; and (3) 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 70% of the production of Mixed Xylene and 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 four years from May 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration for Mixed Xylene subject to base figure of 120,460 metric tons per year representing Petron's highest attained production volume for the last three years; (2) 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 (3) 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 ten 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 70% of production output of Mixed Xylene and 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 date of registration.

f. Importation of consigned equipment for a period of ten 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 70% production of Mixed Xylene and 50% of combined production of Benzene and Toluene.

h. Petron may qualify to import capital equipment, spare parts, and accessories at zero (one percent for Propylene) duty from date of registration up to June 5, 2006 pursuant to EO No. 313 and its Implementing Rules and Regulations.

Mixed Xylene entitlement period ended in April 2012 and registration with BOI was cancelled on August 10, 2012.

Petron was granted a one-year extension of ITH incentive for its propylene sales.

Fluidized Bed Catalytic Cracker (PetroFCC) Unit
On December 20, 2005, the BOI approved Petron's application under RA No. 8479 for new investment at 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 three percent 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 three percent 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 Omnibus Investments Code of 1987 (EO No. 226). 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 ten 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 zero duty from date of registration up to June 16, 2011 pursuant to EO 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.

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 based in the formula of the ITH rate of exemption.

b. Minimum duty of three percent 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 three percent duty imposed on the imported counterpart.

e. Exemption from real property tax on production equipment or machinery.

f. Exemption from contractor's tax.

70 MW Solid Fuel-Fired Power Plant
On February 14, 2013, Petron registered with the BOI as an expanding operator of a 70 MW Solid Fuel-Fired Power Plant on a pioneer status under Omnibus Investments Code of 1987 (EO No. 226). 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 EO 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 EO No. 70, whichever is earlier.

c. Importation of consigned equipment for a period of ten years from the date of registration subject to the posting of re-export bond.

Yearly certificates of entitlement have been timely obtained by Petron to support its ITH credits.

- SMYAC

  SMYAC is registered with the BOI as a new domestic producer of glass containers for the new production facility (Phase I) and as expanding producer of glass containers for the expansion of the existing production facility (Phase II), both on a non-pioneer status under the Omnibus Investments Code of 1987.

  As a registered enterprise, SMYAC is entitled to the following ITH benefits:

  a. Phase I - for a period of four years from February 2007 or actual start of commercial operations, whichever is earlier, but in no case earlier than March 23, 2005, the date of registration; and

  b. Phase II - for a period of three years from August 2007 or actual start of commercial operations, whichever is earlier, but in no case earlier than March 23, 2005, the date of registration.

  SMYAC's entitlement for ITH for Phase I expired in August 2010 while the entitlement for ITH for Phase II was extended until November 2012.

43. Events After the Reporting Date

a. *Issuance of Philippine Peso-denominated Bonds by SMB*

The BOD of SMB approved on its meeting on February 7, 2014, the issuance by SMB of Philippine peso-denominated bonds of up to P15,000, subject to an option on the part of SMB to increase the amount by up to P5,000 in case of an oversubscription. The bond issuance will have a minimum tenor of seven years and a maximum of 15 years. The proceeds thereof will be used to refinance Series B of the P38,800 Bonds, maturing on April 4, 2014. The BOD has also delegated to the Management of SMB the authority to determine, negotiate and finalize the terms and conditions of the issuance, including the interest rates, tenor and listing thereof.

b. *Sale of 470,000,000 Petron Common Shares by PCERP*

On March 26, 2014, PCERP sold 470,000,000 common shares of Petron at a price of P11.50 per share through the facilities of PSE with settlement date of April 1, 2014.

44. 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 March 27, 2014, 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 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. All these cases have already been submitted for decision, with the exception of case number 8748, which is up for pre-trial conference.

- 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 royalties earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to the 20% final tax. However, the BIR is of the position that said royalties are business income subject to the 30% regular corporate tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment issued last January 7, 2013, the BIR denied IBI's protest and reiterated the 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 is still pending before the said court.

For the taxable year 2010, on November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice (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.

- Tax Credit Certificates Cases

In 1998, the BIR issued a deficiency excise tax assessment against Petron relating to Petron's 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 March 27, 2014.

- 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. However, in June 2002, Petron, together with Shell and Chevron, entered into an MOU with the City of Manila and the DOE, agreeing to scale down operations, recognizing that this was a sensible and practical solution to reduce the economic impact of Ordinance No. 8027. In December 2002, in reaction to the MOU, 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 (the 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, 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. On September 25, 2012, Petron sought clarification and partial consideration of the August 24 decision and prayed for the nullification of the entire Ordinance No. 8119. In an order dated December 18, 2012, the RTC of Manila denied the motion filed by Petron. Petron filed a notice of appeal on January 23, 2013. In an order dated February 6, 2013, the RTC of Manila ordered the records of the case be forwarded to the Court of Appeals. On April 15, 2013, Petron received an Order dated April 1, 2013 requiring it to file its appellant's brief. Petron submitted its appellant's brief on July 29, 2013. On December 19, 2013, Petron, through its counsel, received the City of Manila's appellee's brief dated December 12, 2013. As of March 27, 2014, 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. As of March 27, 2014, the petitions remained pending.

- 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.

In 2009, complaints for violation of the Philippine Clean Water Act of 2004 (RA No. 9275, the Clean Water Act) and homicide and less serious physical injuries were filed against Petron. Complainants claim that their exposure to and close contact with waters along the shoreline and mangroves affected by the oil spill has caused them major health problems. On February 13, 2012, an Information was filed against the owner and the Captain of MT Solar I and the former President and Chairman of Petron for violation of the Clean Water Act. On March 28, 2012, the court dismissed the information for lack of probable cause and for lack of jurisdiction over the offense charged. The Provincial Prosecutor and the private prosecutor filed a motion for reconsideration of this March 28 Order of the court. On August 13, 2012, the court issued an order denying the said motion for reconsideration.

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 for both cases amounted to P292. Both cases are still pending as of March 27, 2014.

- Generation Payments to PSALM

  SPPC disputed the claims of PSALM for generation payments. The claims arose from differing interpretations of certain provisions in the IPPA Agreement related to generation payments, the fees payable to PSALM for the generation of power to customers. SPPC's management is in discussions with PSALM to secure a common understanding through amicable means. However, management and its legal counsel assessed that SPPC's bases for the amounts due to PSALM are consistent with the terms of the Ilijan IPPA Agreement. The outcome of these claims is uncertain; accordingly, the amount cannot be presently determined.

b. *Master Year Limited (MYL)*

On June 29, 2012, MYL purchased a total of 368,140,516 common shares of the Parent Company. The sale was transacted at the PSE thru a special block sale at the price of P75.00 per share.

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 shares of stock of the Parent Company at the PSE at P58.00 per share.

c. *Commitments*

The outstanding purchase commitments of the Group as of December 31, 2013 amounted to P35,606.

Amount authorized but not yet disbursed for capital projects as of December 31, 2013 is approximately P27,600.

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 P44.395 and P41.05 in 2013 and 2012, respectively, for consolidated statements of financial position accounts; and average rates of P42.43, P42.24 and P43.31 in 2013, 2012 and 2011, 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 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 interim price will be effective for 90 days until a new cap is decided upon. As of December 31, 2013, the outcome of this case cannot be presently determined.

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, the Group recognized a reduction in the sale of power and liability for the portion already collected.

f. *Electric Power Industry Reform Act of 2001*

RA No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA) sets forth the following: (a) 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; (b) 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 (c) 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 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

g. Certain amounts in prior year have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations for any period.

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The company's common stock is listed and traded at the Philippine Stock Exchange. However, only Filipino citizens or corporations or associations at least 60% of the capital of which is owned by Filipino citizens can own common shares. SMC American Depositary Receipts are traded over-the-counter in the United States.
JPMorgan Chase & Co. serves as depository bank.

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